MORNINGTON SHIRE COUNCIL

I hereby give notice that an Ordinary Meeting of Council will be held on:

Date:	**Wednesday, 22 April 2020**
Time:	**9:00**
Location:	**Council Chamber**
	Mission Road
	Gununa

BUSINESS PAPER

Ordinary Council Meeting

22 April 2020

Frank Mills

Chief Executive Officer

To empower our Community – Our people

To feel solid and strong like the rock in Mundalbe

To taste and hear the breaking waves of change

To establish clean, safe, healthy lifestyles togetherness

Pride and respect for each other in our culture, achievements and successes.

To see and smell the compassion and peacefulness of our community

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1 OPENING OF MEETING

2 PRESENT

3 APOLOGIES

4 DISCLOSURE OF INTEREST – COUNCILLORS AND STAFF

5 CONDOLENCES AND MEMORIALS

6 CONFIRMATION OF MINUTES

Ordinary Meeting - 15 April 2020

Special Meeting - 20 April 2020

7 BUSINESS ARISING

8 ACTION SCHEDULE

Nil

9 CALL FOR ITEMS OF GENERAL BUSINESS

RECEPTION & CONSIDERATION OF COMMITTEE REPORTS

10 COMMITTEE REPORTS

Nil

RECEPTION & CONSIDERATION OF OFFICERS REPORTS

11 MAYOR AND COUNCILLORS REPORTS

Nil

12 CHIEF EXECUTIVE OFFICER'S REPORTS

12.1 CHIEF EXECUTIVE OFFICER REPORT FOR THE MONTH OF APRIL 2020.

Author: **Chief Executive Officer**

Attachments: **Nil**

PURPOSE (EXECUTIVE SUMMARY)

The purpose of this report is to provide Council with an overview of the day to day activities and movements of the Chief Executive Officer since the last report to Council.

BACKGROUND & PREVIOUS COUNCIL CONSIDERATION

Since the last Chief Executive Officer report to Council, tabled at the March 2020 Ordinary Council meeting, the Chief Executive Officer has primarily been involved with the day to day measures required to combat the coronavirus COVID-19 pandemic. Other areas of importance include executive management, staffing and organisational performance, local government elections, funding, project management and meetings with relevant government agencies which include:

COVID 19 – Between 85 – 90% of the Chief Executive Officers working day is now consumed by COVID-19 related matters including attendance at daily teleconferences hosted by the State Disaster Coordination Centre (SDCC), District Disaster Management Group (DDMG), the Deputy Premier and Director General of the Department of Aboriginal and Torres Strait Islander Partnerships (DATSIP), Councils Local Disaster Management Group and the myriad of government and non-government agencies now involved with COVID-19 and Mornington island.

DRFA – Disaster Recovery Funding Agreements – Tropical Cyclone Esther/Tropical Low – Council has engaged Kelly Barbarich and SBSM Investments Pty Ltd to carry out an assessment of Council's road network when weather permits. Final approval for the additional works is now being carried out.

Hobsons Bay City Council – Ongoing discussions have been held with Marg Scanlon of Hobsons Bay City Council regarding the sourcing and provision of suitable project management and human resource staff to assist Mornington Shire Council. An advertising campaign will be undertaken by Hobsons Bay to support this process.

MACDONNELLS LAW - Seaswift Jetty collision court action, a request for further information from SeaSwift's legal advisors has now been met and instructions are now being compiled as to the next step in preparation for court proceedings.

Government and Ministerial Champion – a proposed visit by Council's Government Champion for 9th May 2020, will now be postponed in light of COVID-19.

Department of Local Government Racing and Multi-Cultural Affairs – proposed date for elected member training of 29th April 2020, yet to be confirmed.

FINANCIAL & RESOURCE IMPLICATIONS

Nil

RECOMMENDATION

That Council note and receive this report.

13 STAFF REPORTS - FINANCIAL SERVICES

13.1 PAYROLL SERVICE

Author: **Executive Manager of Finance and Human Services**

Attachments: **Nil**

PURPOSE (EXECUTIVE SUMMARY)

This report provides Council with an update on the payroll service investigation, with a particular focus on outsourcing as a short term solution. This report seeks Council approval to outsource the payroll function to a third party supplier for a period of three years.

BACKGROUND & PREVIOUS COUNCIL CONSIDERATION

Council has received a number of reports over past years on the risks associated with the payroll service. These reports can be summarised as follows;

18th July 2018 – Interim Management Letter for 2018

16th January 2019 – Final Management Letter for 2018

21st August 2019 – Interim Management Letter for 2019

16th October, 2019 – Final Management Letter for 2019

All these reports have commented time and time again on the deficiencies Council has with the current payroll service. Some of these deficiencies are as follows;

- Incorrect pays to staff, both underpayments and overpayments
- Incorrect superannuation obligations being paid and not paid
- Incorrect tax obligations to the ATO
- Incorrect deductions being made
- Poor timesheet and paperwork controls
- Poor payroll processes
- Poor payroll system

Largely these deficiencies and ultimately risks are caused by poor systems, processes and a lack of knowledge.

Whilst Council can address system and process issues by introducing new measures, knowledge takes many years to address. The Australian Payroll Institute suggests that a minimum of 3 years knowledge plus a recognised qualification should be a minimum for any payroll professional. The writer reflects on his own early years of career development and it was three years in a well organised and structured organisation with advancement into a Bachelor of Business Degree before he was deemed to be sufficiently experienced and skilled to begin the pathway into the payroll service. Mornington Shire Council does not have a well controlled environment, so it is envisaged the timeframe will be longer, though a large part of the unknown timeframe would come down to the personal drive a staff member has to get trained and strive for personal development.

It is strongly suggested the time has come for change else Council will face the same risks over and over again.

Expressions of Interest from a number of third party suppliers have been sought and these have been analysed by the Executive Manager Finance and Human Services and Finance and Administration Manager. The analysis indicates the following;

- More cost effective payroll service can be achieved. A projected saving of over $120,000 per annum compared to the current service cost that involves 1.66 FTE. At worse case the payroll service should be a 0.5 FTE service and this is reflected in the service offerings from the outsourcing organisations.
- The deficiencies / risks will be managed by a competent service provider with a strong payroll process and system.
- Integration into Xero financial system is seamless.
- Training will be required for all staff on a cloud payroll system, thus increasing the skillset for every employee.
- Training will also be required for every manager / supervisor on their responsibilities to ensure they are approving payroll related matters appropriately.
- Integration with a HRM system is possible. Council currently does not have a HRM system and this does create risks.
- Business continuity assured
- Payroll compliance assured
- Current local resources can in the interim be trained / educated on the payroll service in a structured manner (qualifications to be obtained). It is estimated, best case scenario, this will take 3 years of continuous study. Once a local resource has achieved this professional standing, the service can be immediately returned to be within Council's organisation structure.
- Current local resources will be multi-skilled into other financial tasks until payroll is undertaken internally. This makes the resources more knowledgeable and valuable for their own career advancement. They then can explore taking on more senior roles which are generally the domain of "off-island" resources, thus cutting down the number of "off-island" resources required and helps Council get closer to the goal of attaining 80% local employment. When our local resources are at the necessary skill point on the financial tasks, Council can then remove another "off-island" resource and obtain direct savings of $120,000. This should be achievable over the next 12 months for the more routine financial tasks, but payroll is a longer journey.

FINANCIAL & RESOURCE IMPLICATIONS

As detailed above

RECOMMENDATION

1. That Council approve the principle of outsourcing the payroll service to a third party supplier for three years.
2. That a formal management presentation from any preferred outsourcing providers is undertaken before any contractual agreement is approved by the CEO for appointing a third party supplier for three years.
3. That a formal training and education plan be developed for local resources and approved by the CEO to ensure the service is assured of being provided in-house after 3 years.

13.2 MANAGING THE SUSTAINABILITY OF LOCAL GOVERNMENT SERVICES

Author: **Executive Manager of Finance and Human Services**

Attachments:
1. **GT Sustainability Report 1**
2. **GT Sustainability Report 2**
3. **QAO - Managing Sustainability in LG**

PURPOSE (EXECUTIVE SUMMARY)

This report was considered by Council at the January 2020 meeting and the Council resolved to defer this matter until post the Local Government Elections. Accordingly this matter is re-presented to the new Council as verbatim at the January 2020 meeting.

This report provides Council with an excerpt of a report from the Queensland Audit Office and provides Mornington Shire Council with a perspective of the sustainability challenges that currently exist in the organisation and some recommendations to improve. Also included are the first two draft sustainability program reviews from Grant Thornton (GT) which present another external professional opinion on Mornington Shire Council and the challenges it faces with sustainability.

BACKGROUND & PREVIOUS COUNCIL CONSIDERATION

This report will not address all the recommendations from both the QAO and GT reports, however will acknowledge a number of them in the context of financial sustainability and the measures required to address some of the concerns expressed.

Council would be aware from the current budget presentation and previous year's financial statements that Mornington Shire Council has a considerable financial challenge to be sustainable. In actual dollar terms this can be shown as follows;

	2012	2013	2014	2015	2016	2017	2018	2019	Budget 2020
operating revenue	11634420	11136322	12383740	10166833	13708792	13884018	14323866	19968992	21664950
operating expenditure	12621488	10158797	9624725	15224826	18723464	16048525	20372321	29191624	25055050
operating result	-987068	977525	2759015	-5057993	-5014672	-2164507	-6048455	-9222632	-3390100
operating surplus ratio	-8.48%	8.78%	22.28%	-49.75%	-36.58%	-15.59%	-42.23%	-46.18%	-15.65%

The above results indicate a continuation of operating losses for many years. To be financially sustainable this must stop.

Whilst a dramatic attempt has been made to this years budget to improve the situation, even if this years result is achieved it is still over $3 million from an operating surplus.

In terms of strategies to become sustainable the following areas need further development;

- Revenue generation and control
- Labour Management (including contractors) – (45% of expenditure budget)
- Materials and Services – (28% of expenditure budget)
- Capital Expenditure and Asset Management (23% of expenditure budget reflected as depn)
- Service Delivery Expectations

Revenue generation and control

It is a challenge to increase traditional Council revenue streams of rates and grants on a remote island without true ratepayers. This situation is not likely to change soon and so Council's traditional services of roads, rates and rubbish will be an ongoing challenge. Notwithstanding this, the introduction of the general services charge has had a 3 – 4% increase on operational revenue for 2019/20.

However Council also has many opportunities that are not traditional services to increase revenue generation that are currently not being pursued. One of the main reasons for this is programs are not treated as "businesses". There is a distinct lack of a business mindset within the organisation. A business mindset is about growth, making a profit, improving services, retaining customers and above all else having a plan. The GT reports on Housing, Barge and the accompanying SWOT analysis across all directorates suggest an acute lack of planning across the entire organisation. The quotation from Benjamin Franklin is quite relevant;

"If you fail to plan, you are planning to fail".

Council has programs that should be making sound commercial returns without too much anxiety. As an example, it has an accommodation program with a Motel and Visitors Accommodation Complex that in 2018/19 had a return on investment (ROI) of 27%. Whilst this return is pleasing, research suggests the ROI should be between 30 – 40% in regional areas, let alone on Mornington Island where it would be classified as remote and as such its ROI could be determined at higher levels. For example, a nightly room increase of around 20% would achieve a ROI of 40%.

These pricing regimes and ROI may differ for each service program. However each service program should be setting its pricing of services on a definitive plan of service, known service costs / budget, with appropriate profits where appropriate. Not all programs maybe able to achieve the desired rates of return or profit and this could then be an area Council has to be prepared to continue funding, decrease or cease the service provided or diversify into areas that may realise greater returns. Council's bakery is one example of this challenge. Last financial year the bakery made a loss of $118K. Council maybe comfortable with this level of investment as a "community service obligation" (CSO) to ensure the community has fresh bread and pastries on the island.

The QAO report raises concerns on local government sustainability due a lack of understanding on corporate overhead costs. These are akin to the costs of running the business and arguably must be funded before any other service programs. The better understood these services are the further refinement that can be undertaken to decrease these costs as generally speaking these overheads do not provide services "on the ground" to the community. If Council can reduce its footprint in this area, it will free up money for external service provision or alternatively investments into reserves for the provision of assets. A detailed analysis of corporate overhead is required and this must be benchmarked to appropriate external indicators.

The GT Report which undertook a strengths, weaknesses, opportunities and threats (SWOT) analysis across all directorates identified a common desire from directorates and that was for a dedicated grants officer role that can identify funding opportunities that meet Council's goals and objectives and assist in raising funding levels to provide council services.

To ensure transparency of decision making with appropriate return on investments, Council should set some firm pricing parameters for each program. If these are set before the budget process commences, program managers can then provide a budget that attains the desired returns. In line with this requirement this report suggests the following actions to remedy poor pricing decisions;

1. **Each service program is to recommend a desired rate of return for pricing of services for approval by Council.**
2. **Where a desired rate of return is not achievable, each program will recommend a maximum level of "community service obligation".**
3. **That the rate of return and CSO recommendations be reported to the March 2020 Council meeting.**

4. **That Council undertake a detailed analysis of corporate overheads by our internal audit contractor and also request advice on appropriate overhead benchmarks.**
5. **Council include within the organisation structure a grants officer role that can work with each service program to identify and secure extra funding for programs.**

Labour Management (including contractors)

The biggest area for improvement is in labour management. As mentioned in the GT report suspected fraud and a poor work ethic is accounting for losses in the housing program. When coupled with a consistent absence rate of between 23-35% across the entire organisation, efficiency and productivity is not conducive. Whilst labour management is but one of the issues, it is by far considered to be the biggest challenge and opportunity for improvement as labour management makes up 45% of Council's total expenditure budget.

Given the average labour percentage for Qld Council's is 31% of total expenditure (2017/18 comparative data from DLGRMA), this would represent a $3.4M saving if Council could cut costs to 31%. This is quite an achievable outcome given the levels of vacancy / absence incurred currently by the Council. In many instances the vacancy / absences need to be made permanent and largely would have very little effect on operational outcomes as Council has proven in many areas it can continue services with out the extra / missing staff, currently around 28 full-time equivalents (FTE). Whilst this is a generalisation, it is certainly true across many Council programs.

Thus this report suggests the following actions to remedy poor labour management issues;

6. **Educate all staff on time theft and appropriate work ethic requirements regarding breaks, personal time, start times, finish times and disappearances.**
7. **Investigate time theft solutions, such as vehicle monitoring, clocking in / out procedures, continual monitoring and supervision.**
8. **Council will commit to a 31% reduction in labour (36/37 FTE) during the next 6-12 months. This will be by natural attrition, turnover and decreasing unproductive work teams and individuals. Redundancies may be negotiated should staff and Council have a mutual desire.**
9. **That each Council directorate prepare a plan of action to achieve the reduction of FTE staff and that this is presented to Council at the March 2020 meeting for adoption.**

Materials and Services

When contractors that are included within Council's organisation structure are excluded from materials and services (as for these comparative purposes they are better reflected as employee costs as we have a number of roles that are contract and occupy organisation positions approved), Council expends 28% of its total expenditure budget on material and services. This compares favourably with the industry average of 42% (2017/18 comparative data from DLGRMA). Council has undertaken a number of recent reforms in this space which include the following;

- Comensura procurement for trades staff under an approved labour hire model
- Vendor Panel installation to enable easier decentralisation of procurement function
- Airfare and Accommodation arrangements now through Corporate Traveller
- ITC servicing reviewed and costs cut by over $100K
- Internal Audit reviewed and supplier changed to a top 5 audit / accounting supplier in Australia
- Work Health & Safety reviewed and now outsourced to a qualified WHS professional
- Tendered for Barge Freight arrangements

- Tendered for Security arrangements
- Current EOI in the marketplace for Payroll Services

However the following services could be investigated / reviewed to ensure a value for money proposition;

- Insurance and / or Brokerage services (being planned for early 2020)
- Legal services
- Banking

Capital Expenditure and Asset Management

Whilst Council has done some great work in the Asset Management space with the assistance of CT Management, Council still does not have a comprehensive Asset Management Plan. It is noted this is an outcome in Council's Corporate and Operational Plan with a due date of June 2021. With the current work being undertaken in this space, this date looks quite achievable.

However, Council does require some policy guidance in this area, particularly in regards to capital expenditure being undertaken. There is generally a lack of controls surrounding capital expenditure. The Council funded capital expenditure budget has been well controlled this year with only one non grant funded project being allowed due to the business case requirements insisted upon. Unfortunately grant funded programs continue to spend more than what has been funded. A recent capital expenditure report suggests near $200K has been overspent on grant funded capital projects in recent times and this overspend ultimately gets funded from available cash.

This control and a few others need to be documented into a policy for Council to maintain effective controls, so "adhoc" capital purchases are not undertaken or overspends become a risk. The overspent from last year and this year to date on capital expenditure that has not been funded will be pursued to find funding from savings in operational expenditure areas to ensure the budget maintains in balance during 2019/20.

Whilst it is difficult to estimate capital expenditure projects, Council has to decide how it will administer "over-runs" in projects from a financial perspective.

Council also needs systems to assist with the project management. There have been numerous instances in the past couple of years where a major lack of project management has hindered Council, both financially and project wise. This is in part due to a lack of corporate knowledge and system to capture essential parts of the management. In essence Council has been managing projects "by the seat of their pants" and this is highlighted in the number of projects that over-run in terms of time and money. It is recommended that Council implement control measures in this space to alleviate the corporate knowledge drain as resources leave the organisation and new staff arrive and unfortunately often have to deal with legacy issues and try their best to pick up the pieces with a limited amount of information. This is both unprofessional and very costly.

To further improve the arrangements surrounding capital expenditure and asset management the following actions are recommended;

10. **That an Asset Management Policy be developed by 30th June 2020.**
11. **That a Capital Expenditure Policy be developed by 31st March 2020.**
12. **That Council implement a project management and control system that will assist with the corporate knowledge requirements of project management by 30th June 2020.**

Service Delivery Expectations

The QAO report raises an acute lack of planning and direction on services / programs throughout local government. The GT report confirms this is very apparent within Mornington Shire Council.

This is a common problem in Councils as they are traditionally funded from rates and grants and thus little consideration is given to the allocation of scarce resources "money" as would normally occur in a business or commercial setting. For Council to make an informed decision about where to spend money and allocate resources it firstly has to have an understanding of the service. This can be undertaken using the service plan template developed by QAO. Once this is compiled, Council is then able to place some priorities upon service delivery and this may highlight the need for a service review. One distinct change will be made to the QAO service plan template for Mornington Shire Council. The QAO template does not include enough clarity on assets employed in the service / program and this is a fundamental role of local councils to be the steward of essential community infrastructure. In commercial programs, all businesses will be aiming to get a return on any assets employed to ensure the viability of the enterprise.

Council's often feel they undertake this process in the budget and corporate planning processes each year and that maybe the case in some cases, but often Councils cannot demonstrate how they came to their allocation of scarce resource decisions. The models suggested by QAO, not only would address the planning clarity required across Mornington Shire Council internally, but also assist in the overall resource allocation and financial sustainability journey that will need to be articulated externally across the community.

Accordingly this report suggests the following actions to be commenced during the 2020/2021 budget and corporate planning arrangements;

13. **That a service plan will be completed for each Council program / service.**
14. **These plans will be presented by each program manager to Council during the May 2020 meeting.**
15. **That Council undertake a prioritisation of Council services in July 2020 using the cost value tool developed by QAO.**
16. **From this prioritisation process Council review all low value, high cost services by 31st October 2020.**
17. **That Council review the high value, high cost services by 31st January 2021.**
18. **That Council review the low value, low cost services by 30th April, 2021.**

FINANCIAL & RESOURCE IMPLICATIONS

As presented in the report

RECOMMENDATION

That Council approve the 18 actions raised in this report.

Grant Thornton
An instinct for growth™

Mornington Shire Council

Internal Audit Report

Project 1-20

Department workshops

November 2019



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Review Date: October 2019

To: Kerry Whiting – Executive Manager Finance & Human Services

Cc: Frank Mills – Chief Executive Officer

Audit Committee

Introduction and summary

This internal audit project involved holding a number of workshops with Council's four departments:

- Corporate Governance, Communications and Human Resources
- Finance and Human Services
- Technical Services
- Infrastructure Services

The aim of the workshops was to facilitate discussion amongst heads of these departments to develop an understanding of the structure and operations of each department as well as their strengths, weaknesses, opportunities and threats (SWOT).

The SWOT analysis identifies the strengths, weaknesses, opportunities and threats within the department. These can be used to develop an action plan for the Council and will also offer an insight into the areas that the department can improve on, the risks to be aware of and the positive themes to reinforce.

The following sections also include a summary of the senior team members in each department as well as identifying who attended the workshops, some key points coming out of the discussions held and, as indicated, a summary of those discussions in the form of a SWOT analysis.

In addition, "focus" categories were considered in order to drive a deeper discussion over the department's operations rather than just discussing the perceived strengths, weaknesses, opportunities and threats. These categories aim to link the department's objectives (documented, informal or implied) to the procedures and processes performed to identify areas of improvement that will ensure the future success of the department. The below comments provide a high level summary of discussions held under each category, or of key findings/comments arising from discussions held.

At the end of the document we have summarised some of the key or recurring findings coming out of the department discussions.

Corporate governance, communications and human resources

Background

The Corporate Governance, Communications and Human Resources department is comprised of a number of sub departments. These are detailed in the adjacent table along with details of the department head and to whom the department provides services.

The department has a range of key stakeholders that are a mixture of internal and external to Council. These include but are not limited to:

Internal
- Councilors
- Other council departments

External
- Community members
- Government departments (State and Commonwealth)
- Funding bodies
- External contractors

Within the Corporate Governance, Communications and Human Resources department there are formal objectives in the Corporate Operational Plan that the department uses to provide a clear view of the direction each department line. The objectives are clearly communicated amongst the management team.

Department / Department line	Name and position	Attended SWOT workshop	Who are services provided to?
Governance and Communication	Tatiana Ah Mat - Executive Manager Corporate Governance and Communication	Yes	All departments within Council
Human Resources	Alona Gilhang - Human Resources Manager	Yes	All departments within Council
Service Delivery	Service Deliver Manager (currently vacant) Note: Cherise Saltmere (Governance and Service Delivery Officer) attended SWOT workshop	N/A	All departments within Council
Training & Development	Training Coordinator (currently vacant)	N/A	All departments within Council

Focus categories

Realising strategic ambitions

The Corporate Governance, Communications and Human Resources Department provides services including recruitment, existing employee file maintenance, compliance with human resource regulations and ensuring that Council meets requirements to be compliant with the Local Government Act, Regulations and other government departments' requirements.

Council has identified sustainable local employment as a priority in the Corporate Plan 2018 – 2023 and the current target is to have a diverse mix of the workforce, employing at least 80% of local indigenous Mornington Shire residents. At the time of the review, Council has hired around 52% (62 Indigenous staff members out of 120 Council employees) of local Indigenous people across all departments. In this regard, it is believed that the Department is working towards achieving its goal. However, no real milestones are set to measure its progress.

Finance growth

Council's main income stream is grant revenue. The Corporate Governance, Communications and Human Resources Department does not have direct involvement in future funding functions and searches for additional revenue streams, however since Council is so reliant on government funding, it is important that good relationships are maintained with the relevant government departments through corporate governance and communication functions.

Manage risk and regulations

At the time of the review, there were three team members in the department, Executive Manager Corporate Governance and Communication, Human Resources Manager, and Governance and Service Delivery Officer. One of the department's main functions is to ensure that Council is compliant with relevant laws and regulations, which can be a challenging task while the department is facing a human resource scarcity and the key person reliance is placed on existing personnel.

Optimise operations

Given the resourcing issues previously identified optimising operations for the department has been an ongoing challenge. An important opportunity for Council is the development of a KPI / benchmark process to monitor staff performance. This will help to identify where new opportunities for employees can be realised, for example training for those that are underperforming or advancement opportunities for high achievers.

Engage leadership and talent

The Council is continuously improving its internal operations, and its organisational chart is reviewed frequently. In the last year, there have been a number of changes in the department's organisational structure mainly due to the inability to retain or attract a skilled workforce for certain roles.

The Human Resource Business Partner position has been deemed no longer necessary because Council has been unable to find the right candidate. This position has been removed from the organisational chart and where needed service is outsourced from a consultancy agency

Maximise stakeholder value

There are a number of stakeholders who have an interest in the Corporate Governance, Communication and Human Resources department success or otherwise.

The direct interest stakeholders include management, Councilors, and the government funders. Value can mean different things to different stakeholders. The management and Councilors are looking for prompt assistance when needed and smooth operations within the department. The funding government bodies are wanting to ensure the appropriate use of those funds in delivering the promised services.

Increasing compliance requirements are taking up more time within the department, however this is accepted as a "fact of life".

SWOT analysis

Strengths	Weaknesses	Opportunities	Threats
• Council has a Corporate Governance and HR department. There is a segregation of duties between payroll and HR function. • HR Manager offers an exit interview for departing personnel. This is an effective tool to receive feedback from leaving personnel, who are more willing to open up in this situation. • Council is currently in the midst of a review of employment contracts. They have contracted Preston Law for further assistance. • The department has a sound understanding of the funding arrangements, cost issues and objectives of the department.	• Key personnel reliance placed on senior management. • Council's roles and position descriptions are not clear and should be in line with the department's needs. • There is a lack of benchmarks, KPI's, metrics and other performance measures to identify whether jobs performed internally are in-line with the organisation's expectations. • At the time of the audit, the risk management framework was in draft and overdue for an annual review. • Department managers have sound knowledge over their field of expertise but knowledge of funding/budget monitoring and maintenance for current and potential programs has scope for improvement. • Inconsistent forms used within the Corporate Governance and Human Resources Department cause delays in processing new staff members' induction procedures and applications for leave. • Council has hired 52% of local indigenous people at the time of the review, while their target is to have a diverse workforce and employ at least 80% of local indigenous people.	• The development of a trainee program for local students in year 10. This would increase the retention of skills within the workforce, economic development and workforce sustainability. • Succession planning would help to retain a skilled workforce. • Retention strategy – develop appropriate procedures and processes to aid in retaining skills and knowledge to strengthen the stability of the Council. • Performance appraisals are performed annually, however, during our review it was identified that some officers had not received a performance appraisal in a while Council should review the occurrence of performance appraisals within business units.	• With current changes in Local Government Regulations there is a threat that Council will be unable to comply with mandatory requirements due to human resource scarcity and reliance placed on contractors.

Finance and human services

Background

The Finance and Human Services department is comprised of a number of sub departments. These are detailed in the adjacent table along with details of the department head and to whom the department provides services.

The department has a range of key stakeholders that are a mixture of internal and external to Council. These include but are not limited to:

Internal
- Councilors
- Other council departments

External
- Community members
- Government departments (State and Commonwealth)
- Police Citizens Youth Club (PCYC)
- External contractors

Within the Finance and Human Services department there are no formal or informal objectives that provide a clear view of the intended direction each department line is to be heading. The objectives are not documented nor did they appear to be clearly communicated amongst the management team. This has been reflected in the SWOT analysis below.

Department / Department line	Name and position	Attended SWOT workshop	Who are services provided to?
Finance & Human Services	Kerry Whiting - Executive Manager Finance & Human Services	Yes	
Finance (including Payroll)	Owen Jensen - Acting Chief Financial Officer	Yes	All departments within Council
Information Technology	Dmitri Bezuglov - IT Manager	Yes	All departments within Council
Warehouse & Barge	Shannon Wells - Warehouse Manager	No	Some departments within Council as well as the Community
Facilities Management	Chantel Harley - Facilities Manager	Yes	Some departments within Council as well as the Community
Workplace, Health & Safety	Tony Walters - ABW compliance consultant	No	All departments within Council
Sport, Recreation & Events	Shane Wylie - Sports Recreation & Events Manager	No	Local community

Focus categories

Realising strategic ambitions

Resourcing issues have had a negative impact on a number of categories including the department's ability to deliver on objectives and values, strategies to increase demand and manage the growth of services provided to stakeholders, and implementing an effective retention strategy. Resourcing issues include staff attendance / motivation, inability to improve local staff skills and knowledge and retention of skilled and knowledgeable staff.

Key to the success of the department is the internal procedures and processes needed to run the department. From the workshop we identified that procedures and policies have not been updated to reflect recent changes in the IT environment, procedures to successfully handle the high staff turnover. Also communication between departments can be lacking at times.

Finance growth

There is an opportunity for financial growth in the department in terms of extending funding streams through various government funding programs to establish a local training facility. This will help to rectify the gap in skills and knowledge or local and non-local staff which will in turn stimulate retention stability.

Manage risk and regulations

There is currently no formal risk register in place. A draft version is in progress but this is yet to be finalised. Further, there isn't a practical risk management system in place that can easily be used by all employees within the Council to identify risks. Management are currently looking into a long term solution for this by way of a database that can be integrated into the current IT system.

The department is confident it is compliant with all applicable laws and regulations with compliance activities are estimated to take up to 30% of management's time.

Optimise operations

Given the resourcing issues previously identified, optimising operations for the department has been an ongoing challenge. Management have identified a number of opportunities to improve staff retention such as improving the housing to employee ratio, building up the ratio of local to non-local staff members and recognising that changes may need to be made in the relationships developed with employees to improve attendance and staff motivation.

An important opportunity for Council is the development of a KPI / benchmark process to monitor staff performance. This will help to identify where new opportunities for employees can be realised, for example training for those that are underperforming or advancement opportunities for high achievers.

Engage leadership and talent

The corporate culture within the Council is essential in enabling the success of the department and Council as a whole. Within the department there is a willingness to develop the skills and knowledge of new and existing staff members. This has been recognised through the implementation of the new IT system, the recognition that there is more development required in terms of training and understanding cost issues, and the development of systems and processes needed for succession planning.

Maximise stakeholder value

Assessing the maximisation of stakeholder value is difficult without defined department objectives to assess against. In addition to defined objectives, it is important they implement measurable KPIs to obtain a clear view of how they are performing in relation to their major stakeholder groups. As an example the monthly / quarterly reports for the department need to be more focused on what the Councillors need rather than what the department may think is needed.

SWOT analysis

Strengths	Weaknesses	Opportunities	Threats
• Management team is willing to develop the skills and knowledge of employees. • All policies and procedures are stored in a central location which can be accessed by all business units. • An integrated IT system within the Council has been implemented. • Finance department is compliant with applicable laws and regulations. • As per Council Corporate Plan the Council will nurture business opportunities that create sustainable local employment and stimulate economic development and investment i.e. supporting local tradespeople by guaranteeing a consistent supply of work.	• The department experiences high staff turnover which necessitates senior management having to take on day to day operations at times. This has resulted in more important tasks being neglected. • The department does not have a key register, documented procedures for day-to-day operations or appropriate filing places for important documents such as leases. • There is a lack of benchmarks, KPIs, metrics and other performance measures to identify whether jobs performed internally are in-line with the department's expectations. • There is no system to track project / job completion. • Some department policies and procedures are out of date and overdue to be updated and implemented/enforced. • Communication between departments isn't at the desired level to allow Council to operate effectively as a whole. Deficiencies in communication are affecting the department's abilities to meet goals and objectives. • While the department remains compliant with applicable laws and regulations, this consumes up to 30% of management time.	• With the implementation of the new IT system, there is an opportunity to develop appropriate processes and reporting tools to aid management in effectively fulfilling their role. • There is an opportunity to develop staff training programs to both fill a need for perceived skills shortages in the department and provide incentive for staff to remain Council employees. This could assist Council to be seen as an employer of choice on the island and in the wider region. • The department could source extended funding streams or new programs through government bodies to fund its staff training program. Further, this could be extended to the establishment of a local training facility with aims of upskilling local staff to take on positions historically filled by non-local staff. • Retention strategy – develop appropriate procedures and processes to aid in retaining skills and knowledge to strengthen the stability of the Council. • Development of a grants officer role or incorporation into an existing role would help to secure additional funding. • Increasing the number of meetings and cross collaboration between departments will establish better communication within Council and better outcomes for Council and the department's objectives.	• The remote location of the Council has a negative impact on staff retention and therefore for the ability to retain vital skills and knowledge within the community. • Lack of formal department goals or objectives could have a negative impact on department performance.

Technical services

Background

The Technical Services department is comprised of a number of sub departments. These are detailed in the adjacent table along with details of the department head and to whom the department provides services.

The department has a range of key stakeholders that are a mixture of internal and external to Council. These include but are not limited to:

Internal
- Councilors
- Other council departments

External
- Community members
- Government departments (State and Commonwealth)
- External contractors

Within the Technical Services department there are some formal objectives that are in line with the Corporate Operational Plan and Council policies. This provides a somewhat clear view of the direction that the department as a whole is to be heading. There are various plans that are in place to put the department objectives into motion, for example a Drinking Water Management Plan.

Department / Department line	Name and position	Attended SWOT workshop	Who are services provided to?
Technical Services	David Torr - Executive Manager Technical Services	Yes	
Water & Sewerage	David Torr - Water & Sewerage Team Leader Note: Jarrod Martin (Plumber) attended SWOT workshop	Yes	Community as a whole
Airport	Allan Secington - Airport Reporting Officer	No	Community as a whole
Civil Works	Works Manager (currently vacant)	N/A	Community as a whole
Animal Management	Graham Edwards - Animal Management Officer / EHO	No	Community as a whole
Waste Management	Harold Cameron - Waste Management Manager	No	Community as a whole
Technical Services	Kati Tuatini - Technical Services Administration	Yes	Technical Services department
Parks & Gardens	Christopher Loogatha - Parks & Gardens Manager	No	Community as a whole

Focus categories

Realising strategic ambitions

As per Council's Operational Budget 2019-20 the Technical Services department has received $2.4m for the areas of water supply, sewerage, waste collection and parks and gardens to ensure that essential services are maintained to a standard equal to any other town in Queensland. With a growing population on Mornington Island, community needs for services provided by the Technical Services department are increasing accordingly.

During an internal audit discussion, it came to our attention that there is an opportunity for an additional water treatment plant. In recent years, the Department of Environment and Energy has released the National Water Security Plan for Cities and Towns, including Indigenous Communities. The plan includes a focus on water production, storage and long term capacity buildings for Indigenous Councils. There is an opportunity for the Council to obtain additional funding from the Federal and State Government and install an additional water treatment facility.

Finance growth

The department is willing to grow and accepts challenges which come along with a changing business environment. In most cases these challenges are associated with insufficient grant funding. Council does not have a grants officer role within the organisation and accordingly the search for additional funding is left to finance and technical teams. There is a lack of clarity over who is responsible for the search for any additional funding. This creates a potential risk that available funding opportunities might be missed.

Manage risk and regulations

The Department of Natural Resources, Mines and Energy monitors and regulates drinking water in Queensland and the Water Supply (Safety and Reliability) Act 2008 applies to drinking water service providers, including councils involved in treating, transmitting or reticulating water for drinking purposes. Under the Act it is required for Mornington Shire Council to have a drinking water quality management plan (DWQMP) in place, and comply with the details of the plan.

The Technical Services department has a DWQMP and the last time it was updated was on 16 October 2017. While the Act does not identify how often the plan should be reviewed, it is recommended to update the plan annually. This can help the department to comply with relevant changes in the Act and other applicable regulations released by government departments.

Optimise operations

The department anticipates implementing lean principles and a philosophy of efficient practices, which would help to create a measurable increase in employee productivity and streamline operations. At the time of the review, the organisation implemented a new Corporate Information System – Sharepoint. The Sharepoint system is a cloud-based technology allowing the department to simplify administrative procedures and replace manually stored paper forms by electronic workflows stored in the cloud.

Engage leadership and talent

The Technical Services department uses various software package for daily operations, including Office 365, Xero, ApprovalMax. During the workshop, it was highlighted that some department members do not feel confident to operate some software packages on day-to-day basis. This has a direct impact on operations optimisation, ability to streamline current process and procedures, and key personnel reliance.

Internal or external software training would benefit the department's team's technical skills and would help to increase productivity per employee within the business unit.

Maximise stakeholder value

The business unit's managers present department performance reports, including operational and strategic matters, to Councillors quarterly during Ordinary Council meetings. This type of communication between internal stakeholders, Councillors and management, appears to work fine.

During the workshop, it was identified there are communication gaps between Council's departments. The effective and clear communication within the organisation is key to efficient operations and one of the ways to maximise internal stakeholder's value.

SWOT analysis

Strengths	Weaknesses	Opportunities	Threats
• Personnel have a sound understanding of the objectives and values of the department. • Senior team members are aware of Water and Sewerage compliance requirements and have a transparent system in place how to keep up with the Federal and State Government requirements. • At the time of the review, there were 40 team members in the Technical department, 36 (90%) out of 40 were local indigenous people. One of the Council's values is to promote local people employment within Council and achieve a goal of 80% of Council personnel being indigenous Mornington Shire residents.	• There are no written process or documented practices within the department to guide the day to day water treatment process. • At the moment Council does not have a Grants Officer role. This can cause a risk that available funding from Federal or State Government can be missed. • The internal charge rates are not reviewed by senior management regularly. Senior management does not have a sound understanding around whether the internal charge rates are to be set at cost or whether they are to be set to make a profit for the department.	• While Council has a water treatment plant in place there is an opportunity to expand dam capacity and build an additional water treatment. • There is an opportunity to schedule more department meetings and establish a better communication within the organisation. • Increasing the number of meetings and cross collaboration between departments will establish better communication within Council and better outcomes for Council and the department's objectives. • An opportunity to review Drinking Water Quality Management Plan annually exists.	• Ergon is a primary and only supplier of power in Mornington Island. There are reoccurring power outages. In the last year, the community experienced six instances of power outage causing difficulties in performing daily tasks, such as water treatment operations. These services were run using generators for a whole weekend due to Ergon unavailability to provide service over the weekend.

Infrastructure services

Background

The Infrastructure Services department is comprised of a number of sub departments. These are detailed in the adjacent table along with details of the department head and to whom the department provides services.

Key stakeholders of this department include but are not limited to:

Internal
- Councilors
- Other council departments

External
- Community members
- Government departments (State and Commonwealth)
- External contractors

Within the Infrastructure Services department there are no formal or informal objectives that provide a clear view of the direction the department and subsequently each department line is to be heading. The objectives are not documented nor did they appear to be clearly communicated amongst the management team. This has been reflected in the SWOT analysis below.

Department / Department line	Name and position	Attended SWOT workshop	Who are services provided to?
Infrastructure	Brad Dickson - Executive Manager Infrastructure	Yes	
Housing – BAS Operations **Housing - New Builds**	Dale Harvey - Housing Manager	Yes	The local community and Council
Workshop	Geoffrey Size - Workshop Manager	No	The local community and Council
Special Projects	Lana Maki - Special Project Manager	No	The local community and Council
Fencing	Vacant - Infrastructure Coordinator Shannon Reid - Fencing Manager	No	The local community and Council
Asset Management	Lea Marshall – Project Accountant	No	All departments within Council
Project & Contract Risk Management	CT Management - Project & Contract Risk Manager	No	The local community and Council
Batching Plant	Ross Ah Fat - Batching Plant Manager	No	The local community and Council
Concreting	Mark Shaw - Concreting Manager	No	The local community and Council

Focus categories

Realising strategic ambitions

The department has experienced high staff turnover in recent times which has resulted in a lack of understanding of strategic direction, the funding environment and future workforce requirements.

Finance growth

There is a significant amount of funding available from both State and Commonwealth Governments for infrastructure projects which can be undertaken by Council. Applications for, and subsequent management of, funding is currently handled by department managers however they are time poor and this role could be better serviced by a dedicated grants officer.

Manage risk and regulations

There is currently no formal risk register in place. A draft version is in progress but this is yet to be finalised. Further, there isn't a practical risk management system in place that can easily be used by all employees within the Council to identify risks. Management are currently looking into a long term solution for this by way of a database that can be integrated into the current IT system.

Security of inventory (particularly products from the batching plant) is considered a high risk for the department.

Optimise operations

Within the department staff below manager level typically have a specific skill set. This has some positive aspects however it also limits the ability for staff to move between roles/tasks as demand requires.

Performance incentives have been introduced to encourage outstanding performance. An example of this exists with local employees who successfully attended a whole week of training. These staff members were awarded with funds to buy tools for their trades.

Engage leadership and talent

The high turnover in leadership positions in recent years has had a negative impact on department performance and understanding of areas including department funding and workforce requirements. The remoteness of the Council is considered a major factor in leadership/staff turnover and putting measures in place to counter this is considered a key focus.

Maximise stakeholder value

Assessing the maximisation of stakeholder value is difficult without defined department objectives to assess against. In addition to defined objectives, it is important they implement measurable KPIs to obtain a clear view of how they are performing in relation to their major stakeholder groups, these being the Councillors, Government departments and the community. As an example the monthly / quarterly reports for the department need to be more focused on what the Councillors need rather than what the department may think it needs.

SWOT analysis

Strengths	Weaknesses	Opportunities	Threats
• All policies and procedures are stored in a central location which can be accessed by all business units. • Performance incentives have been introduced to encourage outstanding performance, e.g. local staff sent to training have attended the whole week which is not a common occurrence within the community. The staff members will be rewarded with a monetary incentive that they can use to buy tools for their trades. • There is an abundance of funding available from the State and Commonwealth governments for infrastructure projects that can be undertaken by the community that lines up with the Corporate and Operational plan.	• There is no system to track project / job completion. • There are no effective processes in place to understand the user experience of stakeholders. • There is no clear understanding of the future workforce requirements of the department. • There is a lack of understanding of the department's funding environment from project managers. • No inventory system is in place to track inventory other than that in the warehouse. • There is no grant officer role in the department or wider Council team. There is a risk funding opportunities could be missed or existing funding could be mismanaged. • Within the department staff below manager level typically have a specific skill set. This limits the ability for staff to move between roles/tasks as demand requires. At times this also necessitates the recruitment of contractors at an increased cost to fill skill shortages. • The department experiences high staff turnover which necessitates senior management having to take on day to day operations at times. This has resulted in more important tasks being neglected. • There is a lack of benchmarks, KPIs, metrics and other performance measures to identify whether jobs performed internally are in-line with the department's expectations.	• Develop a clear costing system/project management tools within the department. • Develop a local security resource to assist with keeping infrastructure and inventory sites secure. • Encourage local staff/contractors to broaden their skill base by undertaking additional training so they are qualified to perform a wider range of tasks. The broader skill set on the island will assist in managing current and future operations of the department. • Review recruiting agency contracts to ensure that appropriate staff are being sought to improve staff retention in leadership positions. • Increasing the number of meetings and cross collaboration between departments will establish better communication within Council and better outcomes for Council and the department's objectives. • With the implementation of the new IT system, there is an opportunity to develop appropriate processes and reporting tools to aid management in effectively fulfilling their role.	• Theft of inventory that is not secured, for example concrete from the batching plant. • Weather events such as cyclones and the wet season slow down / push back projects / jobs. • Ergon is a primary and only supplier of power in Mornington Island. There are re-occurring power outages. In the last year, the community experienced six instances of power outage causing difficulties in performing daily tasks. • The remote location of the Council has a negative impact on staff retention and therefore for the ability to retain vital skills and knowledge within the community. • Lack of formal department goals or objectives could have a negative impact on department performance.

Overall findings

Key findings

From discussions held with various staff in various departments we noted a number of recurring topics that appear to be Council wide issues. We have summarised key focus areas below for elevated consideration by Council management and combined them with high level recommendations.

Finding	Action plan
1. Department goals	
Lack of documented department goals and objectives for staff to work towards.	Key management for each department (with the involvement of the CEO and executive managers) should conduct a strategic direction workshop to discuss and document the goals and objectives for each department as a whole and the various sub departments within. Once completed these should be communicated to all staff in the department and copies should be made readily accessible for staff to access and refer to.
2. Grants officer	
Lack of a dedicated grants officer position was identified by a number of departments. This currently falls to managers within the departments to complete but they are often time poor and sometimes have to prioritise day to day operations over strategic matters like sourcing future funding streams or managing compliance with current funding streams.	Council should investigate creating a standalone grants officer position to source funding that is available for projects as well as assisting department managers with compliance matters and reporting requirements for current funding streams.
3. Staff position descriptions	
Staff position descriptions are incomplete or not aligned to their current tasks	Management of each department should undertake a review of all roles within their department and ensure an accurate position description exists for each required roll. As part of this review management should assess whether its current mix of staffing and experience/competencies meets the needs of the department or whether recruitment or training is necessary to ensure the department has staff with the required experience/competencies necessary for the department to be successful.

Finding	Action plan
4. Staff training	
Staff have insufficient skills or training necessary to be successful in the roles they are in.	As part of the above recommendations management should ensure training opportunities are made available for staff where shortcomings are identified. This could involve the development of a dedicated training centre to help upskill local staff and differentiate Council as an employer of choice on the island to assist in staff retention and recruitment.
5. Staff retention	
Staff retention and turnover was a recurring issue noted in department discussions and is likely the single largest issue affecting Council's future success.	Key management of each department in conjunction with the CEO and executive managers should hold a series of workshops with staff from across the organisation to assess what factors impact their decision to remain as Council employees compared to seeking alternate employment. This should include what the wider staff would like Council to implement that would have a positive impact on their employment and subsequent retention. The feedback from these sessions should be crosschecked against feedback provided in exit interviews held with staff who have departed.
6. Role descriptions and process manuals	
Across the organisation there appears to be an absence of documented role descriptions and process manuals. When there is staff turnover the incoming staff member often has to figure out on their own how the role is performed instead of having a documented manual to refer to. This impacts efficiency and job satisfaction.	Management should work with more experienced staff in each department to develop and document process manuals to assist with a seamless transition where there is staff turnover. This will reduce the supervision time impacts on management as well.
7. Cross department meetings/collaboration	
From discussions held there appears to be a lack of cross department contact and a general lack of understanding of happenings from other departments. Not having a strong understanding of what other departments can do or are doing risks tasks being doubled up, opportunities being missed and an inability to leverage off other departments' skills and expertise.	Management should look at holding regular meetings between heads of different departments to share progress updates and educate other departments on the skills/abilities they possess and where they can assist other departments.

Inherent limitations & Restriction of use

The matters raised in this report came to our attention during the course of our review, as a result of our testing performed. Testing is conducted on a sample basis, over a specific period of time, and our report therefore provides assurance regarding the operating effectiveness of the actual controls tested. The possibility therefore exists that our report may not include all weaknesses that exist or improvements that may be made where these relate to controls not tested as part of this review.

Our review is not a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities. Management should therefore not rely solely on our report to identify all weaknesses that may exist.

Our comments should be read in the context of the scope of our work as detailed in the terms of reference. Where possible, management representations are independently verified, though some findings within this report may have been prepared on the basis of management representations which have not been independently tested.

Suggestions for improvement should be assessed by Mornington Shire Council in their full commercial impact before they are implemented.

This report has been prepared solely for the use of Mornington Shire Council and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

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Mornington Shire Council

Internal Audit Report

Project 2-20

Sustainability of Council Programs
- Community housing programs
- Barge operations

November 2019



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Review Date: October 2019

To: Kerry Whiting – Executive Manager Finance & Human Services

Cc: Frank Mills – Chief Executive Officer

Audit Committee

Internal audit project 2-20
Sustainability of Council programs

About the project

As with many Queensland Indigenous and remote councils, Mornington Shire Council is experiencing significant sustainability issues. Key programs are not being undertaken in accordance with budgets and are incurring losses. Accordingly, Council has nominated this issue as a project(s) for Internal Audit for FY2020.

The project(s) will cover Council's key programs:

- Community housing programs
- Barge operations
- Workshop and plant operations
- Store and warehousing facilities
- Airport operations
- Waste management services

The objectives and scope of work for the above are set out in Appendix 1.

In October 2019, Internal Audit conducted workshops with Council management covering the first two programs. This report covers the findings and recommendations coming out of those workshops.

Findings

The findings for the two programs considered in this report are set out in the following pages. However, we have attempted to understand the over-arching root-causes of many of the issues and have summarised these below. It is apparent that these root-causes are not new. It is also apparent that there are unlikely to be any easy or short-term solutions. However, we believe that if Council is able to go some way forward addressing these root-causes, many of the more detailed findings would be able to be more easily addressed.

Attracting suitable staff

It is always difficult to attract and retain suitably skilled staff to remote areas since they don't enjoy the facilities and standard of accommodation found in larger less remote centres.

Developing a stronger work ethic within the workforce

During the workshops, a regular theme was the poor work ethic of some staff, including falsified time sheets, non-attendances, etc.

Accordingly, we believe if Council is able to make some in-roads into addressing the above, many of the other findings would be more easily dealt with.

Other reference material

The Queensland Audit Office recently undertook a performance audit on this same topic. It based its observations on a small number of councils, although these councils were in more populated areas and so were not Indigenous or remote councils. However, many of the findings and recommendations in the report may be useful for Council. The report is titled *Managing the Sustainability of Local Government Services (Report 2 2019-20)* and can be sourced from the QAO website.

Community housing program



Executive summary

This report details the findings and recommendations arising from our Sustainability of Council's Programs review at Mornington Shire Council ("MSC"). The review was performed in October 2019.

Refer to **Appendix 1** for details of the objective, scope and approach for conducting the review.

Background

The housing program's purpose is to complete maintenance and construction work for staff housing and Queensland Government community housing within the Mornington Shire region.

Council initially commenced completing maintenance and construction work for community housing with the objective of making surpluses which could be used to improve Council's overall sustainability.

However, the housing program has consistently performed under budget. In 2018 and 2019 program revenues were $1.5million and $1.7million under budget respectively.

In 2018 and 2019 the program's results amounted to losses of $875k and $141k respectively despite both years being budgeted to make surpluses.

We have reviewed the housing program and have determined that there are improvement areas Council can focus on in order to improve the program's financial outcomes.

Roles and responsibilities

Housing team

The housing department falls within the Executive Manager Infrastructure Services responsibility. The department is headed by the Housing Manager and two Housing Supervisors whose roles are split into BAS Operations and Purchase Orders.

Council's housing department is responsible for completing works for Building and Asset Services (BAS) including construction and maintenance of government owned housing and infrastructure as well as maintaining Council owned houses and accommodation.

Facilities management team

The facilities management team falls within the Executive Manager Finance & Human Services responsibility. The department is headed by the Facilities Manager.

Council's facility management department is responsible for managing Council staff housing including collecting the associated revenues as well as being the initial contact for staff in relation to maintenance requests.

The processes undertaken by the facilities management team are outside the scope of our review.

Key stakeholders

Internal

Council's employees and contractors are provided with accommodation either in Council housing or VAC accommodation. The maintenance work performed by the housing team is performed for the facilities management team internally.

External

Council is engaged by BAS to undertake the construction and maintenance of government owned housing and infrastructure on the island. BAS is a commercialised business unit of the Department of Housing and Public Works which is primarily responsible for construction, maintenance and operation of Queensland Government buildings and assets. BAS engages Council to perform purchase order works for a fixed price based on quoted amounts from Council to BAS. As a result the risk associated with completing these works in a profitable manner is offloaded from BAS to Council.

The other key external stakeholder is the wider community. The quality and timing of the work performed by the Council in relation to maintenance and construction, including refurbishments, impacts the community members who reside in the community and these houses.

Key information

Council performs maintenance and refurbishment for the following properties:

- **35** Council houses (owned/maintained)
- **230** Community houses (maintained)
- **1,638** Do & Charge maintenance jobs in 2019
- **57** visitor accommodation (owned/maintained)
- **2** Guest houses (owned/maintained)

Ownership of houses

Mornington Shire Council is located on land assigned to it under Deed of Grant in Trust (DOGIT) under Section 341 of the Land Act 1994. As such there is no ownership of the land however houses within Mornington Shire Council's boundaries are owned by either Council (for its internal use) or by the Queensland Government.

Queensland Government

Council has leased 230 dwellings as lessor to the Queensland Government under 40 year lease arrangements. Whilst these houses are leased to the Queensland Government, these houses are not considered to be assets of Council. Responsibility for maintenance on these Queensland Government houses is with BAS who outsource to the Council.

Council receives lease income for the 40 year leases as part of the commercial sub-lease program.

Council

Council owns 35 houses and dongas for the purpose of providing housing to staff members. These houses are maintained by Council at its own cost.

Maintenance

Community housing and infrastructure

Queensland Government houses are maintained by BAS. BAS contracts the maintenance work to Council either through a do and charge form or via a purchase order depending on the urgency of the work.

Tenants use the "blue phone" to contact BAS directly regarding maintenance requests. If the matter is urgent, Council is engaged under a do and charge arrangement whereby Council does the work and on-charges BAS for the costs incurred to complete the repairs. If the matter is not urgent, Council may be engaged under either a do and charge arrangement or through a purchase order. In relation to projects which are completed under purchase orders, Council is required to provide a quote to BAS for the services requested based on a scope of works and offer schedule. The quote will be for a set amount based on quotes obtained by Council for materials plus an estimation of labour costs plus a mark-up. If Council encounters over-runs compared with the amount quoted, these costs are worn by Council.

Staff housing

Houses owned by Council were constructed internally and are maintained internally and at the cost of Council. Initial requests for maintenance on Council staff housing are directed to the facilities management team who then provide the housing team with a work order to complete the work.

Strategic direction

There are no documented objectives or goals for the housing program for either financial, strategic or community based objectives. Whilst the team does have a financial budget set for each financial year and from discussions, it appears that the overarching objective identified was to employ locals to benefit the local residents and community. However these objectives are not communicated throughout the hierarchy of employees within the program.

The Executive Manager is relatively new to Council and brings a fresh approach to the program. As time goes on, the Executive Manager will likely be the driver for change within this program.

Financial performance

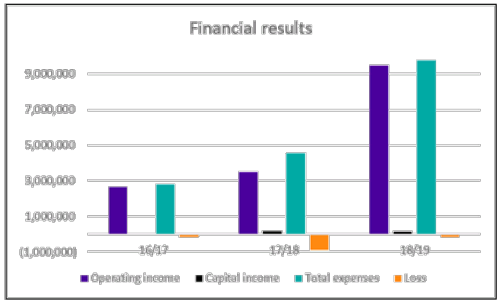
We were unable to perform a full analysis of historical results as we identified that due to inaccurate job coding of both revenues and expenses, the financial results for the housing program job code (3335) did not accurately reflect the actual activities undertaken and revenues collected.

The work performed by the housing team can be broken down into a number of smaller sub-programs being: purchase orders, do and charge works, new construction and staff housing. Currently the job coding within the accounting system does not track the split between these revenues and expenditure accurately therefore we have not been able to perform financial analysis to determine which types or works carry the most financial risk/reward.

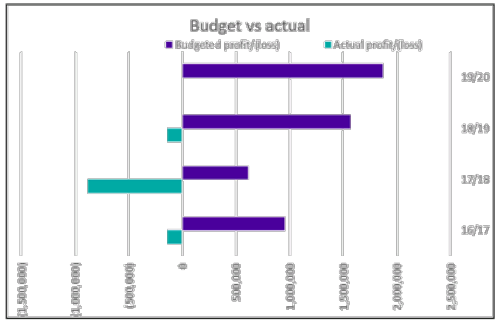
Historical results

From a high level review of the financial results, we have noted:

- In 2017 and 2018, funding in relation to the bulk material storage shed, of $170,000 and $136,000 respectively, has been allocated to the housing program although the costs to construct this shed have not.
- Revenues have been increasing each year as BAS sub-contracts increased levels of work to Council. Over the years there have been significant increases in the amount of revenue received from new construction. In the past two years there have been a number of 'plug-ins' constructed (plug-ins being stand alone accommodation on blocks with an existing house like a granny flat).
- Although there has been significant increases in revenues, the increases in expenditure have been larger resulting in continued losses. Refer to the financial results graph below.



Budget vs actual results



We note that in the past three years the actual results have been losses compared with budgeted surpluses.

Future focused

Included in the 2020 budget is an estimated $2.35million for the Social Housing Indigenous Program. This is an estimate by BAS as to the purchase order work that will be provided to Council during the 2020 year.

The budget also includes: construction of new residences, undertaking upgrades to existing houses and responsive maintenance to Queensland Government housing. The budget does not break down the estimated revenues and expenditure for these separate works.

Total budgeted revenues for the 2020 year is $8.8million.

Financial position

Recoverability of debtors

The housing program collects revenues from BAS for purchase order and do and charge works. No bad debts have been raised in relation to BAS debtors. BAS generally pays within 30 days, occasionally receipt of funds extends to 45 days. After 30 days Council commences following up on payment given that late payment from BAS can cause cash flow difficulties. Council can request urgent payment from BAS in these circumstances and receive owed monies promptly.

Staff housing

Staff housing work is received via a work order from the facilities management department. Work is performed by the housing team. Work performed on Council housing is either capital or expense in nature. All capital works on staff houses are capitalised to the corresponding house on the fixed asset register. Work that relates to repairs and maintenance is recognised as expenses within the Council Housing program code. As a result, there is no impact on the housing program's financial results for work performed on staff housing.

Overall result

A number of key findings were echoed by all stakeholders who were consulted for this project. We have split the results into two sections, firstly being findings to improve the housing program internally and secondly being options identified to potentially outsource this function.

Internally the improvement areas can generally be split into six broad areas:

Strategic direction – there appears to be a lack of direction for this program including overarching objectives and goals as well as clarity in employee roles. There need to be improvements in the training and communication surrounding these areas.

Staff retention – there has been a large amount of staff turnover which has had significant impacts on the efficiency of completing the program works. It has also been identified that the recruitment process is focused on reducing the amount of vacant positions rather than recruiting the right staff for the position. This has a large impact on the overall retention of staff.

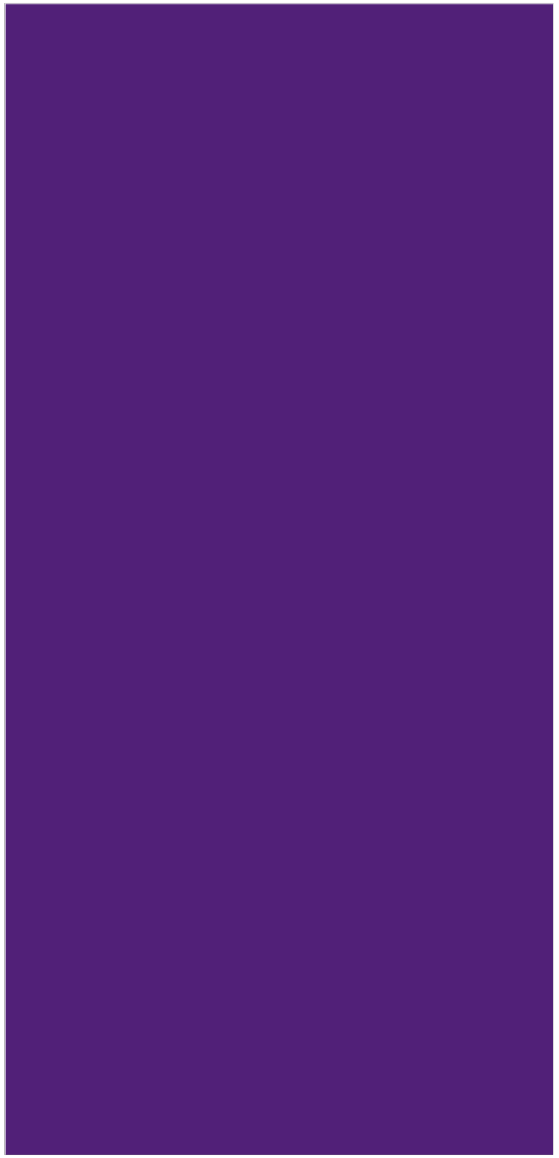
Succession planning – following on from staff retention, there are no documented policies and procedures in place to facilitate effective and efficient handover of the role to new employees.

Revenues – there have been delays in completing the job cards and providing them to the supervisor once a job is complete resulting in a delay in invoicing for the work performed and consequently delays in receiving the revenues. It may also be the case that the quotations provided to complete the work are not adequate resulting in less revenues being realised than expected.

Managing costs – it was identified that a large factor in the cost of work performed is a lack of supervision of the trade staff performing the construction and maintenance works. As a result there are inefficiencies within the labour force as well as with the timesheet process for both labour and plant.

Monitoring of costs – there is currently no reporting produced or provided to the managers of this program in order to monitor individual job costs or costs against budget for the program as well as 'sub-programs'. There is also no debrief process in place to reflect on the overall outcome of individual jobs or reporting periods to identify overrun and improvement opportunities.

Options to outsource this function have been subject to speculation by Council. There are a number of considerations to be taken into account to determine whether this could be a viable option for Council if the sustainability of this project cannot be improved on internally.



Ratings have been allocated to each finding as well as individual findings per the definitions in Appendix 3.

#	Finding	Summary	Rating
Strategic direction			**Needs improvement**
1	No documented strategic direction	Council does not currently have a documented vision or objectives.	High
2	Training	From discussions it seems like Council is investing in training locals a lot less than they have previously. Council should consider increasing their training investment in locals in the hope that it will foster a culture of belonging and encourage locals to be productive and be accountable for their work.	Moderate
3	Clarity of roles	The staff (including management) do not always understand what their roles and responsibilities at Council are. i.e. Housing Supervisor unaware of what his job entails.	Critical
Staff retention			**Needs improvement**
4	Turnover	A majority of the trade staff as well as the Housing Manager BAS Operations are not direct employees of Council, rather they are hired through employment agencies. As a result, staff can leave at any time which results in ongoing turnover.	Critical
5	Recruitment strategy	The EMIS indicated that when there is a vacant position it is filled in a prompt manner regardless of whether the person is the best fit with culture/performance that Council wants to create or whether they are compatible with the remote island life. This also results in a large turnover.	Low
Documentation of processes and procedures			**Needs improvement**
6	Documentation of processes and procedures	There are no documented procedures in place regarding processes and procedures performed in any roles, including Housing Supervisor, Housing Manager and other executive roles. As a result when staff leave, there is a large cost (both time and money) associated with new staff learning how to perform the role and other staff adapting to the new manager's methodologies.	Moderate
Revenues			**Needs improvement**
7	Estimation of costs for quotations	It appears as though the estimated costs to complete purchase order works are being significantly understated resulting in financial losses to Council as actual costs are exceeding the quoted amount which is the revenue received by Council from BAS.	Critical
8	Accountability for job cards	BAS cannot be billed for the works completed until the job cards have been completed. The job cards are provided to the employee(s) allocated to the job at the start. It has been the employees responsibility to return this job card to management once the work has been completed. It has been found that some employees have been hoarding these job cards (employees have been known to have in excess of 20 cards).	Critical

#	Finding	Summary	Rating
Managing costs			
9	Supervisors for trade staff	Trade staff are currently not being as productive as desired as they are assigned tasks at the start of the day but often do not complete a full day's work despite completing timesheets for a full day's work. There is no supervisor on site to ensure that employees are at work and that the time recorded on their timesheet/invoice is accurate.	Critical
10	Timesheets	Inaccurate timesheets are being submitted by employees and inaccurate invoices are submitted by contractors for works performed. Hours are often excessive in relation to the actual work performed. It is known to management that staff are falsifying timesheets stating that they are working when they are known not to be. Timesheets should be reviewed by a supervisor who is present on-site and who can verify whether or not the timesheets are accurate.	Critical
11	Labour costs for downtime	There are a number of staff employed by Council on a full time basis who are paid for full time hours regardless of whether there is work available for their trade or not. Solutions include multi-skilling employees so that they can perform other tasks when their trade is not required or changing the employment arrangements so that employees are only paid for work performed.	High
12	Plant on-costs	Since the transition to Xero accounting software, plant on-costs have not been recognised. As such costs such as vehicles and plant are not being included within the housing program and subsequently the financial results of the program are not a true reflection of the costs incurred.	Moderate
13	Internal purchases	Concrete prices obtained from the concrete batching facility during the quotation phase for BAS projects are often not reliable and change significantly in the final costings. Consideration should be provided as to whether it would be beneficial to implement an internal quotation system to hold all parties accountable to the initially agreed prices.	Performance improvement

#	Finding	Summary	Rating
Monitoring costs			**Needs improvement**
14	Monitoring of job costs for overruns	Reporting specific to the housing program should be developed and made easily accessible to the team.	High
15	Debrief process	Council should consider implementing a 'debrief' process after the completion of large projects or projects with large overruns.	Performance improvement
16	Budgeting process	Consideration should be given to improving the budget process.	Moderate
Options for divestment of program			**Needs improvement**
17	Divesting housing program	A business case analysis should be prepared and presented to the Council documenting the viability of any options to divest the housing program	Moderate

It is our opinion that the sustainability challenge in regards to operating the housing program internally can be reduced by implementing appropriate processes and procedures. It would be beneficial for Council to implement recommendations and essentially revitalise this program internally given that it has the potential to provide Council with a source of own funds income which can be used to fund other areas of Council activities which are for the betterment of the community.

Detailed findings and recommendations are included in the following section of the report which have been discussed with management.

Detailed findings

1	Strategic direction
Finding	**Recommendation**

Background
It is important to have documented vision, objectives and goals to ensure that the overall tone for each program is aligned to Council's overall strategic direction. Mornington Shire Council as a whole has the below vision statement. Council has also set a goal increasing the indigenous workforce to at least 80% of Council's workforce.

"Mornington Shire Council's vision for community is moving forward, together. Our vision is for a healthy and sustainable community, where people can influence decisions that affect their own lives, enjoy their rights, and assume their responsibilities. A community in which everyone is valued and treated equally. Our future is in our hands – we will get out of it what we put into it."

Finding
There appears to be a lack of direction for this program as Council's overarching objectives and goals do not seem to be applied nor are there specific financial, strategic or community based objectives set for the program. The strategic direction is neither documented nor communicated.

Employees working with this program are not aware of their role and responsibilities with the team or within the Council as a whole. Employee roles have not been developed and aligned to achieve the goals of the program including financial goals and as a result the work being performed by this department has not been directed towards achieving a common goal.

It was indicated that there has been less employment of local Indigenous people compared with the past. The willingness to invest time and training into local people is essential in meeting Council's vision as well as reducing labour costs.

Potential impact
Without having a strategic direction, the program may fail to meet the needs of the stakeholders.

1.1 Determine the strategic objectives of this program. When determining these objectives consider:

- Impact on the culture within the team
- Documentation and communication with the team
- How the objective for this program ties into Council's vision and goals
- Impact on the sustainability of the program

1.2 Document the descriptions for roles within this department and ensure that each employee knows what is expected of them.

1.3 Consider implementing a training program incorporating:

- Teaching employees the skills necessary to perform their roles (per role descriptions)
- Increased training for local staff to increase staff retention and improve on the percentage of local employees (per Council's objectives)
- Multi-skilling employees so that they can perform different roles when there are ebbs and flows in the workload for their position
- Documenting the training undertaken by each employee and what their qualifications and licences are.

2	Staff retention
Finding	**Recommendation**
Background Staff can either be employed directly by Council or can be a contractor through a hire company or through their own business. Contractors do not have a set contract and can therefore leave at any time. Hiring processes in the cases when contractors leave is to hire another contractor to quickly fill the vacant position. **Finding** A large portion of the trade staff as well as the Housing Manager BAS Operations are contractors. As a result, staff can leave at any time which results in ongoing turnover. It has been indicated that when there is a vacant position it is filled in a prompt manner regardless of whether the person is the best fit with the culture that Council wants to create or that they are compatible with the remote island life. The impact of this is that staff who are not appropriate to fill the position generally leave within a short period of time resulting in further turnover and increased recruitment costs. **Potential impact** Council has significant turnover in staff resulting in a lot of lost knowledge and experience. This results in a large cost to replace these staff as well as labour costs relating to the new staff to learn the new position and training costs.	**2.1** Employment arrangements should be reviewed to ensure that they tie in with the staffing needs of the program. Factors to take into consideration are: • Multi skilling of employees so that they can fill another role when there is not enough work in their own position to fill the required hours • Adjusting remuneration packages to encourage staff to perform the work that is required of them, e.g. either to encourage or discourage overtime • Method of employment (e.g. direct employee of Council or contractor) **2.2** To attract and maintain more appropriate personnel, Council should consider creating an environment which is attractive to staff such as improved living arrangements and potentially changing the remuneration package from wages (with limited ability for overtime) to a salary arrangement.

3	Documentation of processes and procedures
Finding	**Recommendation**
Background Documented policies and procedures assist organisations to mitigate the risk of corporate knowledge being lost should individuals leave the organisation. Furthermore, policies and procedures ensure expectations of systems, processes and controls are known by team members. **Finding** Members of the housing program team currently perform their duties based on their experience of being in the role, historically with no written processes or procedures. It was verified that the program has not documented the following: • procedures that define key processes, such as daily, weekly or quarterly job activities, and • processes that should define in detail how key business functions are performed (either on repeating or as-need basis). For example, process for completing job cards. **Potential impact** Without documented procedures and processes, Council cannot be assured in the knowledge that the day-to-day running of Council operations will go smoothly in the absence of the staff tasked to those functions. Having a clear and concise manual for each role will mean training new staff will be a lot quicker and key staff can be absent without it heavily impacting on the day-to-day operations.	**3.1** Consider key areas that need to be documented for all roles and functions within the housing program and implement a plan to document these areas: • use flowcharts to document processes that clearly show responsibilities, and • document procedures, keeping it short, tight explanations, bullet points. **3.2** Implement checklists to support procedures to ensure every required step or piece of information is completed at various stages of the process.

4	Revenues
Finding	**Recommendation**

Background
For purchase order works performed for BAS, the Housing Manager will prepare a quote for the works including quoted material costs, estimated labour costs, overheads and a 20% mark-up.

Once the works are awarded, the works performed for BAS are allocated to trade staff by providing them with a job card which includes information such as the scope of the works, the house that the works relate to and job costing information. Once the works are completed an invoice cannot be raised until the job card has been filled out and provided back to the Housing Supervisor.

Finding
Amounts being quoted to BAS have been understated in many instances resulting in the revenue being received not being sufficient when compared to the actual costs incurred to fulfil the purchase order.

It has been found that some employees do not return their job cards in a timely manner and can sometimes have numerous job cards on the go. An example was given where one employee has 23 job cards on the dashboard in his car, some for completed jobs, some in-progress and some not started.

Potential impact
The deficit between the quoted amount and the actual expenditure results in costs that are being funded by Council out of grant monies allocated to other projects or out of Council's reserves.

The implication of not submitting job cards in a timely manner upon completion is that costs, both material and labour, have been incurred on these projects. This can result in cash flow dilemmas as Council has to fund this expenditure until the job card is finalised, submitted and invoiced plus an additional 25 – 40 days for the monies to be received. Delays in invoicing can be costly to Council and reduce the cash flows and therefore sustainability of not only the housing department but Council as a whole.

4.1 Consider implementing and strengthening processes surrounding the project management of on-going jobs. Perhaps trade staff should check-in with their supervisor on a daily basis to hand in completed job cards and collect new job cards.

4.2 Informal training could be implemented as part of a regular check-in with trade staff and can include topics such as: how to appropriately complete a job card and newly implemented processes.

4.3 Quotations for BAS purchase order works should be based on more accurate estimations of time and material costs. The following can be considered in improving the quotation accuracy:

- Requiring large quotations to be reviewed and approved prior to being submitted to BAS. An appropriate threshold should be set to determine what are large items.
- Benchmarking the total hours taken to complete similar projects using this data to forecast an appropriate number of hours for the quoted project.

5	Managing costs
Finding	**Recommendations**

Background
It has been identified that cost overruns are generally associated with the labour component of the works as materials can generally be quoted in advance and have a set price. As part of the whole of Council budgeting process for 2020, it has been identified that labour costs will need to be decreased by $1million each year for the next three years to make an improvement to Council's sustainability.

Currently trade staff are being allocated their job cards and predominantly being left to work unsupervised. The lack of supervision and review has resulted in inefficiencies and low productivity levels resulting in large amounts of overtime to complete the works within BAS's required timeframes.

Finding
We have identified that there are no controls in place in regards to managing the labour costs to complete these projects:

- Trade staff are currently not being productive as they are assigned tasks at the start of the day but lack work ethic and are known not to work a full day.
- There are currently no supervisors on-site to ensure that employees are at work performing the task at hand effectively and efficiently.
- Unnecessary overtime is being worked which is paid at time and a half up to double time and a half. This results in a large cost to the program which is not considered to be appropriate given the level of staffing available should be sufficient to manage the workload.
- Inaccurate timesheets and invoices are being submitted by employees and contractors respectively. Hours are often excessive in relation to the actual work performed. It is known to management that staff are submitting inaccurate timesheets stating that they were at work for a full day when they were not.
- Trade staff on full-time contracts are being paid to do nothing when there is no work available within their trade.

5.1 Consider implementing supervisor positions which are purely responsible for being on-site with the trade staff ensuring that they are being productive and performing work to the required standard. These positions could be created by adjusting the role descriptions of existing staff or by employing new staff.

5.2 Supervisors who are on-site with trade staff should take on the role of reviewing timesheets to ensure that the time being recorded reflects actual hours worked by staff. Supervisors should also be able to check that the correct job costing and plant hire codes are documented on the time sheets as they will be familiar with the work being performed.

5.3 Plant on-costs should be recognised. In the long term it would be ideal to recognise actual plant on-costs by recording based on hours identified on employee timesheets. This may be possible if the above improvements to timesheets are implemented and operating effectively.

In the short-term, estimated plant on-costs can be recognised to ensure that the actual costs to complete the job are complete.

5.4 Consider multi-skilling employees so that they can perform other tasks when their trade is not required or by changing the employment arrangements so that employees are only paid for work performed.

5	Managing costs (continued)	
	Finding	**Recommendations**
	Finding (continued) Plant on-costs have not been accounted for at all since the transition to the Xero accounting system on 1 July 2019. Previously plant on-costs were recognised when employees included the plant code and hours on their timesheets, although plant on-costs were often incomplete and inaccurate. It was identified that the concrete prices obtained internally during the quotation phase for BAS jobs are often less than the final costings. As a result, the amounts included in the quote for the materials is understated. **Potential impact** The overall impact is that the housing program consistently makes a deficit. Labour costs greater than the budget and what is necessary are incurred due to poor processes and work practices. The culture within the team indicates that staff believe that it is acceptable to submit inaccurate timesheets and expect that there will be no consequences. This mentality correlates to additional costs to the housing program. Costs such as vehicles and plant are not being included within the costs for the housing program and as a consequence the financial results of the program are not a true reflection of the costs incurred to earn the revenues.	**5.5** Consideration should be provided as to whether it would be beneficial to implement an internal quotation system to hold all internal parties accountable to the initially agreed prices for internal purchases (e.g. concrete). **5.6** Processes should be implemented to require pre-approval for overtime to ensure that overtime is only worked where absolutely necessary.

6	Monitoring of costs
Finding	**Recommendations**
Background It is important to monitor financial results and progress against budget on a regular basis. This ensures that cost overruns can be managed in a timely manner and job costing errors can be identified. **Finding** Previously the Housing Supervisors were able to monitor the costs incurred on each job on a weekly basis in comparison with the amounts quoted with BAS. Since a change in systems (Practical to Xero) there is currently no reporting available on a job by job basis or on an aggregate program basis. The supervisors do not currently have access or knowledge of how to operate the Xero system to access the information required to monitor their financial results. The quarterly budget review process is performed by the Finance Manager. As a result, the housing program manager is not actively participating or required to take ownership of the budget overruns. The results recognised within the housing program are not accurate due to job costing inconsistencies. **Potential impact** If the Housing Supervisor is not monitoring the costs incurred against the quoted amounts for large jobs. There could be large overruns that are not identified resulting in large financial losses.	**6.1** Reporting specific to the housing program should be developed and be made easily accessible to the team. This may include: • dashboard reporting within Power BI • budget vs actual reports on an individual job basis at regular intervals (e.g. weekly) • budget vs actual reports from Xero for the housing program. **6.2** Consideration should be given to improving the budgeting process to include: • More detailed budgets so that budget vs actual analysis can be used to determine risk areas • Involvement of program staff • Regular reporting against budget by the program team including on individual job level for large jobs. **6.3** Consideration should be given to implementing a 'debrief' process after the completion of large projects or projects with large overruns to ensure that Council identifies the problem areas so that these can be addressed prior to future projects through additional training, performance remedial actions or implementation of new processes. This process can create a continuous improvement culture. **6.4** A review should be performed to determine whether the current job costing structure is adequate. Consideration should be given to the structure of the programs, matching the associated revenues and expenditures within the program and making each type of project separately identifiable.

7	Options for divestment of program
Finding	**Recommendation**

Background
The housing department has been budgeted to make profits in the realm of $1.5 - $1.8 million in the previous years. The actual performance of the program has been less than intended resulting in consecutive losses. Council is currently considering options in order to limit the sustainability risk to Council which includes operating this department in a commercialised manner rather than based on Council's community focused objectives.

Finding
Management has considered the possibility of restructuring the way that the housing program is conducted. Options already considered by Council:

- Council has created a private company, Mundalbe Enterprises, which is owned by Council which may be able to take over operating the housing program as a separate commercial building company outside of the constraints of the Local Government procurement requirements.
- Expressions of interest for local Indigenous community members to run this program as a separate business with the assistance from Council including financial support and use of equipment and facilities.
- Expressions of interest for a provider from off the island to take on this program as a contractor to Council.
- Continue to perform this program in house but make improvements to the processes and controls in place regarding reducing costs with an overall objective of creating a sustainable program.

Additional options Council should consider:

- Operating the housing program as a commercialised business unit under Division 4 of the Local Government Regulation 2012. This could include operating the business unit under a separate brand however still as part of Council as a whole.

Potential impact
If appropriate consideration is not given to the risks associated with the above options, Council could be opening itself up to financial, regulatory and reputation risks.

Before any of the options identified are actioned, a business case analysis should be prepared and presented to the Council documenting the viability of the arrangement, including:

- What are the actual costs of operating the housing department (including plant on-costs and actual labour costs incurred in performing the work)
- How the Council would manage subcontracting to the external provider and how this relationship will be managed
- What margin will be added to the sub-contractor's invoice before quoting to BAS
- How much is Council willing to contribute to a private operator to make this a viable option for the operator until they can establish the enterprise
- Community expectations
- Risk analysis to ensure that the option selected addresses the risks to Council
- Detailed program in place regarding communication of the changes to the community
- Training program for Council staff involved
- Consider the governance risks associated with using Mundalbe Enterprises given that the directors are those charged with governance for the Council and is therefore a related party.

Barge operations



Executive summary

This report details the findings and recommendations arising from our Sustainability of Council's Programs review at Mornington Shire Council ("MSC"). The review was performed in October 2019.

Refer to **Appendix 1** for details of the objective, scope and approach for conducting the review.

Background

The freight services are provided by Carpentaria Freight on a five year contract, due to end on 13 November 2023. Carpentaria Freight considers their responsibility to only include the point up until the barge is docked at Council's barge landing.

After this point the Council's warehouse team, with the assistance from staff from the technical services team, are responsible for unloading, storing and delivering the freight to the end customer. The same Council personnel are also responsible for collecting the back freight and loading this onto the barge.

The barge operations program has consistently performed under budget. In 2018 and 2019 the program was budgeted to make losses however actual losses exceeded budget by $109k and $62k respectively.

Total losses for 2018 and 2019 were $397k and $414k respectively. These large losses are not sustainable for Council.

We have reviewed the barge operations program and have determined that there are improvement areas that Council can focus on in order to improve the program's results.

Roles and responsibilities

Warehouse team

The warehouse department falls within the Executive Manager Finance & Human Service's responsibility however they report directly to the Chief Financial Officer. The department is headed by the Warehouse Manager.

Council's warehouse team is responsible for the barge operations program which includes unloading the barge every Wednesday and delivering goods to local businesses and community members.

Technical services team

The technical services department falls within the Executive Manager Technical Service's responsibility.

Council's technical services team is responsible for billing and collecting as well as providing labour for the barge operations.

The processes undertaken by the technical services team are outside the scope of our review.

Key stakeholders

Internal

Council receives freight on the barge for all of Council's internal programs, for example housing, concreting and road. As such most internal programs are impacted by the barge operations.

External

Council unloads the freight for all customers on the island and in many cases Council performs the landside delivery. Customers on the island include commercial enterprises, police, school, hospital and health services and Ergon as well as individual community members.

Key information

Council performs maintenance and refurbishment for the following properties:

- **60** barges annually
- **7** deliveries to customers each week (estimated)
- **5,387** tonnes of freight processed annually (2018)
- **5** staff involved in the process

Barge contract

The freight services are provided by Carpentaria Freight on a five year contract, due to end on 13 November 2023. We obtained a copy of the contract to determine which party was responsible under the contract for unloading the goods from the barge on Mornington Island

Per section 11.4 of the contract:

"Council will, at Council's expense, provide any equipment and labour needed to unload the goods at the delivery address."

It is clear within the contract that unloading the goods from the barge is the responsibility of the Council.

Physical risks

Council has identified that there are a number of physical risks associated with the barge operations, specifically workplace and health and safety concerns during the unloading of the barge and delivery of the freight. Council engaged Risk 2 Solutions in February 2019 to perform a risk assessment. It was determined that the overall risk associated with the barge operations (including unloading, storage and distribution of stock and supplies to the Mornington Shire community) was rated as extreme.

Freight arrangements

The barge operator provides the manifest to Council each Tuesday afternoon prior to the barge delivery early Wednesday morning. Council then provides the manifest to the relevant customers so that they can either arrange for delivery of their goods by contacting Council, or arrange their own collection from the barge landing.

Barge handling fees are then to be paid at Council's main office prior to collection of the goods. The receipt for payment of the barge handling fees should be taken to the barge landing and shown to Council employees in order to collect goods.

Delivery prices

Council has a schedule of fees and charges which is included in the revenue statement each year. The schedule of fees and charges sets out the barge handling fees including set fees for pick-up and delivery of pallets and containers as well as charges per tonne for goods such as vehicles, plant, building materials, gravel and fuel. There is also a per vessel barge handling fee for non-food barges.

These prices are based on historical costings and have only been increased nominally over the past five years.

Refer to **Appendix 2** for an extract of Council's fees and charges schedule taken from the 2019-20 operational budget.

Strategic direction

There are no documented objectives or goals for the barge operations program for either financial, strategic or community based objectives. Whilst the team does have a financial budget set for each financial year and from discussions, it appears that the overarching objective identified was to ensure all deliveries were complete without any loss of freight. Whilst this objective is practical it does not drive the program to achieve a successful outcome.

The Warehouse Manager is relatively new to Council and brings a fresh approach to the program. As time goes on, the Warehouse Manager will likely be the driver for change within this program.

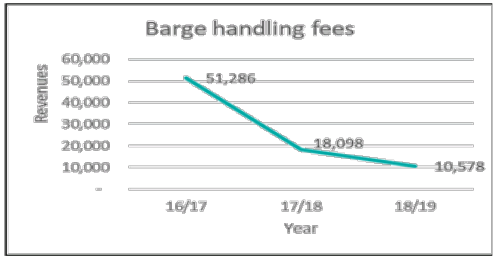
Financial performance

We were unable to perform a full analysis of historical results as we identified that due to inaccurate job coding of both revenues and expenses the financial results for the barge operations job code (2300) did not accurately reflect the actual activities undertaken and revenues collected.

Historical results

Revenues

From our review of the program revenues over the past three years we note barge program revenues have been steadily declining.



From our review of the general ledger in the 2019/20 year, the barge handling fee receipts are being recognised within either of three program codes being barge, warehouse or service delivery. It appears as though the knowledge surrounding which activities relate to each program code has been lost over the years due to staff turnover resulting in the financial results becoming less accurate as time progresses.

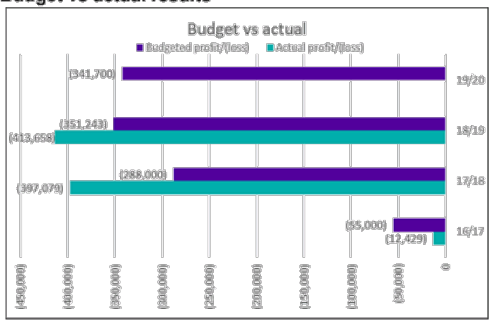
We also note that barge handling performed for other internal programs within Council is not being recognised as an internal cost to those programs and consequent revenues to barge operations.

Expenditure

Currently there are several main costs associated with the barge operation program, including:

- Labour. This cost includes wages relating to the Warehouse Manager and Storeman as well as wages relating to the Technical Services team who perform the unloading and delivery tasks on barge day.
- Equipment. These costs include plant items such as forklifts and trucks. These costs are not currently costed to the barge operations program.
- Operating costs such as the costs to operate the chiller rooms to store food orders etc.
- Depreciation. Council is unable to determine which particular assets relate to this program and therefore the depreciation charge is not likely to be reflective of the actual future replacement costs that the barge operations program will be expected to incur.

Budget vs actual results



We note that in the past two years the actual losses have exceeded the budgeted losses.

Future focused

Within the budget for the 2020 financial year, there is $50,000 budgeted for the barge area security and safety upgrade.

In the 2020 year, the barge is budgeted to make a loss of $341,700. The budget is based on $172,400 wages, $42,800 operating costs, $16,500 repairs and maintenance plus $150,000 depreciation offset by $40,000 barge handling fee revenues.

At the September quarter end we note that there has only been $1,400 of barge handling fees recognised within the program code along with $65,500 operating expenses. Following the trajectory from the first quarter of 2020, it is unlikely that the program will meet budget unless improvements are implemented.

Recoverability of debtors

Currently, the collection of barge handling fees has been haphazard as the actual process in place appears to rely on an honesty system. We are advised customers often collect their goods without paying the handling fees.

In relation to delivery fees, the staff responsible for the deliveries are supposed to notify the Executive Manager of Technical Services who deliveries were made to so that invoices can be raised however this process appears haphazard and often invoices are missed.

No invoices are being raised for other barges which use Council's barge landing although there are set fees and charges schedule for this.

The current process for invoicing for back freight is also haphazard.

Council does not have processes in place for monitoring the total revenues for which Council is entitled to receive relating to the barge operations. Council also does not have any processes in place for collecting any unpaid barge handling fees.

Overall result

A number of key findings were echoed by all stakeholders who were consulted for this project. We have split the results into two sections, firstly being findings to improve the barge operations program internally and secondly being options identified to potentially outsource this function.

Internally the improvement areas can generally be split into seven broad areas:

Strategic direction – there appears to be a lack of direction for this program including overarching objectives and goals as well as clarity in employee roles. There need to be improvements in the training and communication surrounding these areas.

Staff retention – there has been a large amount of staff turnover which has significant impacts on the efficiency of completing the program works. It has also been identified that the recruitment process is focused on reducing the amount of vacant positions rather than recruiting the right staff for the position. This has a large impact on the overall retention of staff.

Succession planning – following on from staff retention, there are no documented policies and procedures in place to facilitate effective and efficient handover of the role to new employees.

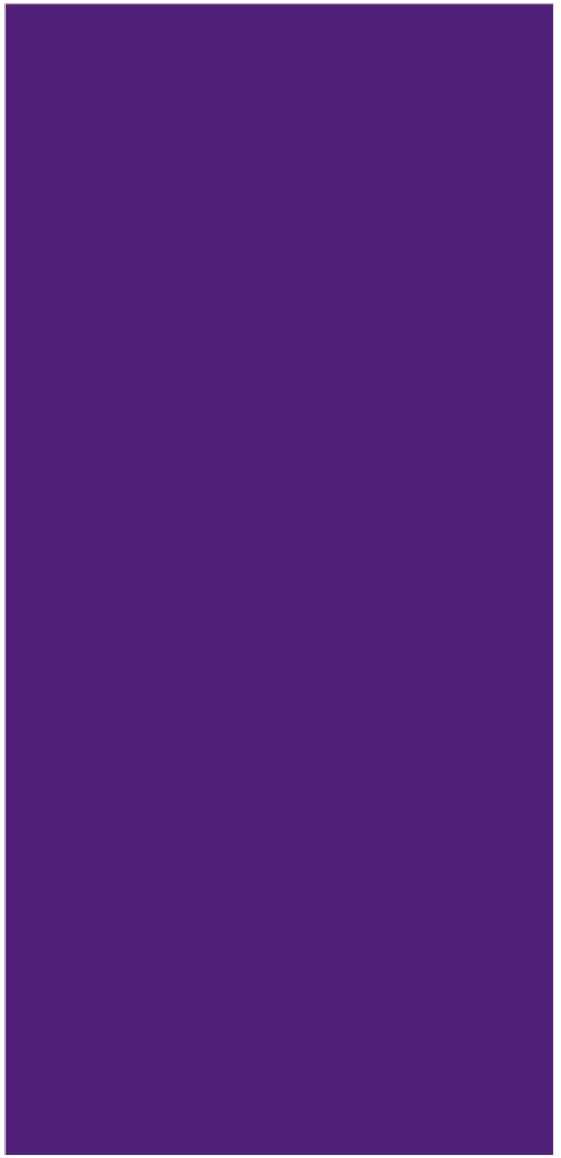
Revenues – there is a lack of controls surrounding the collection of barge handling fees, delivery fees and fees charged to non-food vessels. Additionally, the schedule of fees and charges has not been re-assessed in many years and is potentially outdated resulting in fees not being sufficient to cover costs.

Structure of labour – currently the employees used to complete the back freight, unloading, storage and deliveries are from the technical services team as these are the only employees other the Warehouse Manager and Storeman who have the necessary tickets to operate the machinery. This takes resources away from the technical services team and creates supervision difficulties given that these staff do not report to the Warehouse Manager and Executive Manager of Finance & Human Services.

Monitoring of costs – there is currently no reporting produced or provided to the managers of this program in order to monitor the costs nor is their a detailed budget or reporting against budget for the program.

Physical risks – there is a lack of controls over the barge operations performed. These include workplace health and safety, access risks and risks over the ownership of freight.

Options to outsource this function have been speculated on. There are a number of considerations to be taken into account to determine whether this could be a viable option for Council if the sustainability of this project cannot be improved on internally.



Ratings have been allocated to each finding area as well as individual findings per the definitions in Appendix 3.

#	Finding	Summary	
Strategic direction			**Needs improvement**
1	No documented strategic direction	Council does not currently have a documented vision or objectives.	High
2	Clarity of roles	The staff (including management) do not understand what their roles and responsibilities at Council are. This is likely due to the large amount of turnover.	Critical
3	Training	From discussions it seems like Council is investing in training locals a lot less than they have previously. Council should consider increasing their training investment in locals in the hope that it will foster a culture of belonging and encourage locals to be productive and be accountable for their work.	Moderate
Documentation of processes and procedures			**Needs improvement**
4	Documentation of processes and procedures	There are no documented procedures in place regarding processes and procedures performed in any roles. As a result when staff leave, there is a large cost (both time and money) associated with new staff learning how to perform the role and other staff adapting to the new manager's methodologies.	Moderate

#	Finding	Summary	
Revenues			**Inadequate**
5	External barge fees for usage of landing	Currently not monitored or billed.	Moderate
6	Collection of barge handling fees	Barge handling fees are not tracked and are only haphazardly collected prior to collection/delivery.	High
7	Review of fees and charges	Council's fees and charges schedule relating to the barge operations has not been reassessed in many years. Council should undertake a review of the barge handling fees to determine whether the fees set are appropriate based on a number of factors: • Recovery of Council's costs • Community expectations • Affordability and therefore recoverability	High
8	Monitoring deliveries and invoicing	Deliveries are not communicated to the Executive Manager therefore he cannot arrange invoices.	High

#	Finding	Summary	Rating
Labour resourcing			**Needs improvement**
9	Plant on-costs	Since the transition to Xero accounting software, plant on-costs have not been recognised. As such costs such as vehicles and plant are not being included within the barge operations program and as a consequence the financial results of the program are not a true reflection of the costs incurred to earn the revenues.	Moderate
10	Internal wage allocation	Three employees from Technical Services have been performing the delivery and unloading tasks. As a result these employees have been costing their wages to the barge operations program. Generally seven hours on Wednesdays but also time on Tuesdays for pickups. This is taking a large amount of time away from their usual roles (parks and gardens, waste management and plant operator).	Moderate
Monitoring costs			**Needs improvement**
11	Monitoring of job costs for overruns	Reporting specific to the barge program should be developed and made easily accessible to the team.	High
12	Better asset identification	Better determination of assets relating to the barge operations so that the depreciation expenses recognised for this program can be more accurate.	Performance improvement
13	Budgeting process	Consideration should be given to improving the budget process.	Low
Physical risks			**Inadequate**
14	Risk assessment findings	Risk 2 Solutions performed a risk assessment. Findings of this report should be implemented.	High
15	Private security	Private security may assist the efficiency and safety of the barge unloading process.	Performance improvement
16	Insurance coverage	It is unclear as to whether there is adequate insurance coverage. A review should be performed.	Low
Options for divestment of program			**Needs improvement**
17	Divesting barge operations program	A business case analysis should be prepared and presented to the Council documenting the viability of any options to divest the barge operations program.	Moderate

It is our opinion that the sustainability challenges for the barge operations program may be able to be reduced by implementing appropriate processes and procedures however the cost to implement the required processes may outweigh the benefit of doing so. Council should consider options to divest the program.

Detailed findings and recommendations are included in the following section of the report which have been discussed with management.

Detailed findings

1	Strategic direction
Finding	**Recommendation**

Background
It is important to have documented vision, objectives and goals to ensure that the overall tone for each program is aligned to Council's overall strategic direction. Mornington Shire Council as a whole has the below vision statement. Council has also set a goal increasing the indigenous workforce to at least 75% of Councils workforce.

"Mornington Shire Council's vision for community is moving forward, together. Our vision is for a healthy and sustainable community, where people can influence decisions that affect their own lives, enjoy their rights, and assume their responsibilities. A community in which everyone is valued and treated equally. Our future is in our hands – we will get out of it what we put into it."

Finding
There appears to be a lack of direction for this program as Council's overarching objectives and goals do not seem to be applied nor are there specific financial, strategic or community based objectives set for the program. The strategic direction is neither documented nor communicated.

Employees working with this program are not aware of their role and responsibilities with the team or within the Council as a whole. Employee roles have not been developed and aligned to achieve the goals of the program including and financial goals and a result the work being performed by this department have not been directed towards achieving a common goal.

It was indicated that there has been less employment of local Indigenous people compared with the past. The willingness to invest time and training into local people is essential in meeting Council's vision as well as reducing labour costs.

Potential impact
Without having a strategic direction, the program may fail to meet the needs of the stakeholders.

1.1 Determine the strategic objectives of this program. When determining these objectives consider:

- Impact on the culture within the team
- Documentation and communication with the team
- How the objective for this program ties into Council's vision and goals and specific risk areas relating to barge operations
- How achievement against the objectives and goals can be measured.

1.2 Document the descriptions for roles within this department and ensure that each employee knows what is expected of them.

1.3 Consider implementing a training program incorporating:

- Teaching employees the skills necessary to perform their roles (per role descriptions)
- Increased training for local staff to increase staff retention and improve on the percentage of local employees (per Council's objectives)
- Multi-skilling employees so that they can perform different roles when there are ebbs and flows in the workload for their position
- Documenting the training performed by each employee and what their qualifications and licences are

2	Documentation of processes and procedures
Finding	**Recommendation**
Background Documented policies and procedures assist organisations to mitigate the risk of corporate knowledge being lost should individuals leave the organisation. Furthermore, policies and procedures ensure expectations of systems, processes and controls are known by team members. **Finding** Members of the barge operations program team currently perform their duties based on their experience of being in the role, historically with no written processes or procedures. It was verified that the program has not documented the following: • procedures that define key processes, such as daily, weekly or quarterly job activities, and • processes that should define in detail how key business functions are performed (either on repeating or as-need basis). For example, process of obtaining delivery details through to finance raising a delivery fee invoice. **Potential impact** Without documented procedures and processes, Council cannot be assured in the knowledge that the day-to-day running of Council operations will go smoothly in the absence of the staff tasked to those functions. Having a clear and concise manual for each role will mean training new staff will be a lot quicker and key staff can be absent without it heavily impacting on the day-to-day operations.	**2.1** Consider key areas that need to be documented for all roles and functions within the barge program and implement a plan to document these areas: • use flowcharts to document processes that clearly show responsibilities, and • document procedures, keeping it short, tight explanation, bullet points. **2.2** Implement checklists to support procedures to ensure every required step or piece of information is completed at various stages of the process.

3	Revenues
Finding	**Recommendations**

Background
Each year, Council approves a schedule of fees and charges. There are set fees relating to barge handling including deliveries and fees for additional barges which use Council's barge facilities.

Finding
A number of findings have been identified in relation to the recognition and collection of barge handling fees:

- Use of Council barge infrastructure by non-food vessels is not currently monitored or invoiced
- Barge handling fees are not currently tracked and are only haphazardly collected prior to collection by the customer
- The employees responsible for deliveries communicate the number of deliveries to the Executive Manager verbally. It has been identified that this process often results in incomplete information regarding deliveries and therefore invoices not being raised for some customers.

Additionally, the schedule of fees and charges has not been reassessed in many years and is potentially outdated resulting in fees not being sufficient to cover costs.

We have also identified that the barge handling fees which are being collected, are not necessarily being job coded to the barge operations job code. From our review of the general ledger for the September 2019 quarter, it was noted that the barge handling fees are being incorrectly coded to the warehouse program and the service delivery program.

Potential impact
Barge handling fees are not being monitored or collected which impacts the overall result of the program. The revenues collected are not sufficient to cover the costs incurred in performing the barge operations. As a result this program is funded by other areas of the Council.

By not enforcing the payment of the barge handling fees, the culture within the community that all services provided by Council are free is reinforced.

By incorrectly job coding revenues received to other programs, the financial results of the barge operations program do not reflect the actual results of the program making it impossible to make informed decisions about the sustainability of the program.

3.1 Consider working with Carpentaria Freight to incorporate Council's barge handling fee into the cost of freight charged to the end customer. Carpentaria Freight can then remit these monies to Council. It is likely that Carpentaria Freight would charge Council a percentage of the fees collected for this service. An analysis would be required to determine whether the lost revenues would warrant the effort required to implement this process.

3.2 Implement controls to recognise all revenues including obtaining the manifest and calculating and recognising revenues. Monitor the collection of these revenues and follow up outstanding debtors.

3.3 Request local businesses to notify Council when a barge is docking to supply goods to these businesses so that they can be charged the barge handling fee.

3.4 Council should undertake a review of the barge handling fees to determine whether the fees set are appropriate based on a number of factors:

- Recovery of Council's costs
- Community expectations
- Affordability and therefore recoverability

3.5 Education and communication with the community regarding the need to pay for barge handling services to help minimise the views of the community that Council's role is to provide services for free. It was identified that within the warehouse team there may already be an employee who would be best placed to facilitate this informal education.

3.6 Consideration should be given to shifting the method of payment to be at time of collection on the barge landing. A portable EFTPOS machine could be located at the barge storage shed. This process combined with physical controls which prevent the collection of freight until it is paid for will improve collectability of barge handling fees.

3.7 As part of the implementation of the new accounting system, Xero, training should be provided to all staff who are responsible for performing tasks relating to the barge operations and accounting functions in relation to the correct job coding of barge handling fees to ensure that the program revenues are being recognised within the program.

4	Labour resourcing
Finding	**Recommendation**
Background Currently the employees used to complete the back freight, unloading, storage and deliveries are from the technical services team as these are the only employees other then the Warehouse Manager and Storeman who have the necessary tickets to operate the machinery. **Finding** Timesheets for employees doing unloading and deliveries may not be accurate due to the job costing including splitting timesheets between two job costs. Currently it is unknown which staff have the capability of performing roles as there is no register of competencies obtained by employees (e.g. tickets) The current work allocations for the barge operations takes resources away from the technical services team and creates supervision difficulties given that these staff do not report to the Warehouse Manager and Executive Manager of Finance & Human Services. **Potential impact** Inefficiencies relating to labour resourcing.	**4.1** Register of capabilities for the workforce and training competency records for all of Council staff so that it is known who is capable of performing tasks to better manage work allocations among the workforce. **4.2** Eventually the warehouse team could take on the tasks performed by the technical services team once they are upskilled to be able to perform this role (e.g. necessary tickets) **4.3** Council may consider using casual employees who are available Tuesday afternoon and Wednesday who can perform the barge operations only. **4.4** Improve training over the timesheet process including which job codes to use for each operation so that the wages allocated to this program are accurate.

5	Monitoring of results
Finding	**Recommendation**

Background
It is important to monitor financial results and progress against budget on a regular basis. This ensures that cost overruns can be managed in a timely manner, job costing errors can be identified, revenues can be monitored to ensure that they are being recognised and any unpaid invoices can be followed-up.

Finding
Since a change in systems (Practical to Xero) there is currently no reporting available nor do the managers have access or knowledge of how to operate the Xero system to access the information required to monitor their financial results.

Currently, the quarterly budget review process is performed by the Finance Manager. As a result, the barge operations program manager is not actively participating or required to take ownership of the budget overruns.

It is unknown to the program team which capital assets have been allocated to the barge operations program and therefore it is unknown which maintenance costs they are responsible for and which assets their program will be required to fund the future replacement of. Return on assets information is also not available.

Potential impact
The financial results for the program are not an accurate reflection of the actual revenues and expenses incurred as results are not reviewed to identify errors.

Corrective action is not taken as overruns are not identified in a timely manner.

5.1 Reporting specific to the barge operations should be developed and be made easily accessible to the team. This may include dashboard reporting within Power BI, budget vs actual reports from Xero and reporting regarding revenue collections.

5.2 Consideration should be given to improving the budgeting process to include:

- More detailed budget so that budget vs actual analysis can be used to determine risk areas
- Involvement of program staff
- Regular reporting against budget by the program team.

5.3 Better determination of assets relating to the barge operations so that the depreciation expenses recognised for this program can be more accurate.

6	Physical risks
Finding	**Recommendation**
Background A risk assessment has been performed by Risk 2 Solutions in February 2019 which resulted in an overall risk rating of extreme and included risks such as: *"…hazards and unsafe practices during this operation, specifically around the use of heavy lifting equipment such as forklifts, lack of barriers and controls in place, storage and transport of unsafe loads onto private vehicles and the safety risk to members of the public accessing an uncontrolled area."* **Finding** We observed a portion of the barge operations unloading and customer collection process early on a Wednesday morning and concur with the findings identified in the Risk 2 Solutions report. **Potential impact** Similar to the findings identified in the risk assessment report from Risk 2 Solutions, the impacts on Council if the risks identified are not resolved are financial losses as well as risk of workplace health and safety incidents.	**6.1** Findings identified by Risk 2 Solutions should be implemented in order of risk taking into consideration the $50,000 capital budget allocated to a safety and security update for the barge operations. **6.2** It was identified that having private security at the barge landing during the unloading and delivery process could improve the efficiency and safety of the process. Consideration should be given to the benefits vs the costs of implementing security. **6.3** A review should be performed to determine whether adequate insurance coverage is maintained in order to reduce the financial risk to Council in relation to the following potential events: • Loss or damage to freight from the time the freight is unloaded from the barge to the time it is delivered to the end customer (note that Carpentaria Freight only bears the risk of the freight until the barge arrives at Mornington Island) • Workplace health and safety incidents relating to employees and the community during the barge unloading and delivery process given physical risks identified.

7	Options to divest program
Finding	**Recommendation**
Background The barge operation has been budgeted to make losses in the previous years. The actual performance of the program has been less than desirable resulting in larger than expected consecutive losses. Council is currently considering options in order to limit the sustainability risk to Council which includes shifting the risks away from Council. **Finding** Management has considered the possibility of restructuring the way that the barge operations program is conducted. Options already considered by Council: • Transferring the ownership of this program to Mundalbe Enterprises, which is owned by Council. • Expressions of interest for local Indigenous community members to run this program as a separate business with the assistance from Council including financial support and use of equipment and facilities. • Expressions of interest for a provider from off the island to take on this program. • Continue to perform this program in house but make improvements to the processes and controls in place regarding reducing costs and increasing collectability of revenues with an overall objective of creating a sustainable program. Additional options Council should consider: • Operating the barge operations program as a commercialised business unit under Division 4 of the Local Government Regulation 2012. **Potential impact** If appropriate consideration is not given to the risks associated with the above options, Council could be opening itself up to financial, regulatory and reputation risks.	Before any of the options identified are actioned, a business case analysis should be prepared and presented to the Council documenting the viability of the arrangement, including: • What are the actual costs of operating the barge (including plant on-costs and actual depreciation relating to Council's assets) • What is the actual revenue that should be made currently if Council had implemented processes to capture all revenue • Collectability of revenues • How much revenue would arise from Council paying for their freight delivery • How much is Council willing to contribute to a private operator to make this a viable option for the operator • Operating the business unit under a separate brand however still as part of Council as a whole. This may improve the culture of locals expecting the service to be free because it is performed by Council. • Could an internal Council staff member perform this role more effectively from within staff (It has been identified that within the warehouse team there may already be an employee who would be best placed and capable of taking on these operations).

Appendices



Appendix 1

Objectives and scope of work

Objectives

The objectives of this project are to:

- Gain an understanding of the structure and operations of Council's key programs
- Gain an understanding of the future sustainability of these key programs.
- Gain an understanding of how the programs can be monitored to reduce risk of over expenditure.

Period covered
These procedures will be completed in the year ending 30 June 2020.

Scope

The scope of the project will include the following to the extent possible within the agreed budget. Note that the below procedures are unlikely to be achieved for all projects but will be completed in order of priority to Council. Projects listed below are in their order or priority:

- Obtain a detailed understanding of the Council's key programs, including:
  - Community housing programs
  - Barge operations
  - Workshop and plant operations
  - Store and warehousing facilities
  - Airport operations
  - Waste management services
- Review financial results of each operation over the past two years and future forecasts.
- Discuss future operations with key Council stakeholders for each program to understand future plans.
- Work with Council to develop a sustainability analysis for each of the programs within the scope.
- Draft a report addressing the sustainability of each program including issues identified and suggested action plans. Provide a draft report to stakeholders for comment.

Stakeholders consulted

The following stakeholders were consulted as part of the housing program review:

- Brad Dixon (Executive Manager Infrastructure Services)
- Dale Harvey (Housing Manager)
- Bob Todich (Housing Supervisor BAS Operations)
- Mark Morris (Housing Supervisor Purchase Orders)
- Kerry Whiting (Executive Manager Finance and Human Services)

The following stakeholders were consulted as part of the barge operations review:

- Shannon Wells (Warehouse Manager)
- Peter Willis (Storeman)
- David Torr (Acting Executive Manager Technical Services)
- Kerry Whiting (Executive Manager Finance and Human Services)

Appendix 2

Barge operations: Fees and charges schedule

Mornington Shire Council
Operational Budget 2019-20

FEES & CHARGES DESCRIPTION	AUTHORITY	GST	2019/2020 FEES
BARGE HANDLING FEES			
Half Pallet at Shed (1-9 Boxes) (Pickup) (Per Delivery)	S59 Local Government Regulation 2009	Y(Inclusive)	$11.00
Pallet at Shed (10-18 Boxes) (Pickup) (Per Delivery)		Y(Inclusive)	$22.00
Pallet at Shed (Pickup) - Annual Fee (Community)		Y(Inclusive)	$275.00
Pallet at Shed (Pickup) - Annual Fee (Commercial)		Y(Inclusive)	$550.00
Per Pallet Delivered (Per Week)		Y(Inclusive)	$55.00
Container 6 Foot (Pick Up or Delivered)		Y(Inclusive)	$110.00
Container 8 Foot (Pick Up or Delivered)		Y(Inclusive)	$225.00
Container 20 Foot (Pick Up or Delivered)		Y(Inclusive)	$335.00
Container 40 Foot (Pick Up or Delivered)		Y(Inclusive)	$555.00
Plant and Equipment (Vehicles, Boats etc.) - Per Tonne		Y(Inclusive)	$15.00
Building Materials and Large Items - Per Tonne		Y(Inclusive)	$15.00
Fuel, Water, Roadbase, Gravel, etc - Per Tonne		Y(Inclusive)	$15.00
Barge Handling Fee (Non-Food Barges) - Per Vessel		Y(Inclusive)	$230.00

Appendix 3

Ratings, definitions and disclaimer

Overall finding rating

Ratings	Definition
Inadequate	No control framework in place. Significant control weaknesses were noted which have resulted in material exposure at the entity audited. No compensating controls in place to mitigate the identified risks.
Needs Improvement	Significant control weaknesses were noted which if not addressed, may result in material exposure.
Acceptable	Overall a good framework in place. Some improvements identified, which would further strengthen the overall control environment.
Strong	Strong control environment in place and operating effectively (subject to the limitations of sampling).

Individual finding rating

The following framework for audit ratings has been developed and agreed with Management for prioritising audit findings according to their relative significance depending on their impact to the process. The individual audit findings contained in the report have been discussed and rated with management.

Ratings	Definition
Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.
Moderate	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.
Performance Improvement	Performance improvements are generally associated with control design. Performance improvement observations do not include control weaknesses and, therefore, are not implicitly internal audit findings.

Inherent limitations & Restriction of use

The matters raised in this report came to our attention during the course of our review, as a result of our testing performed. Testing is conducted on a sample basis, over a specific period of time, and our report therefore provides assurance regarding the operating effectiveness of the actual controls tested. The possibility therefore exists that our report may not include all weaknesses that exist or improvements that may be made where these relate to controls not tested as part of this review.

Our review is not a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities. Management should therefore not rely solely on our report to identify all weaknesses that may exist.

Our comments should be read in the context of the scope of our work as detailed in the terms of reference. Where possible, management representations are independently verified, though some findings within this report may have been prepared on the basis of management representations which have not been independently tested.

Suggestions for improvement should be assessed by Mornington Shire Council in their full commercial impact before they are implemented.

This report has been prepared solely for the use of Mornington Shire Council and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

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IN-CONFIDENCE—SUBJECT TO THE *AUDITOR-GENERAL ACT 2009*

Report on a page

Councils deliver services that affect our daily lives. Many do so without an ability to improve their revenue from their rate payers. They are often a provider of last resort of services to regional communities and have legacy assets to maintain. They do so with limited recurrent financial resources as they may be dependent on government grants. This is particularly true for far western and Indigenous local governments.

We have highlighted the challenges for local governments in our previous reports on financial sustainability. This is the third report in our sustainability series and focusses on managing the costs of services to support long-term sustainability.

We audited five councils for this report on managing financially sustainable services. We have made recommendations to those councils as well as to the whole sector. Each council we audited has some elements necessary to effectively plan and deliver their collective services to support long-term sustainability. But none had all the components working together.

There are opportunities for councils to work together and with the department to share ways to plan services, allocate costs, and measure performance.

Service planning and working together

Planning for services helps councils to identify what level of service to the community they can afford. There are many benefits for councils in developing plans for their services:

- understanding the revenue they need to generate to make services financially sustainable
- understanding and adjusting service levels to manage costs
- managing and maintaining key infrastructure assets
- delivering effective and efficient services and assets which meet community needs.

Understanding the value of services

Understanding the value the community obtains from service delivery allows councils to change the level of services to manage their costs. It also helps guide decisions on new services and when to reduce or remove services.

Understanding the costs of services

Councils should make service-delivery decisions based on an understanding of the full cost of each service. Service costs include direct operating costs and a portion of corporate overhead costs. There are various scalable methodologies and tools available to allocate corporate costs.

Monitoring and reporting on services

Monitoring the financial and operational performance of services will identify ways to improve the efficiency and effectiveness of services. Councils can adjust costs and change service levels where necessary.

IN-CONFIDENCE—SUBJECT TO THE *AUDITOR-GENERAL ACT 2009*

Introduction

Our series of reports on sustainability highlights the financial challenges faced by local governments in meeting the needs of their community. We have previously produced reports on preparing long term forecasts, and the setting of rates and charges. This report focusses on managing the costs of services to support long-term sustainability. Our next report will be on strategic asset management.

Managing costs for financial sustainability

To be sustainable in the longer term, councils need to manage their costs within the amount of revenue they can earn. This is particularly important in an environment where there is uncertainty of future revenue sources, such as a reducing population to pay future rates, and dependence on grant revenue. Grants received by councils are often short term or one-off arrangements, yet they may use them to help finance long-term service commitments.

Councils usually commit to services over the longer term, especially those that use long life infrastructure assets. For example, investing in a swimming pool today will require maintenance and operation for its life of around 60 years. Councils must manage their costs to ensure that they do not spend more on these services over time than they earn from rates, grants, and fees and charges.

Having the right information on their costs allows councils to make informed decisions on how they spend their money. They can decide which services and the level of services to provide to the community within their available revenue. Councils can vary operating hours, assets used, frequency, and the quality of the service to manage their costs. Small savings across many services can improve a council's financial position.

Council services

Councils deliver four essential services to the local community: roads, water, wastewater/sewerage, and waste collection. They do this directly or through joint ownership of entities. All other council services depend on the needs of the community.

The non-essential services vary across councils and more remote councils are often the provider of a service delivered by the private sector in more populous areas.

On average, the five councils provide around 27 services. Operating hours and regularity of services vary at each council. Examples of the services provided by councils include:

- caravan and tourist parks
- airports
- parks and gardens
- museums, cinemas, and theatres
- swimming pools
- childcare and residential aged care centres and facilities
- quarries and gravel pits
- saleyards
- racecourses

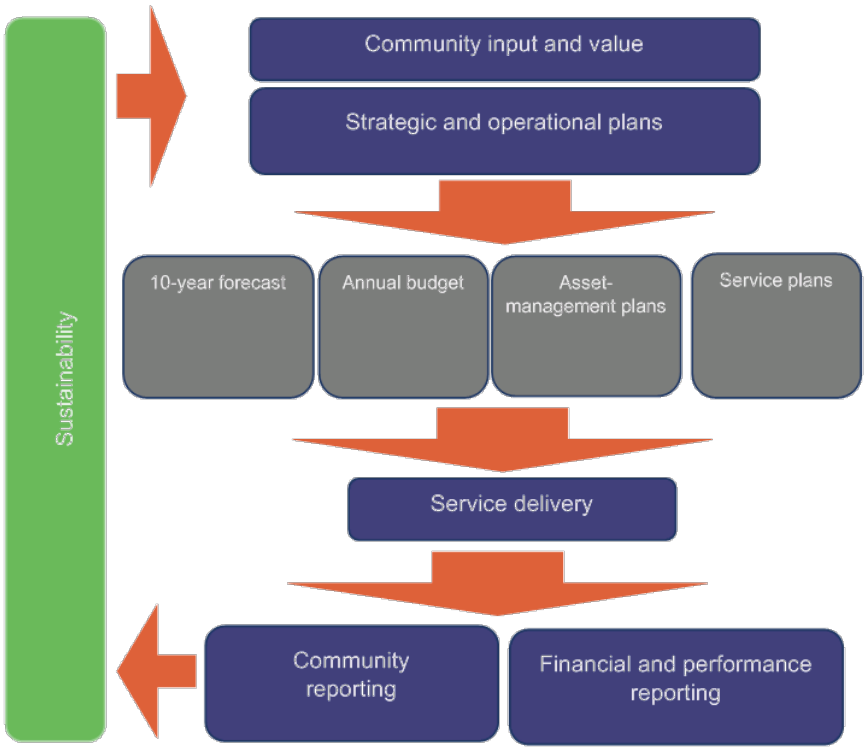
Appendix B lists the types of services provided by the councils we audited.

Councils do charge fees for some of their services that are operated as a business. This means they are expected to earn sufficient revenue from fees and charges alone to meet all business costs. A saleyard is an example of a service council may run as a business. Services that are not run as business will sometimes have a fee or charge, but this is not expected to cover the full costs of operating the service, and a portion of the costs are covered from rates, grants or other general revenue.

Planning for sustainability

Service planning fits within councils' operational planning activities. Strategic plans provide the direction for the forecasts and plans – asset management and service – that support the delivery of services. Figure A shows how the different plans and activities that councils undertake support long-term financial sustainability.

Figure A
Managing sustainable services



Source: Queensland Audit Office.

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How we performed the audit

The objective of the audit was to assess whether councils plan and deliver their services to support long-term financial sustainability.

We assessed whether councils:

- develop robust approaches to planning and managing the costs of their services
- monitor and report on the costs and effectiveness of their services.

We conducted field interviews, reviewed key documents and performed data analysis.

We conducted the audit at the following five councils: Bundaberg Regional Council, Longreach Regional Council, Noosa Shire Council, Western Downs Regional Council, and Whitsunday Regional Council. We selected these councils because they have various challenges in delivering services, including varying population growth, economic activity and services.

We included the Department of Local Government, Racing and Multicultural Affairs in our audit, as it provides support and advice to councils. It provides the operating framework through legislation and regulation that aims to improve councils' accountability, effectiveness, efficiency, and sustainability.

We spoke with Queensland Treasury Corporation because it provides financial services to local government including financing, surplus cash management, and financial advice.

Queensland Treasury Corporation has developed specific local government forecasting and modelling templates. Councils can use these templates to understand the long-term sustainability of projects used to deliver council services.

We spoke with the Local Government Association of Queensland because it is a local government advocacy body, representing the broad objectives of Queensland local government. LGAQ partners with councils to assist with advancing knowledge and accessing resources.

Appendix H contains further details about the audit scope and our methods.

Summary of audit findings

How the five councils planned their services

Service planning

Councils decide how to deliver services, what services will cost, and how they will measure and monitor service performance. All five councils had some level of service-planning documents, either in individual service plans, annual operational plans, business unit plans, or asset management plans.

Two of the five councils can improve their plans by adding more detail to give council a clear understanding of all their services.

Regular reviews of services to confirm community needs

Consulting with the community on existing services and the cost of services can help councils to provide the right services at affordable levels to support long-term financial sustainability.

None of the five councils we audited reviewed their existing services regularly. They did not consult with the local community about the types or the levels of services needed now or in the future. However, all councils consulted with their communities about new services associated with major construction works or asset acquisitions.

Understanding the costs of services

Councils need complete costing information on individual services so they can be sure that services are affordable. The full cost of services includes direct operating costs and a reasonable allocation of corporate overheads.

All five councils identified the direct operating costs of their services. Two of the five councils knew the full cost of their services as they allocated reasonable corporate overheads to the appropriate services.

Two of the five councils did not have effective approaches to calculating the complete costs before setting their fees and charges for their services. This was because they did not allocate a reasonable proportion of the corporate overheads for all services.

One council has assessed that allocating 56 per cent of corporate overheads to services is sufficient for their decision making. This is lower than the 80 per cent or more allocated by two other councils we consider effective.

New services and changes to existing services

All five councils had approaches in place to consider the whole-of-life costs of new assets to deliver new or amended services.

There is an opportunity for councils to engage with their communities in the early design stage of significant projects. This would ensure that the services and service levels for all new services associated with new or upgraded assets were based on community input.

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How the five councils monitored and reported on their services

Reporting on service budgets

One of the five councils reported budget information at the service level. This council and its senior management had clear line-of-sight to revenue and expenses for each of the council's services in the monthly budget reports.

The other four councils monitored and reported on their budgets at the business-unit level. Reports at a business-unit level include the performance of a group of services. The four councils did not have approaches in place to monitor and report on their expenditure and revenue against budgets of individual services except on an ad hoc basis.

Reporting on service performance

All councils used performance measures to monitor and report on their annual operational plans. However, none of the five councils had effective processes and systems in place to monitor and report on the effectiveness and efficiency of their services—internally to management and externally to the community.

Two councils had linked the performance measures in the annual operational plans directly to their services. This gave management measures on each service. However, many of the measures focused on tactical activities of business units rather than on strategic achievements or efficiency.

The other councils had designed their measures to monitor and report on the strategies in their annual operational plan or business plans but did not link them to their services. It was not possible for them to determine if they were managing and delivering individual services—effectively and efficiently.

Audit conclusions

Each council had some elements necessary to effectively plan and deliver financially sustainable services. None of the five councils had all the elements working together. This affects their ability to effectively plan and deliver their services to support long-term sustainability.

Councils can work together to share ways to plan, deliver, and monitor their services.

Conclusions per council

Planning and managing the costs of services

Bundaberg Regional Council, Whitsunday Regional Council, and Noosa Shire Council had effective approaches in place to plan for their services for long term sustainability.

All five councils had some level of service planning either in their annual operational plans, business unit plans, service plans, or asset plans. Bundaberg Regional Council, Noosa Shire Council, and Whitsunday Regional Council had detailed information on their services, including services' direct operating costs.

Whitsunday Regional Council and Noosa Shire Council allocated a reasonable proportion of their corporate overheads to services. Bundaberg Regional Council considers that allocating 56 per cent of corporate overheads to services is sufficient for decision making. However, this does not represent a reasonable proportion and increases the risk of incomplete service costs being used for decision making. Longreach Regional Council and Western Downs Regional Council are not effectively planning for their services as they do not understand their services' full costs and do not allocate a reasonable proportion of their corporate overheads to services.

None of the councils had effective approaches in place to regularly review their services. They do not know whether their services meet the current or future needs of their communities.

Monitoring and reporting the costs and effectiveness of services

Longreach Regional Council effectively monitored operating costs at the service level. The other four councils monitored the budgets of business units, which represent multiple services. This could lead to missed opportunities to analyse the financial performance of services and make changes as necessary.

All five councils effectively monitored and reported on aspects of the effectiveness of some of their services. None of the councils effectively monitored or reported on the effectiveness and efficiency of all their services.

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Recommendations

Based on the findings from the audited councils we developed some recommendations that all councils can consider.

All councils

We recommend all councils consider whether:

1. they include sufficient details about their services within their existing planning documents or consider developing individual service plans (Chapter 2)

   Details about services should be scaled to the size and complexity of council and include:

   - how the service aligns to council's strategy
   - the service level (for example, operating hours)
   - the assets used to deliver the service
   - operational risks for the service
   - operating costs and overhead costs.

2. all existing services meet their community's current and future service needs and they deliver them at affordable levels by developing and undertaking regular reviews of existing services (Chapter 1).
3. budget owners develop consistent individual business unit and service budgets by providing documented budget guidelines, templates, and training (Chapter 1).
4. they benchmark their corporate overheads and allocate a reasonable proportion to services by developing and approving a corporate overhead methodology appropriate to the size and complexity of council (Chapter 1).
5. they make decisions to deliver new services or amend existing services (associated with new major capital projects) with an understanding of the whole-of-life costs and any impact on corporate overheads.

   Councils could develop their own or adopt an existing project decision framework that includes community engagement on the need for and level of new services. They could use the Queensland Treasury Corporation project decision framework to develop their own framework or work together to share existing frameworks (Chapter 1).

6. they collect reliable and accurate information on the effectiveness and efficiency of their services.

   Councils could develop a performance monitoring and reporting framework to support both internal management reporting to council and external reports to their communities (Chapter 2).

Department of Local Government, Racing and Multicultural Affairs

We recommend that the Department of Local Government, Racing and Multicultural Affairs support councils to develop:

7. models, benchmarks, and tools that are scalable for differently sized councils to allocate their corporate overheads to their services (Chapter 1).



The department could, where appropriate, provide examples (templates), access to technical expertise and facilitate the development of tools for groups of councils.

8. a set of measures of effectiveness and efficiency to help councils monitor the performance of their services. (Chapter 2).

   The department could develop a set of standard measures of councils' common services for reference. It could also facilitate groups of similar councils to share existing resources or coordinate the development of new resources in partnership with existing council networks.

Guidance

Guidance for councils

We developed a range of materials for councils to support them to implement our recommendations.
Appendix C—Prioritising service delivery
Appendix E—Measuring service performance
Appendix F—Allocating corporate overhead costs to services.

Reference to comments

In accordance with s. 64 of the *Auditor-General Act 2009*, we provided a copy of this report to all 77 councils and the Department of Local Government, Racing and Multicultural Affairs. In reaching our conclusions, we considered their views and represented them to the extent we deemed relevant and warranted. Any formal responses from these entities are at Appendix A.

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1. Service planning

Introduction

Councils can control or reduce their costs through understanding and actively managing their services. Managing the costs of each service, and adjusting the level of service provided as needed, will help to support financial sustainability.

Councils can incorporate service planning into existing planning documents or stand-alone service plans. Service planning involves identifying the services council provides, the users of the services, assets used to deliver the service, costs to operate, and performance measures.

Effective planning for services requires councils to understand the full costs of their services. The full cost of a service includes operating costs (which relate clearly and exclusively to a specific service) and corporate overhead costs (such as finance and information technology, which are shared between many services).

We examined how well the councils were planning for their services. This included how well they had:

- reviewed their services to understand if they were meeting their community's current and future needs
- identified all the costs (operational and corporate overheads) of delivering the services at the desired level and quality
- set their fees at a level that balanced the community benefit with the funding available from rates
- assessed all new services to identify benefits and risks and consider the whole-of-life costs of any assets needed.

Councils engage in both formal and informal consultations with their communities via correspondence, social media and surveys. Councillors also play an important role engaging with the community on local and regional issues.

Service planning

We found that three of the five councils had effectively developed detailed plans for how they intended to use their resources to deliver services for their communities. These plans included information such as:

- why they were delivering the services
- who used their services
- when customers could access the service
- how much the services cost to operate
- where services were based, or the locations covered
- how they would monitor the contribution of the service to their corporate strategies and community outcomes.

In the three councils with detailed plans, the links were not always clear between their corporate and operational plans and the services the councils delivered.



The other two councils had some high-level information about their services in their asset management plans. For example, the asset management plans included a listing of the services delivered from each building asset. But the councils did not have enough detail about the costs of delivering their services at the expected service levels.

One council had clearly aligned all its services with its operational plan. This gave management the ability to focus on managing its services and the assets needed to deliver them.

If councils do not have detailed plans for their services, they may not be able to effectively manage them. They may not know if their services are supporting their vision for their communities.

Recommendation

Recommendation to councils

We recommend all councils consider if they include sufficient details about their services within their existing planning documents or consider developing individual service plans.

Details about services should be scaled to the size and complexity of council and include:

- how the service aligns to council's strategy
- the service level (for example, operating hours)
- the assets used to deliver the service
- operational risks for the service
- operating costs and overhead costs.

We have provided an example service plan in Appendix D.

Regular service reviews of community needs

We found none of the councils were regularly reviewing their existing services. They did not formally consult with their communities about the range of services they want now or in the future, or about the level of service the community is prepared to pay for. For example, councils did not formally consult with the community about how many days per week the library should open, even though a significant proportion of library-operation costs are for staff salaries and longer opening hours increase the service cost. Community consultation about the costs of each option and the impact of costs on either fees or rates could help councils to provide the right services at affordable levels.

We found examples of all five councils consulting with their communities about decisions to invest in new or amended assets and services. Four of the five councils had approved, current community engagement strategies or policies. None of the five councils had effective processes to consult with their community on the need for their existing services or the levels at which they should deliver their existing services.

There is a risk that existing services may not be meeting community needs, or that the service levels are wrong (too high or too low). Councils may miss opportunities to achieve cost savings they could redirect to improving or expanding frontline delivery, constraining rate increases, and enhancing overall sustainability.

All the councils had approaches to engage with and consult with their community on emerging issues, new or amended services, and/or projects. For major projects that would deliver new or significantly amended services, councils considered whether community input was either required by legislation or necessary to inform council decisions.

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Case study 1A shows how Noosa Shire Council engaged with the community to get input on a significant redevelopment project. The Park Road boardwalk project involved the replacement of approximately 400 metres of boardwalk from Little Cove beach access to Noosa National Park. The upgrade was to bring the boardwalk up to a standard that could provide for future growth in demand while having minimal disturbance on the adjacent natural area.

Case study 1A
Community engagement on project design

Community engagement on the Park Road boardwalk

Background

Noosa Shire Council engaged in extensive community consultation on the Park Road boardwalk upgrade. Council wanted to fully understand the community's needs and the impact of the new infrastructure. It also wanted to demonstrate environmental excellence and innovative construction solutions. The council engaged with Kabi Kabi/Gubbi Gubbi representatives, local environmental groups, and the surfing community, seeking input into how it could incorporate cultural heritage into the design of the upgrade.

Consultation

In October 2017, council approved a community engagement plan that incorporated:

- using the Noosa Have Your Say web platform to survey the community on design considerations
- forming a community reference group to listen to ideas, provide technical details, and facilitate group discussions
- identifying key stakeholders
- organising pop-up events to provide information about the project to the broader community.

Council completed the design work in March 2018 and construction in November 2018.

Results

As part of the design phase, council considered the various materials and long-term sustainability of the service by analysing the whole-of-life costs of various options. The extensive community consultation resulted in high-level community satisfaction.

Conclusion

By engaging with the community on the early design of the project, council was able to design the project to meet the community's expectations. It was also able to use materials that will reduce maintenance costs across the life of the asset and reduce the need to increase rates.

Source: Queensland Audit Office, based on documents from Noosa Shire Council.

Recommendation

Recommendation to councils

We recommend all councils consider if all existing services meet their community's current and future service needs and they deliver them at affordable levels by developing and undertaking regular reviews of existing services.

We have provided an example of a prioritisation tool in Appendix C.

Budgeting operating costs and overheads

We found all councils effectively identified and included direct operating costs in service budgets. However, three of the five councils did not know the full cost of delivering their services as they did not effectively allocate a reasonable proportion of their corporate overhead costs to their services. One of the three councils assessed that allocating 56 per cent of corporate overhead costs provides sufficient information for decision making. This is lower than the 80 per cent or more allocated by two other councils we consider effective.

Direct operating costs

We found all five councils effectively identified the direct costs of operating their services. They ensured that budgets included employee costs, operating expenses, and depreciation. Four of the five councils had documented budget guidelines or policies for staff on how to develop budgets. This helped those councils to develop their budgets consistently across all the different business units. It also ensured staff treated council-wide costs, such as depreciation and staff on-costs, consistently.

Noosa Shire Council expects staff to build budgets from a zero base (zero-base budgeting). Staff create a new budget each year and support budget lines with evidence of the anticipated expenses and revenue. Zero-base budgeting forces managers to explain how each budget item links to the service and removes funding for items no longer needed. This approach identifies waste and operations that no longer need funding. We do note, however, that this approach is time intensive and may not suit all councils.

At the other councils, staff built their budgets by reviewing the revenue and expenses from previous years and adjusting the figures using a percentage increase or decrease based on a council-wide analysis. We also observed individual services at Whitsunday Regional Council analysing forecast volumes on the impact of service budgets.

Recommendation

Recommendation to councils

We recommend all councils consider whether budget owners develop consistent individual business unit and service budgets by providing documented budget guidelines, templates, and training.

Corporate overheads

We found two councils allocated 80 per cent or more of their corporate overhead costs to their services. This provides a reasonable allocation of corporate overheads and effective costing information.

One council allocated 56 per cent of their corporate overhead costs to their services. They have assessed that this provides materially accurate costing information. However, this does not represent a reasonable allocation of corporate overheads and is lower than the 80 per cent or more allocated by the two councils we consider effective.

Two councils did not allocate sufficient corporate overheads to their services (4 to 22 per cent).

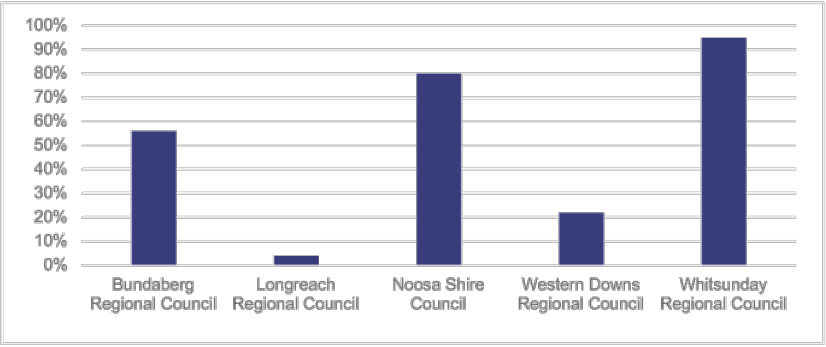
Figure 1A shows the allocation of corporate overheads to services by council. Whitsunday Regional Council and Noosa Shire Council allocated the greatest proportion of their corporate overheads at 95 per cent and 80 per cent respectively.

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Not allocating a reasonable proportion of corporate overheads reduces councils' understanding of the full cost of their services. This reduces their capacity to meaningfully compare the costs of their services with other councils and the private sector. It also affects the accuracy of information when councils make decisions to:

- expand or reduce existing services
- outsource services to the private sector
- discontinue unaffordable services that no longer deliver value.

Figure 1A
The proportion of corporate overheads allocated to services, 2018–19



Source: Assembled by Queensland Audit Office from council budget reports.

Two councils excluded governance costs from the corporate overhead costs allocated to services. They considered that the costs of operating the council and the cost of complying with various legislative requirements did not reflect the true cost of delivering its services to the community. The types of governance costs they did not allocate included:

- council management
- salary costs for the Mayor, councillors, and the Chief Executive Officer
- the costs of supporting councillors
- preparing financial statements.

We acknowledge there are some governance costs that would exist for council whether they delivered the services themselves or outsourced all services.

We observed two different approaches to allocating corporate overhead costs.

Some councils allocated corporate overhead costs based on an estimate of how much time corporate staff spent supporting council services. For example, if the finance branch estimated they spent 30 per cent of their time supporting the saleyards, 30 per cent of the finance budget was allocated to the saleyards.

Some councils identified other ways to allocate the corporate overhead costs. A common way to allocate the cost of information technology (IT) overheads was the number of devices used to deliver a service. The more devices (computers, printers, iPads, and servers) needed for a service, the more support the service would need from the IT branch. For example, if the library had 5 per cent of all IT devices across council, the council allocated 5 per cent of the cost of the IT overhead to the library.

We have developed guidance for councils on different methodologies for allocating corporate overheads. Councils should adopt an approach that is scalable to their business. We have provided examples of cost allocation methodologies in Appendix F.

Recommendation

Recommendation to councils

We recommend all councils consider whether they benchmark their corporate overheads and allocate a reasonable proportion to services by developing and approving a corporate overhead methodology appropriate to the size and complexity of council.

Recommendation to the Department of Local Government, Racing and Multicultural Affairs

We recommend that the Department of Local Government, Racing and Multicultural Affairs supports councils to develop models, benchmarks, and tools that are scalable for differently sized councils to allocate their corporate overheads to their services.

The department could, where appropriate, provide examples (templates), access to technical expertise and facilitate the development of tools for groups of councils.

We have provided examples of cost allocation methodologies in Appendix F.

Fees and charges

Council can fund services from a combination of rates, grants, and fees and charges. Councils set fees and charges based on several factors such as customers' ability to pay, changes in costs, and pricing of similar services. Cost is one element in setting fees and charges. Using the full cost of the service will help inform councils' decisions on fees and charges. Councils can then also understand the effect on the contribution from rates revenue.

We found that three of the five councils did not effectively consider the full cost of their services before setting their fees and charges. This was because they had not allocated a reasonable proportion of corporate overheads for all services.

New services and changes to existing services

We found that all five councils had approaches in place to consider the whole-of-life costs of new assets to deliver new or amended services. Three of the five had formal, documented project decision frameworks to ensure consistency of information on the benefits, risks, and full operating costs of proposed new assets.

Councils with formal project decision frameworks consistently assess proposals for new or renewed assets. Considering the whole-of-life cost of owning the asset and operating the service gives council a full understanding of what it will cost before they decide to build or remodel.

The frameworks we observed included:

- clear governance roles and responsibilities for decision making on the sustainability of council assets and affordability of associated services
- a project management office that provides centralised leadership and coordination of the framework and reporting
- tools and templates for project proposals, transparent reporting, cost management, and performance reporting of projects and programs
- consistent methodologies for the delivery of projects.

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We observed that the frameworks did not align with the councils' community consultation frameworks and policies. There is an opportunity for councils to engage with their communities in the early design stage of projects. This would ensure that services and service levels are based on actual community needs, not on historical levels or instinct.

We observed one example where a council analysed service variations to an existing service. Previously, the council owned but did not operate the Dalby and Chinchilla cinemas. Case study 1B shows how the council considered the costs of the service in its decisions to operate the service.

Case study 1B
Considering the full costs of a service

Dalby and Chinchilla cinemas

Western Downs Regional Council owns cinemas in Dalby and Chinchilla. The cinemas contribute to council's strategic priorities of strong economic growth, active vibrant communities and great liveability. Council decided to manage and operate its cinemas in-house from 1 August 2018, rather than continue with private sector operation.

Council did this because they identified from community feedback, declining patronage and a poor range of offerings that the service was not meeting the community's needs. There was a risk that people were leaving the local community to watch movies and spending their time and money away from Western Downs.

The cinemas contribute to the local economy by encouraging residents to support local businesses while attending the movies. Having a local service also encourages a sense of community and liveability.

Decision to change the service

To make this service decision, council undertook a service options analysis to examine the following scenarios:

- continue with the existing third-party operator
- release a new tender for a new third-party operator
- council operating the service.

Council analysed the pros and cons of each scenario, including its financial impact to the community. It decided that although the service was not breaking even, the service had significant benefits to the community. Council brought the operation back in-house to understand the full costs of operating the cinemas. This will give council an opportunity to analyse the operating costs and benefits of the service. It will be able use this information to inform any future decisions to consider outsourcing of the service to a private operator.

Council took over operation of the theatres on 2 August 2018. Council states that revenue for 2018–19 have increased by 12.3 per cent on 2017–18.

Considerations

Council could also consider, where appropriate the:

- depreciation and corporate overhead costs in its options analysis
- impact of varying ticket and kiosk pricing has on patronage and overall affordability of the service.

Source: Queensland Audit Office from council documents.

Recommendation

Recommendation to councils

We recommend all councils consider whether they make decisions to deliver new services or amend existing services (associated with new major capital projects) with an understanding of the whole-of-life costs and any impact on corporate overheads. Councils could develop their own or adopt an existing project decision framework that links with their community engagement policy.

Councils could develop their own or adopt an existing project decision framework that includes community engagement on the need for and level of new services. They could use the Queensland Treasury Corporation project decision framework to develop their own framework or work together to share existing frameworks.

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2. Service monitoring and reporting

Introduction

Measuring performance enables councils to monitor if performance is stable, declining, or increasing. Importantly, this allows councils to take corrective action, prioritise resources to services that are effective and efficient, and consider alternatives for inefficient or ineffective services that are not delivering value to the community or are risking their long-term sustainability.

Measuring performance also gives councils the information they need to prompt a review of costs. Efficiency measures have a strong link to cost management and will tell councils the cost of delivering a unit of the service. Councils can benchmark cost with other councils or operators to understand if the council is spending too much or too little on the service.

Reporting on financial performance

We found that four of the five councils monitored and reported on their budgets at the business unit level. They did not have effective approaches in place to monitor and report on budgets of individual services.

One council had structured its annual operational plan and budget on its services. This council and its senior management had a clear line-of-sight to revenue and expenditure for each council service in the monthly budget reports.

The other councils reported on the budgets of individual business units each month. Council business units may be responsible for delivering multiple services to the community. Monthly reporting on business unit budgets allows councils to hold the managers accountable for any budget variances. However, councils may not see variations in the operating costs of individual services, as under-spends in one service may cancel out over-spends in another.

The risks of not reporting on budgets at the service level are that councils:

- focus on the financial position of the business unit as a group of services
- miss an opportunity to analyse the financial performance of services provided to the community and make changes as necessary
- do not identify underperforming or unaffordable services.

If it is not practical for councils to monitor budgets at the service level every month, then periodic analysis of individual service budgets would help to mitigate risks.



Reporting on effectiveness and efficiency

We found that the five councils did not have effective processes and systems in place to monitor and report on the effectiveness and efficiency of business units and services. Councils reported internally to management and externally to the community on some measures of effectiveness and efficiency of their services. However, there were gaps in the information as they did not report at least one measure of effectiveness and efficiency for each service.

Many of the measures in council reports focused on the tactical activities of business units rather than on outcomes for the community, supported by effectiveness and efficiency assessments. The community and council require a balance of effectiveness and efficiency measures to adequately assess the performance of services.

When councils use a mix of measures to monitor both the effectiveness and efficiency, they are more able to demonstrate they are using public resources well. This allows senior management and council to intervene and implement corrective action where a service is ineffective or inefficient.

Figure 2A shows our assessment of the performance measures councils use to monitor their services. We reviewed how many measures councils report in the planning documents including operational plans and service catalogues. We found many measures focused on day to day activities (input measures e.g. number of meetings held) and did not provide insights into the effectiveness and efficiency of the service delivery to the community

Figure 2A
Assessment of performance measures in operational plans/service catalogue

Council	Number of activity measures	Number of effectiveness measures	Number of efficiency measures	Number of measures with no data	Number of measures
Bundaberg Regional Council	32	60	0	2	**94**
Longreach Regional Council	238	114	2	0	**354**
Noosa Shire Council	12	49	29	0	**90**
Western Downs Regional Council	57	60	3	0	**120**
Whitsunday Regional Council	72	27	0	1	**100**

Note: Councils may report efficiency measures in other documents such as directorate reports however they were not aligned with their operational plans or council services.

Source: Queensland Audit Office.

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Western Downs Regional Council owns and operates the Dalby regional cattle saleyard. The service has been running for over 75 years and is one of Australia's largest saleyards, with average annual sales of more than 200,000 cattle. Case study 2A shows the value of analysing performance for decision making about services.

Case study 2A
A cattle saleyard service

Monitoring the efficient performance of Western Downs Regional Council's saleyard

Western Downs Regional Council operates the saleyard as a commercial business. It expects to meet its costs from revenue from customers and make a profit.

To determine the prices it charges to its customers, council has developed a 10-year pricing model which is reviewed annually. The pricing model aims to provide an appropriate level of profit or returns over a long period.

Council monitors the service through bi-monthly Saleyard Advisory Committee meetings. The committee reports to council on the performance of the service as well as any operational issues.

The committee monitors and reports on the monthly cattle throughput and profitability. But there are no service operational targets, effectiveness measures, or efficiency measures to help inform service decision making. By measuring appropriate efficiency measures, council can make more informed cost decisions and demonstrate the value of its service to the community.

Council could also consider other benefits of a service that brings business into the community when making any future decisions about the value of the service.

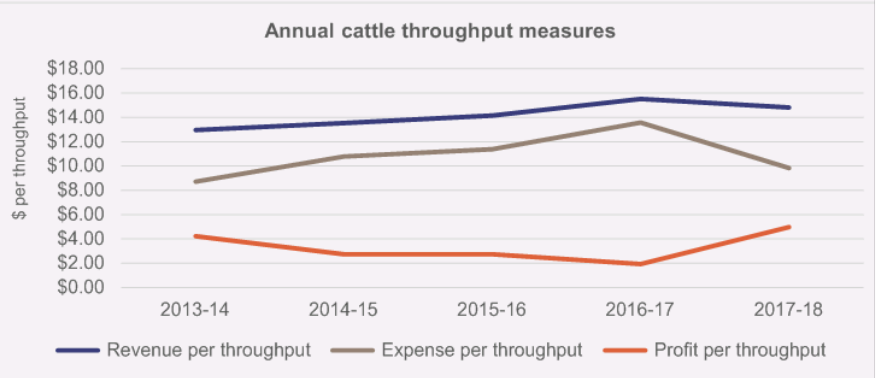
Our analysis of the efficiency measures for the service

The key activity to be measured for saleyard efficiency is cattle throughput. Council could report on the efficiency of the saleyard service by reporting on revenue/expense/profit per throughput. This will show areas most affected by throughput changes and can highlight areas of focus for council.

We identified five key financial measures and the average annual movement over the past five years:

- fees and charges—2% increase
- cattle throughput—6% increase
- total revenue—6% increase
- total expenses—6% increase
- net profit—31% increase.

Total expenses on average per annum are increasing in-line with annual average revenue increases over the past five years. The average increase to net profit per annum is 31%. This increase to net profit is primarily due to a 26% increase in throughput levels in the 2018-19 financial year compared with 2017-18.



Source: Queensland Audit Office.

Guidance on measuring performance

Each council has its own approach to measuring performance. None of the councils had frameworks or policies to guide staff on how to develop measures of effectiveness or efficiency.

Taking different approaches to measuring the effectiveness and efficiency of council services reduces councils' ability to compare their services. There is an opportunity for councils to work together and share the workload of developing and testing rigorous measures. A consistent approach could also help all councils to improve the efficiency and effectiveness of their services.

We recognise that the varying size and nature of councils across our vast state means that comparing performance may not always be appropriate. However, councils of similar size and circumstances or within similar geographic regions may find comparisons helpful.

We have developed guidance for councils on how to measure the effectiveness and efficiency of their services. Appendix E outlines the key principles to consider in developing measures of service performance and includes some examples.

Recommendation

Recommendation to councils

We recommend all councils consider whether they collect reliable and accurate information on the effectiveness and efficiency of their services.

Councils could develop a performance monitoring and reporting framework to support both internal management reporting to council and external reports to their communities.

Recommendation to the Department of Local Government, Racing and Multicultural Affairs

We recommend that the Department of Local Government, Racing and Multicultural Affairs support councils to develop a set of measures of effectiveness and efficiency to help them monitor the performance of their services.

The department could develop a set of standard measures of councils' common services for reference. It could also facilitate groups of similar councils to share existing resources or coordinate the development of new resources in partnership with existing council networks.

We have provided guidance for developing measures in Appendix E.

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A. Full responses from entities

As mandated in Section 64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to all 77 councils and the Department of Local Government, Racing and Multicultural Affairs.

The heads of these organisations are responsible for the accuracy, fairness, and balance of their comments.

This appendix contains their detailed responses to our audit recommendations.

Please use include the line below in the proposed version of the report.

Comments from entities are not provided in the preliminary or proposed version of the report. They are included in the final report.

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Comments received from Director-General, Department of Local Government, Racing and Multicultural Affairs

The heading style is called Appendix heading 2.

Responses to recommendations

The heading style is called Appendix heading 3.

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Comments received from Chief Executive Officer, Noosa Shire Council

The heading style is called Appendix heading 2.

Responses to recommendations

The heading style is called Appendix heading 3.

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Comments received from Chief Executive Officer, XXXXXXXX Regional Council

The heading style is called Appendix heading 2.

Responses to recommendations

The heading style is called Appendix heading 3.

IN-CONFIDENCE—SUBJECT TO THE *AUDITOR-GENERAL ACT 2009*

Comments received from Chief Executive Officer, XXXXXXXX Regional Council

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Responses to recommendations

The heading style is called Appendix heading 3.

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Responses to recommendations

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IN-CONFIDENCE—SUBJECT TO THE *AUDITOR-GENERAL ACT 2009*

Comments received from Chief Executive Officer, XXXXXXXX Regional Council

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B. Council services

Councils deliver a range of different services. They also structure their services in different ways. The following lists the services the five councils deliver to their communities.

Figure B1 lists the 40 services delivered by Bundaberg Regional Council.

Figure B1
Services delivered by Bundaberg Regional Council

Services			
Age Care and Seniors Villages	Disaster Management	Local Laws	Regulated Parking
Airports	Fleet Management	Moncrieff Entertainment Centre	Roads
Animal Control	Footpaths & Network Pathways	Multiplex	Showgrounds and Recreational Precinct
Arts Centres	Governance	Museums & Attractions	State Emergency Services
Caravan and Holiday Parks	Gracie Dixon Respite Centre	Natural Resource Management	Stormwater Drainage
Cemeteries	Hall of Aviation	Neighbourhood Centres	Tourism and Visitor Information Services
Community Care and Support	Health Services	Parks & Open Space	Waste & Recycling
Community Development	Laboratory Services	Planning Development	Wastewater Services
Community Halls & Facilities	Land Protection	Pools	Water Safety & Boating Facilities
Councillors & Executive Offices	Libraries	Racecourse	Water Services

Source: Queensland Audit Office from council plans

Figure B2 lists the 21 services delivered by Longreach Regional Council.

Figure B2
Services delivered by Longreach Regional Council

Services			
Administration	Child Care	Civil Construction and Maintenance Operations	Commercial Services
Communities	Disaster Management	Economic Development and Tourism	Environmental Health
Financial Accounting	Governance	Human Resources	Leasing and Land Management
Libraries	Local Laws / Rural Lands	Media Relations	Planning and Development
Public Facilities	Regional Coordination	Waste	Water and Sewerage Operations
Wild Dog Exclusion Fence Scheme.			

Source: Queensland Audit Office from council plans

Figure B3 lists the 32 services delivered by Noosa Shire Council.

Figure B3
Services delivered by Noosa Shire Council

Services			
Aged & Disability Support	Beaches & Coastal Foreshores	Canals & Waterways	Cemeteries
Community Development	Cultural Development	Customer Service	Development Services
Disaster Management	Economic Development	Elected Council	Financial & Revenue Services
Fleet	Governance	Holiday Parks	Land & Habitat Conservation
Libraries	Lifeguards	Local Laws & Public Safety	Pathways
Boardwalks & Recreation Trails	People & Culture	Procurement	Public Amenities (Toilets)
Public Health	Public Lighting	Recreation Parks	Road Network
Sport & Recreation	Stormwater Drainage & Flood Mitigation	Traffic & Transport	Waste & Resource Management.

Source: Queensland Audit Office from council plans

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Figure B4 lists the 28 services delivered by Western Downs Regional Council.

Figure B4
Services delivered by Western Downs Regional Council

Services			
Art Galleries	Building and Plumbing Certification	Cemeteries	Cinemas
Commercial Roadworks	Community Housing	Environmental Management	Footpath Mowing
Function Hire Facilities	Gas	Home Care	Internet
Landing Facilities (Airports and Aerodromes)	Libraries	Parks and Gardens	Pest Management including Dog Pounds
Planning and Development Approval	Public Toilets	Quarry and Gravel Pits	Residential Aged Care (Nursing Homes)
Saleyard	Sewerage	Swimming Pools	Transport Services (Roads and Streets)
Visitor Information Services	Washdown Facilities	Waste	Water

Source: Queensland Audit Office from council plans

Figure B5 lists the 15 services delivered by Whitsunday Regional Council.

Figure B5
Service delivered by Whitsunday Regional Council

Services			
Bushfire Management	Caravan Parks	Coastal Management	Collinsville Independent Living Facility
Cultural Heritage	Environmental Health	Environmental Services	Events
Grants	Library Services	Local Law Services	Mosquito Management
NRM Advice to Town Planning	Pest Management	Trade Waste	

Source: Queensland Audit Office from council plans

C. Prioritising service delivery

We have developed a cost value tool for councils to use. The tool helps councils identify the key priorities for funding allocation. The tool focusses on the services that are in some way optional. It excludes roads, waste collection, water, and wastewater.

The cost value tool helps councils to identify a priority order for service reviews. Service reviews identify the level of service required, including quantity and quality. Service reviews also support the allocation of limited funding and resources to services of most community value.

The five concepts of value included in the tool:

1. Community amenity—45 per cent

   This is value obtained from local community use. It considers how the service is used, why it is in place, and the historical value of the service and associated assets. The more links to the local community, the greater the score.

2. Link to strategy—15 per cent

   This represents the link between the service delivery and the strategic intent of council. This should include new strategies and business-as-usual activities. The stronger the link, the greater the score.

3. Alternative services—15 per cent

   This assesses whether there are similar or partial services delivered elsewhere—from other council services, other government activities, or the private sector. The higher the availability of alternative services, the lower the score.

4. Functionality—15 per cent

   This assesses the requirements to operate the service. The assessment includes the required employee skills, the required technology, and the sharing of assets. The more functionality of the operational requirements, the greater the score.

5. Risk—10 per cent

   Risks associated with the delivery of the service are assessed to identify those that are desired by council and those that cannot be managed efficiently. The greater the unmanageable risk, the lower the score.

For each identified service, the value rating and cost are included in one of four quadrants. The action to be taken depends on the quadrant.

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The four quadrants are:

Quadrant	Action
1. High value, low cost	This is the preferred service model for sustainability
2. Low value, high cost	These services are the number one priority for a review of service levels or the service as a whole
3. High value, high cost	These services are the number two priority for a review of service levels or the service as a whole
4. Low value, low cost	These services are the number three priority for a review of service levels or the service as a whole

This tool aligns with the long-term financial sustainability of council. The 10-year forecast, and strategic asset-management plans can be aligned to the priority of the services identified in this model. The assets (maintenance and capital spend) and operations linked to high-value services can be prioritised in the long-term forecasting model.

The tool is available on our website Hyperlink

D. Example service plan template

Noosa Shire Council uses its service level catalogue to plan its services. The template captures key information on each of its services.

NOOSA COUNCIL

SERVICE LEVEL CATALOGUE

Service Listing <INSERT #> of <INSERT TOTAL>

Service Output	**XXXXX** *<insert brief descriptor of service>*	
Service Activity	**XXXXX** *The activities include xxxxxxxxxxxx*	
Responsible Area	**Department**	**Branch**
	**Refer to Asset Responsibility Matrix for specific areas of responsibility*	
Cost Centres		
Key Statistics		
Legislative responsibility to provide this service		

ACTIVITY		SERVICE LEVEL TARGET
Maintenance *[xxxxx more info as necessary to explain what the activity includes xxxxx]*		
Availability (delete if not relevant)	Include opening times for example	
Cyclic inspections	May need different headings depending on service – e.g. statutory timelines	
Scheduled work		
Reactive work	Include customer requests here	
Operations *[xxxxxx]*		

SERVICE DELIVERY MODEL
Can insert text or a table

KEY SERVICE METRICS		
Measure	**Metric**	**Benchmark Comparison**
		Maybe use traffic light approach (likely not known at this stage - for future versions)

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PERFORMANCE MEASURE				
Service	**Indicator**	**Performance Measure**		**Methodology**
	Satisfaction	Suggestion below – needs to be a comparative measure – not a count/metric) Noosa community satisfaction mean rating score compared to the State mean rating score (out of optimum rating of 5).		Community satisfaction mean performance rating from the LGAQ 2019 Community Satisfaction Tracking Survey for Provincial areas for: *Theme*: Community Lifestyle Services *Function*: Environment Protection & Conservation *Theme*: xxx *Function*: xxxx
		NSC mean rating (2019)	State mean rating (2019)	

(Use endnotes to provide any explanatory information – e.g.source of info or clarifying remarks)

E. Measuring service performance

Background

Performance information is a tool for service management and improvement. It supports informed decision making and is an early warning system that enables managers to take preventative action.

Reporting on a range of performance measures to external stakeholders can demonstrate that council is using its resources appropriately and delivering valuable services. Monitoring both effectiveness and efficiency provides a balanced assessment of performance and ensures that any changes in one are not at the expense of the other.

Principles

The Queensland Government's performance management framework identifies general principles for organisations to consider when developing performance measures. A performance measure should be:

- *relevant*—reflect what the council is trying to achieve, not simply what is easy to measure
- *comparable*—with either past periods or similar services in other councils in Queensland and nationally
- *well-defined*—with a clear, unambiguous definition so that data can be collected, and easy to understand and use with minimal explanation
- *prevent unintended consequences*—not encourage unwanted or wasteful behaviour
- *reliable and verifiable*—able to produce accurate data for its intended use, able to be measured consistently, be responsive to change
- *achievable*—stretching and reflecting the council's ambitions for improved standards of public services
- *cost-effective*—in terms of gathering and processing the data.

Monitoring performance is a process of continuous improvement. Performance measures are not set-and-forget, but require continuous monitoring and improvement to inform and drive decision making about the business.

Measuring effectiveness of services

Effectiveness measures monitor the progress of objectives and the outcomes council wants its services to achieve. Users of council services can include individual residents, businesses, or community groups. Effectiveness measures show the impact of the service on the environment, public safety, traffic congestion, and, in some cases, community health outcomes. Effectiveness measures, when considered across all services, can provide an overview of the council's progress in achieving its operational and corporate plan for the community.

Developing effectiveness measures relies on establishing clear objectives for the service and determining what success would look like. It is helpful to:

- specify what the service intends to achieve (the objective)

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- define the target population or client base for the service
- identify the main impacts to users (the outcomes)
- benchmark operations against similar organisations or the private sector (where appropriate).

Effectiveness measures focus on the results achieved, rather than the activities completed or money spent. They can be short term or longer term. Examples of effectiveness measures include:

- participation rates in sports/fitness programs (short-term)
- fitness levels of participants in sport/fitness programs (medium-term)
- proportion of participants in respite services reporting improved health outcomes (long-term)
- number of accidents per kilometre of road by road type (medium-term).

Measuring efficiency of services

Efficiency measures monitor the cost of delivering a service. They provide information about the production of a service with a given level of resources. They are useful in demonstrating a council's relative efficiency in service delivery when compared with benchmarks such as:

- previous results
- internally established goals and targets
- compliance with legislative standards
- generally accepted norms or standards
- results achieved by similar councils.

Efficiency measures focus on the cost of the resources used in dollars per unit. Examples of efficiency indicators include:

- average cost per inspection—$250 per inspection
- average annual cost per site—$150 of expenses per site
- average cost per patron (e.g. swimming pool, library or airport)—$15 per entry to the pool, $28 per passenger trip, $35 per member per year
- cost per licence issued—$50 per licence
- cost per day (e.g. of childcare)— $110 per day per child.

Note, the figures are indicative only and not based on benchmarks.

Reporting performance

There are different audiences for performance reporting, with different needs, interests, and obligations. Contemporary tools allow users to generate dynamic reports covering a wide range of information.

When developing static reports for different audiences, it is important to consider the types of decisions or interventions they need to make. This will help determine the level of information they need; too much information can be as detrimental to decision making as not enough.



Internal reports to management

Heads of business units and senior management need to make tactical decisions about service levels, responsiveness, and budget issues. The types of measures best suited include:

- *activity measures*—service instances, number of service recipients, or other activities for the service; these measures demonstrate the volume of work undertaken and have direct links to the service budget
- *cost measures*—the cost of outputs/services produced compared to the budgeted costs or other benchmarks
- *process measures*—throughput, or the means by which council delivers the activity or service, rather than the service itself (e.g. the number of development applications approved); these measures demonstrate how busy the team or business unit is, rather than the effectiveness of the services
- *input measures*—the resources consumed in delivering a service, either as an absolute figure or as a percentage of total resources; these measures may include the funding, number of employees, person days, equipment, and supplies
- *quality measures*—how well a service is fit for its purpose, for example the extent to which outputs conforms to specifications; these measures could include timeliness, accuracy, completeness, accessibility and equity, continuity of supply, and/or seeking feedback on one of these criteria through customer satisfaction or experience surveys.

Internal reports to councillors

Councillors have several responsibilities under the *Local Government Act 2009* (the Act), including ensuring the council discharges its responsibilities, achieves its corporate plan, and objectives, and complies with all laws that apply to local governments.

Councils have a range of financial reporting obligations under legislation. They also need to provide non-financial reports to councillors to allow them to make strategic decisions on the council's performance for the community they represent. The types of measures to help them make these decisions focus on:

- *effectiveness*—achieving key outcomes and benefits of council's services
- *efficiency*—using the lowest level of council resources necessary to deliver services
- *economy*—using resources prudently; considering overall efficient use of resources to deliver effective services will also measure economy.

External reports to the community

Publicly reporting performance information is essential for accountability and transparency. It drives continuous improvement and builds trust and confidence in local government service delivery.

The types of measures that help the community hold council accountable are high-level strategic measures linked to the corporate plan, focussed on the services they receive from council. The measures should focus on the outcome for the end users of services where possible and include:

- *effectiveness*—achieving key outcomes and benefits of council's services
- *efficiency*—using the lowest level of council resources necessary to deliver services
- *economy*—using resources prudently; considering overall efficient use of resources to deliver effective services will also measure economy.

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Resources

There are a range of resources available to councils to support the development of performance management frameworks and examples of specific measures of service performance, including:

- The Queensland Government's *Performance Management Framework Policy*, https://www.forgov.qld.gov.au/file/26421/download?token=VYNP8kHs
- The Queensland Government's *Developing Performance Information—practical examples*, https://www.forgov.qld.gov.au/file/26401/download?token=PEZIH6ZB
- The Victorian Government's local government performance reporting framework, https://www.localgovernment.vic.gov.au/strengthening-councils/performance-reporting
- The Victorian Government's *Local Government Better Practice Guide—Performance Reporting Framework Indicator Workbook*, https://knowyourcouncil.vic.gov.au/__data/assets/pdf_file/0005/32882/BPG-Performance-Reporting-Framework-Indicator-Workbook-2018-19.pdf

F. Allocating corporate overhead costs to services

Introduction

To manage ongoing financial sustainability effectively, councils should identify the services they deliver and understand the total cost of delivering them both individually and collectively. Understanding the full cost of delivering a service will help ensure that where possible, costs are appropriately recovered via a user pays mechanism (i.e. fees, charges and recoverable works), competitive neutrality obligations are met for business activities, and the net cost of service delivery to be recovered via rates and charges is fully understood.

Service costing information incorporates all costs of delivering the service. This includes both direct and indirect (or overhead) costs. Councils should use costing systems and budget preparation processes to identify the full cost of delivering each service. A reasonable proportion of indirect costs should be allocated to services.

This document provides principles for the allocation of overhead costs which can be adapted to support the size, systems and capabilities of individual councils.

When choosing an approach to cost allocation, simple approaches which do not require system changes or significant investment in technology are recommended.

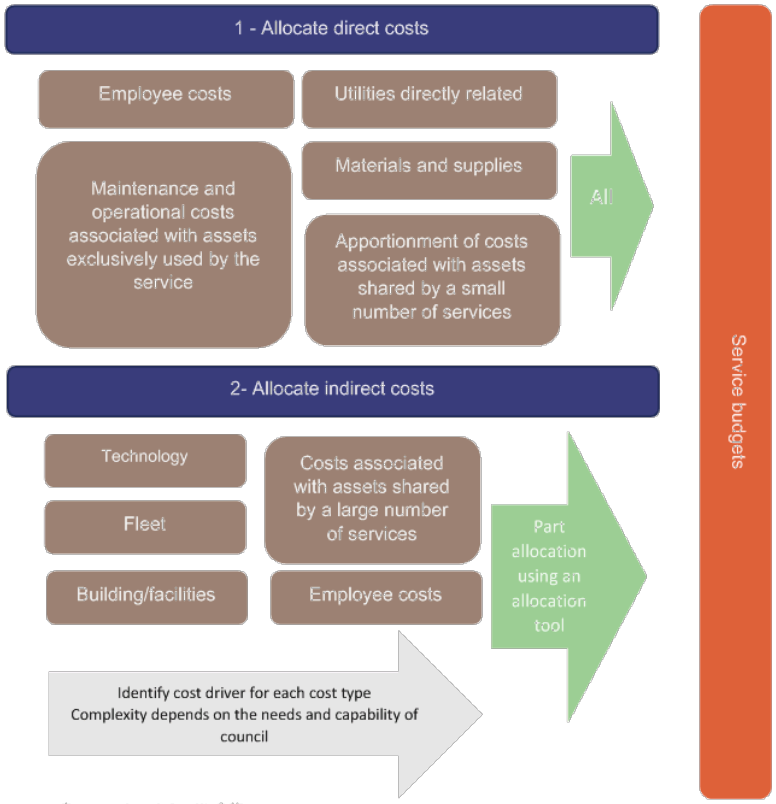
Principles of cost allocation

There are three key elements to identify the costs of a council service:

1. Define the service/s to be measured. This can include both internal and external services delivered by council or just external services provided by council.
2. Understand and allocate the direct costs of both internal and external services (i.e. employee costs, materials and services, depreciation).
3. Adopt a methodology for allocating indirect costs to the services. There are varying levels of complexity of internal cost allocation methodologies.

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Figure F1
Allocation of costs



Source: Queensland Audit Office

Direct costs

Direct costs are those that can be fully allocated to one service. Direct costs include:

- employee costs attributable to the service
- materials and service costs (including operating and maintenance costs, and utility costs such as electricity, waste and water) attributable to the service
- depreciation expense for single assets used to deliver the service.

Allocation of costs associated with assets

Each council needs to set its own allocation rules for the costs associated with shared assets. These allocations would be required in situations where shared assets are not hired or costed to the service via internal charging. These costs include depreciation, operations and maintenance. There are three situations that may apply:

1. **Exclusive use of an asset by a single service**

The depreciation and other costs associated with the asset are included as a direct cost to a service (i.e. swimming pool, road, library).

2. **Assets used by a small number of services**

Typically, if assets are shared by a small number of services related costs can be directly apportioned to those services. These assets are usually not related to internal overhead activities but may represent specialised or specific assets used directly in the delivery of a service (i.e. a depot facility shared by a water business and also a works department).

An apportionment methodology may include the use of a causal driver associated with the services such as time of use, number of employees, floor space. The causal driver is set as part of the budget process and assessed periodically to ensure it continues to be a suitable driver for allocation.

3. **Assets used by many services**

If an asset is used by multiple services and the costs are not easily allocated directly (i.e. a council administration building or IT system), the costs associated with the asset are included as an indirect overhead allocation. The allocation methodology applied to other indirect costs will apply.

Executive and governance costs

Councils incur costs relating to executive and compliance functions which are not related directly to service delivery to the community. Council would meet these costs even if they outsourced all functions.

Examples of these costs include:

- council meetings
- councillor and CEO salaries (where they do not directly relate to delivery of a service)
- council election costs
- subscriptions to local authority associations and attendance at conferences and meetings
- preparation and publication of financial statements, budgets and annual reports.

There are two options for how to treat executive and governance costs:

1. Executive and governance costs can be treated as a direct service classification.
2. Deduct the identified executive and governance expenses prior to the allocation of indirect costs. Councils should document the costs they have identified as not relating to service delivery for exclusion from overhead calculations, as well as the reason why these costs are not related to service delivery.

Executive and governance costs should not be used as a balancing item for unallocated overheads.

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Indirect (or internal service) costs

Indirect (overhead) costs are all other services that are considered to not provide services direct to the community.

They usually relate to shared costs associated with the delivery of multiple services and council internal activities not able to be easily allocated directly to an external service. Examples include:

- costs for internal council services such as finance, procurement, human resources and payroll, and property services
- information technology
- stores and purchasing
- communications
- customer service
- fleet
- corporate building costs
- depreciation expenses for assets attributable to indirect services.

Indirect costs are assigned to services through an allocation approach or methodology. The cost allocation methodology is applied via an overhead cost allocation model.

Steps for allocating indirect overhead costs

Council should establish a methodology for allocating indirect overhead costs. Some of the methodologies are complex and resource intensive. It is important that councils adopt a methodology which is most appropriate for the capability and needs of council and that the costs and benefits of each method are analysed.

The methodology should include the elements in Figure F2.

Figure F2
Steps for allocating indirect overhead costs



1. Identify overhead activities

The first step for any of the allocation methodologies is for councils to identify all of its overhead activities and the associated costs incurred in the delivery of these services. Examples of overhead activities include accounts payable, financial accounting, accounts receivable, payroll, governance, human resources, communications, asset management, insurance etc. Often where overhead activities can be allocated using a similar methodology they can be grouped together for simplicity (i.e. payroll, human resources and training activities).

2. Identify the drivers to allocate overhead activity costs

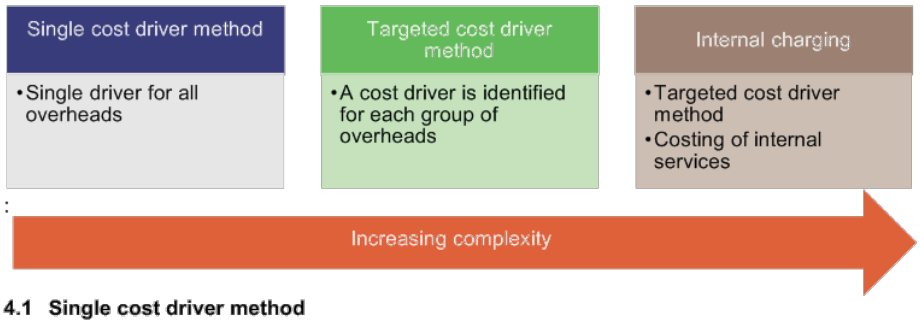
A cost driver is the basis on which the overhead costs are allocated. A cost driver preferably has a cause-effect relationship and it provides the basis for allocation of overheads based on volume or activity. Councils should identify cost drivers that have a relationship to the overhead costs being allocated to ensure that they provide a reasonable reflection of how that overhead activity is being utilised. Examples of cost drivers suitable for councils include employee numbers, equipment/infrastructure use hours, floor space, and number of devices etc.

Councils will need to document the process they have undertaken in determining the cost drivers, as well as the basis for collecting information to apply the drivers across their services (e.g. how they have recorded the number of purchase orders for the allocation of accounts payable overheads).

3. Allocate the overhead costs to services

There are varying methodologies available to allocate the grouped overhead costs to council services. The methodology used should reflect the existing systems of council, availably and capability of resources and the required level of costing precision required. The following three methodologies are common allocation methods, in order of increasing complexity.

Figure F3
Cost allocation methods



4.1 Single cost driver method

Allocation of costs on a single cost driver basis is the simplistic approach to overhead cost allocation. This method uses a single cost-driver to allocate all overhead costs to each council service. Commonly used drivers include number of employees required to deliver the service, or proportion of budgeted expenditure required to deliver the service. Overhead costs are allocated to a service using the following formula:

Direct service allocation = Overhead amount * Cost driver / Total cost driver

This allocation method is simple to understand and is not resource intensive to apply. It can be used when there is limited data available and the service cost is not considered material. Councils will need to document the assumptions used in determining the cost-driver.

4.2 Targeted cost driver method

Allocation of costs using a targeted cost driver basis requires councils to identify cost drivers for each overhead activity (or group) they are allocating. This allocation method is more appropriate where council's direct services utilise several internal council services for support. Figure F4 includes some examples of overhead activities and their cost drivers.

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Figure F4
Targeted cost driver examples

Overhead costs	Cost drivers
Human resources, WH&S, payroll tax	full time equivalent employees
Procurement	number of contracts number of purchase orders number of invoices
Finance	proportion of budgeted expenditure estimated per cent of effort
Information technology	number of devices used hours signed into network number of service requests issued
Accommodation, property maintenance, utilities, cleaning	floor space occupied
Asset management (depreciation, consumables, repairs and maintenance)	hours of plant use value of plant used (i.e. differentiate between heavy and light equipment)
Telecommunications	number of devices used

Source: Queensland Audit Office.

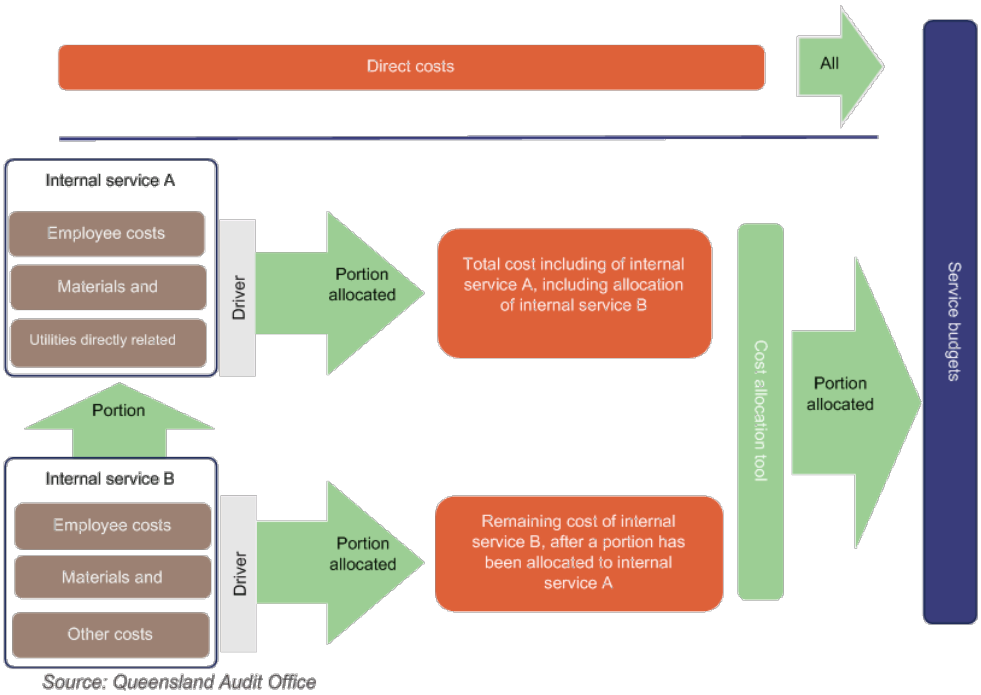
The internal support services of council that produce overhead costs to be allocated are also council services, which are necessary for the delivery of council objectives overall. Often costing models allocate costs between internal services prior to distribution to end user / direct services which allows users of these services to assess their efficiency once final costs to be allocated are determined. These costing models become increasing complex as overhead costs may perform multiple iterations of costs between overhead activities and direct services. For example, information technology costs might be first allocated to human resources, which are then allocated to the external service

4.3 Internal charging

Allocation of costs via the direct charging of goods and/or services between council services is a more complex method that may be used. Unit rates for charging can be derived from activity-based costing or via overhead cost allocation model outputs, which charging based according to actual rather than estimated usage of a particular council good or service

Internal charging is the most complex of the cost allocation methods however provides the greatest level of accuracy when determining cost allocation to end user / direct services

Figure F5
Example of internal charging model



Source: Queensland Audit Office

Monitoring and reporting of overhead costs

Councils should review their allocation model and methodology on at least an annual basis to ensure that the assumptions and drivers identified are still accurate for determining the cost of delivering each service to the community.

This will assist councils in understanding the costs incurred to deliver services to their local community, as well as identifying whether the fees they charge for these services are appropriate. This is particularly important where the service fee is required to be calculated using full cost pricing principles.

Examples of cost allocations

Single cost driver method

This is an example of allocating $10 million of indirect costs to all services using a single cost driver method of number of full-time equivalent (FTE) employees.

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Service	Cost driver (# of FTEs)	Proportion of indirect costs	Total indirect costs allocated to the service
Service A	5	33%	$3.33 million
Service B	10	66%	$6.66 million
Total	15	100%	$10.00 million

Targeted cost driver method

In this targeted cost driver example, there are $10 million of indirect costs comprising $8 million for corporate costs and $2 million for Information Communication and Technology (ICT) costs. Council has identified that the most appropriate cost driver to allocate ICT's indirect costs is the number of computers each service uses and the most appropriate method to allocate corporate costs is the number of full-time equivalent employees. Council has 2 services it wishes to allocate these costs to (A and B).

Service	Cost driver (# of FTEs)	Proportion of employee costs to be allocated	Cost driver for IT costs (# of computers)	Proportion of IT costs to be allocated
Service A	5	33%	5	71%
Service B	10	66%	2	29%
Total	15	100%	7	100%

Service	Corporate costs	Information technology costs	Total costs
Service A	$2.67 million	$1.43 million	$4.10 million
Service B	$5.28 million	$0.58 million	$5.90 million
Total	$8 million^	$2 million*	$10 million

Note: ^ Council identified a total of $8 million of indirect corporate costs
* Council identified a total of $2 million of indirect IT costs

Source: Queensland Audit Office.

Case study

The following case study of a council operated childcare service highlights how councils can make cost savings from understanding and analysing corporate overheads.

Key financial considerations:

- budgeted operating expenses $3.4 million
- there are 24 full-time equivalent staff operating the service (17.56 per cent of total council support staff)
- the centre has 46 ICT devices on site (10.31 per cent of all council devices).

We used the following cost drivers to allocate the corporate overheads to the childcare service:

- number of full-time equivalent staff to allocate the corporate overheads of enterprise risk, stores and purchasing, and governance.
- number of ICT devices to allocate ICT overheads.

Corporate overhead	Cost driver	Total budgeted cost	Percent of corporate costs for allocation	Corporate overhead costs for allocation
Corporate costs including administration, enterprise risk, stores and purchasing, and governance	Number of full-time equivalent staff	$5.15 million	17.56%	$0.90 million
Information Communication Technology	Number of ICT devices	$1.19 million	10.31%	$0.12 million
	Total corporate costs to be allocated to the service			**$1.02 million**

Source: Queensland Audit Office

We estimate that council was previously allocating $0.06 million of corporate overheads to the service.

By allocating all overheads to the childcare service, expenses increase by $0.96 million from council's existing budget.

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G. Glossary

Term	Definition
Annual operational plan	The annual operational plan for a local government specifies how it will implement its five-year corporate plan during the period of the annual operational plan. The plan must be consistent with its annual budget, and state how it will manage operational risks.
Asset-management plan	The asset-management plan defines the assets that council uses to deliver its services. This is a comprehensive overview of the long-term forecasting of estimated capital expenditure and provides strategic direction for achieving the long-term corporate plan.
Corporate overheads	Corporate overheads are the back-office costs associated with the operations of the council. This encompasses costs relating to human resource, finance, asset management, information technology, fleet and so on. The overheads relate to providing both internal and external council services. When a business allocates overheads to its services, they can accurately understand all the costs of delivering the service. Businesses generally allocate overheads using cost drivers in a corporate overhead model.
Corporate plan	The corporate plan defines the strategic direction and vision of the council for a minimum period of five years. It specifies key performance indicators to measure the council's achievements. This document provides accountability of the council to the local community.
Project decision framework	A framework that guides the governance arrangements (who makes the decisions) and methodology requirements (the information they need) that councils use to make decisions on project concept development, options analysis, feasibility, risks, and benefits. The frameworks typically define the role of a project board and provide tools and templates to ensure consistent analysis of proposed projects. Queensland Treasury Corporation has a project decision framework and tools for councils to adapt and adopt.
Service	A service is a group of actions or effort performed to satisfy a public need or fulfil a public demand. A service aims to provide value to the community. A service can comprise a series of activities and be delivered from an individual or group of assets and resources.
Service plan	A service plan outlines the activities used by council to deliver a service to its community. The service plan includes information on defining service objectives, level of service, department/branch the service is categorised under, cost centres, future demand analysis, risk management, performance metrics, and life-cycle management (assets involved in providing the service). The service plan can be a separate document or form part of other council planning documents (such as the annual operational plan or asset-management plans). There is no legislative requirement for councils to develop service plans.
Sustainability	Sustainability is the view of long-term viability. Councils need to be able to sustain a positive financial position for future generations. Council should have appropriate funds to deliver services that provide economic, environmental, and social benefit to the community. Sustainability is integral as councils have finite resources and need sufficient funds to continue essential operations if financial risks materialise in the event of adverse financial conditions.

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H. Audit objective and methods

Performance engagement

This audit has been performed in accordance with the Standard on Assurance Engagements ASAE 3500 *Performance Engagements*, issued by the Auditing and Assurance Standards Board. This standard establishes mandatory requirements and provides explanatory guidance for undertaking and reporting on performance engagements.

Audit objective

The objective of the audit was to assess whether councils plan and deliver their services to support long-term financial sustainability.

We assessed whether councils:

- develop robust approaches to planning and managing the costs their services
- monitor and report on the costs and effectiveness of their services.

Entities subject to this audit

We selected five councils for detailed review based on the following criteria:

- population size
- proportion of revenue from fees, charges, and rates
- value of fees and charges revenue
- council rates per ratepayer
- mix of services offered.

The councils selected cover five segments identified by the Local Government Association of Queensland: Coastal, Resources, South East Queensland, Rural/Regional, and Rural/Remote.

We conducted the audit at the following councils; Bundaberg Regional Council, Longreach Regional Council, Noosa Shire Council, Western Downs Regional Council, and Whitsunday Regional Council.

We also included the Department of Local Government, Racing and Multicultural Affairs.

Audit approach

Field interviews

We conducted interviews with key council staff, and managers, including:

- Chief Executive Officers, Chief Finance Officers, project managers, and asset/facilities managers
- service managers of council services—including airports, saleyards, libraries, childcare centres, cinemas, quarries, parks and gardens, swimming pools, museums, and cemeteries.

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We consulted with:

- Queensland Treasury Corporation
- Local Government Association of Queensland
- Brisbane City Council and Council of the City of Gold Coast.

Document review

We obtained and reviewed relevant documents and files from the councils within the scope of the audit. We reviewed relevant legislation, organisational planning documents, policies and frameworks, council service plans and reviews, asset-management plans, consultants' reports, project plans, performance reports, and budgets.

Data analysis

We obtained financial and non-financial performance data on selected council services. We analysed if councils were able to demonstrate they were delivering services effectively and efficiently.

13.3 FINANCIAL REPORT AS AT 31ST MARCH 2020

Author: **Finance Manager**

Attachments: **1 Financial Statements as at March 2020**
2 Capital Budget Summary as at March 2020

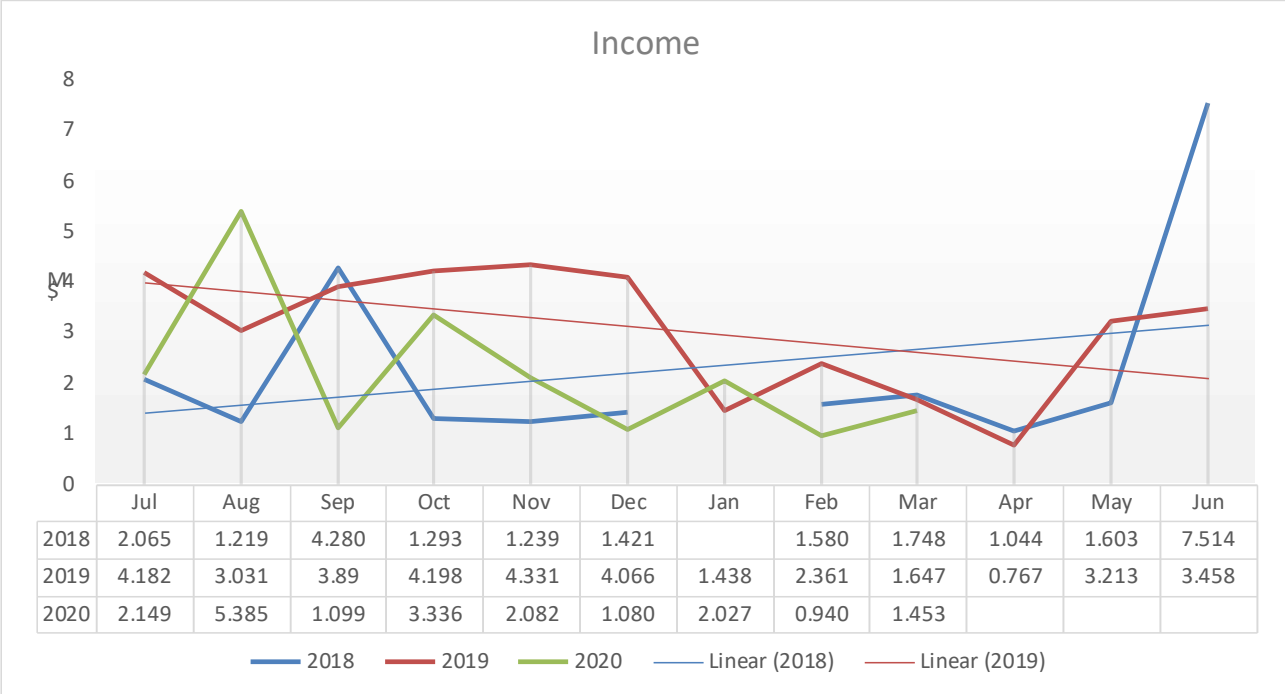
PURPOSE (EXECUTIVE SUMMARY)

This report provides Council with a financial report as required under Section 204 of the Local Government Regulation 2012. The financial report must state the progress that has been made in relation to the local government's budget for the period of the financial year up to a day as near as practicable to the end of the month before the meeting is held. This report provides the following attachments as supporting information as at 31st March 2020 (i.e. 75.0% through the financial year);

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Cash Flows
- Capital Budget Summary

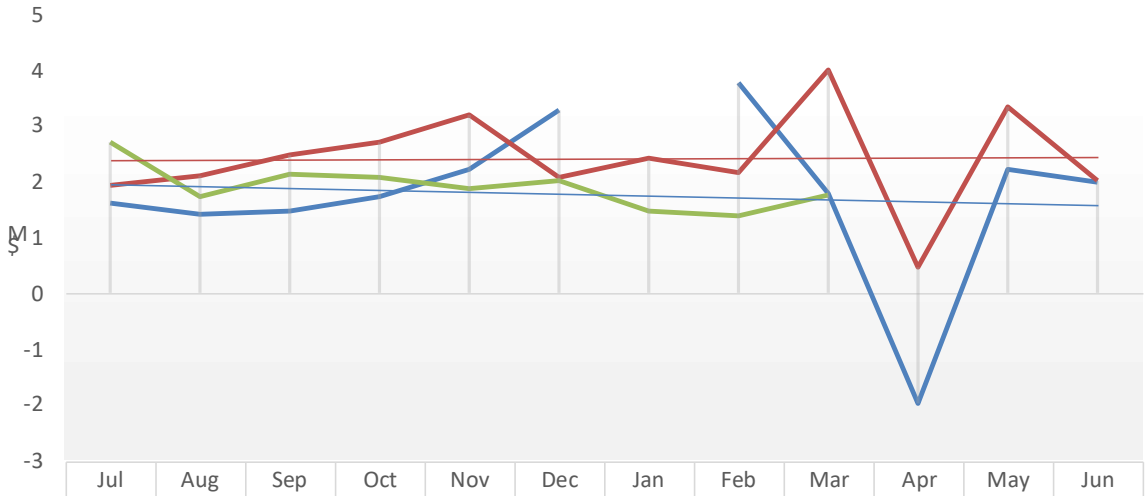
BACKGROUND & PREVIOUS COUNCIL CONSIDERATION

The following graphs illustrate the main points of interest. The data is drawn from the attached documents and comparative information which has been drawn from information presented to council in previous reporting months.



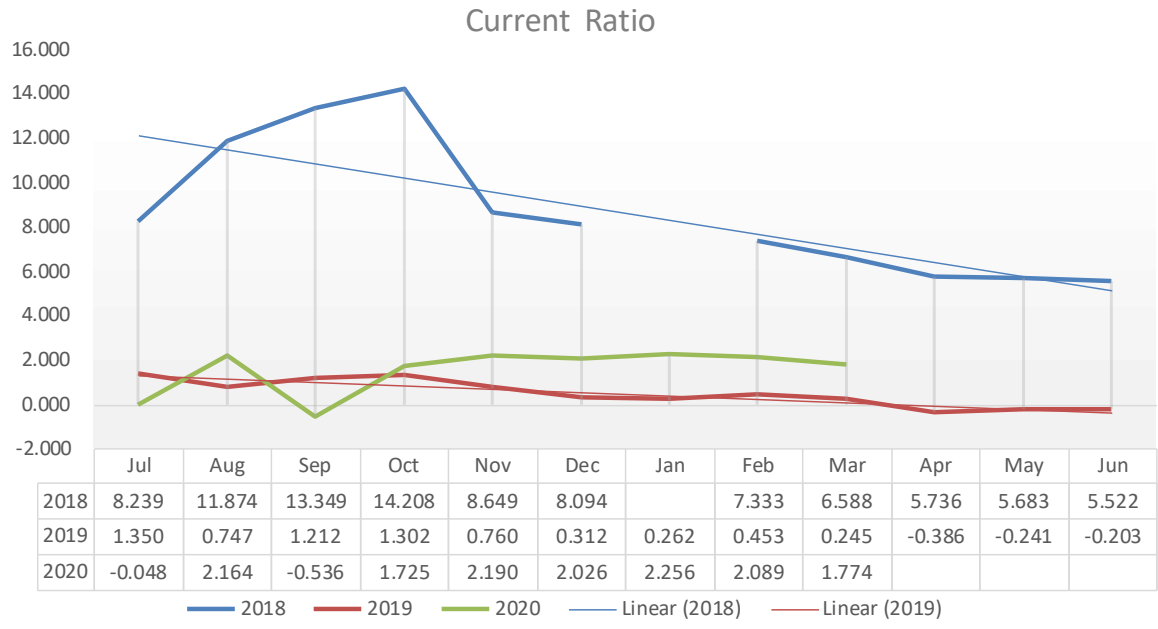
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2018	2.065	1.219	4.280	1.293	1.239	1.421		1.580	1.748	1.044	1.603	7.514
2019	4.182	3.031	3.89	4.198	4.331	4.066	1.438	2.361	1.647	0.767	3.213	3.458
2020	2.149	5.385	1.099	3.336	2.082	1.080	2.027	0.940	1.453			

Comment: Total Income at 55% of total budget. Slightly down on budget YTD, predominantly as a result of timing of forecasted capital grants and contributions for disaster recovery works. Total recurrent revenue is 69% of budget as at 31 March 2020.



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2018	1.625	1.407	1.461	1.739	2.229	3.273		3.768	1.8	-1.962	2.21	2
2019	1.938	2.119	2.477	2.722	3.197	2.089	2.421	2.159	4.009	0.459	3.346	2.027
2020	2.699	1.735	2.148	2.076	1.874	2.019	1.484	1.389	1.766			

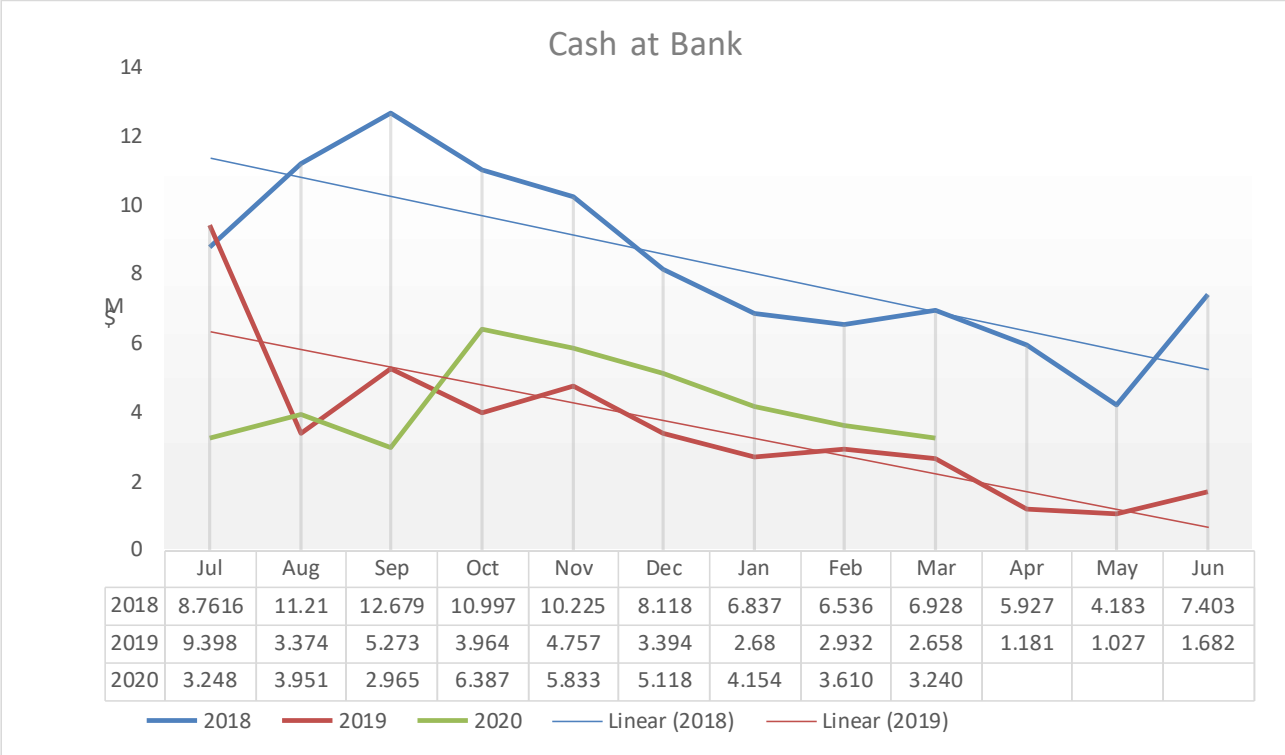
Comment: Expenditure at 69% of total budget and below the current budget. Employee benefits are currently 67% of budget as at 31 March 2020, materials and services are currently at 66% of budget. There is housing expenditure included in materials and services totalling approximately $300,000 relating to variations in works which is still to be recovered. There has been a review to ensure all associated costs have been allocated to respective capital projects, and not expensed. Depreciation expense is currently above budget, and an exercise in reviewing estimated useful lives of road infrastructure is being performed to ensure the fixed asset registers reflect current maintenance and renewal programs.



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2018	8.239	11.874	13.349	14.208	8.649	8.094		7.333	6.588	5.736	5.683	5.522
2019	1.350	0.747	1.212	1.302	0.760	0.312	0.262	0.453	0.245	-0.386	-0.241	-0.203
2020	-0.048	2.164	-0.536	1.725	2.190	2.026	2.256	2.089	1.774			

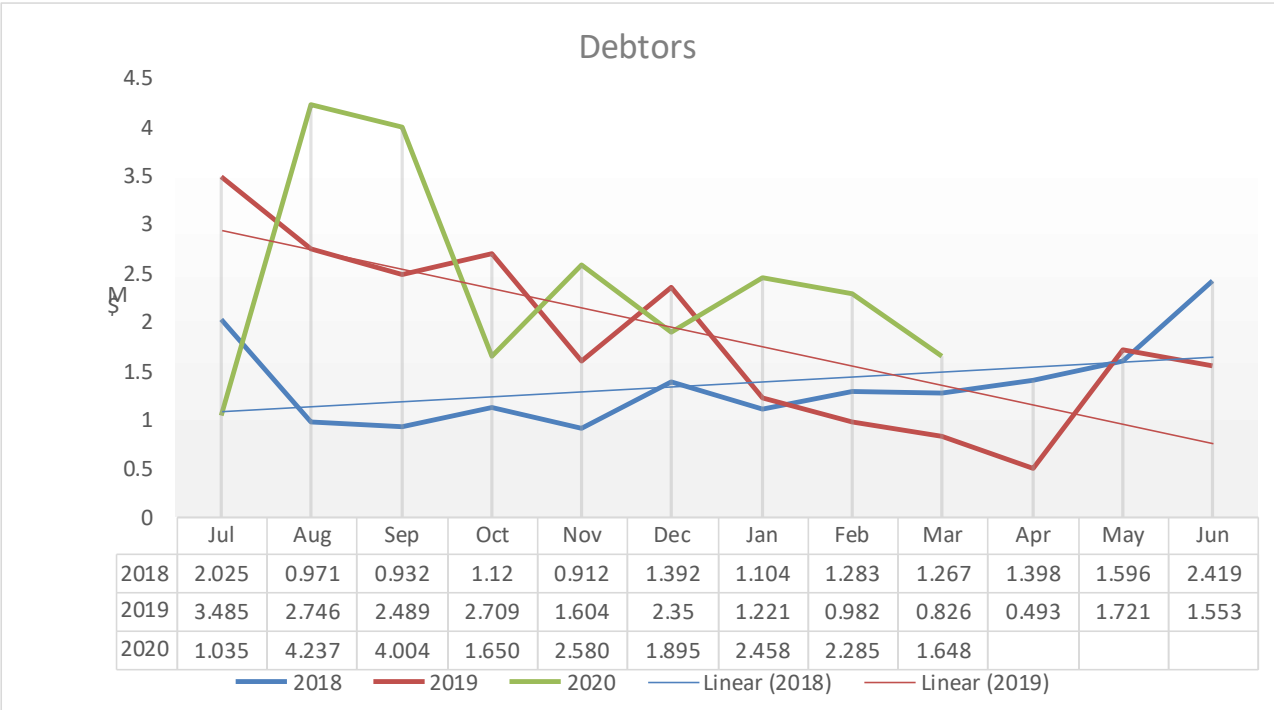
Comment: A current ratio above 1 is considered a minimum. Compared to 2018 this indicator excludes unexpended grant balances and debtors older than 30 days being included from current

assets. It is envisaged this indicator will decrease in the later half of the year as Council draws down on the operational assistance grants received.



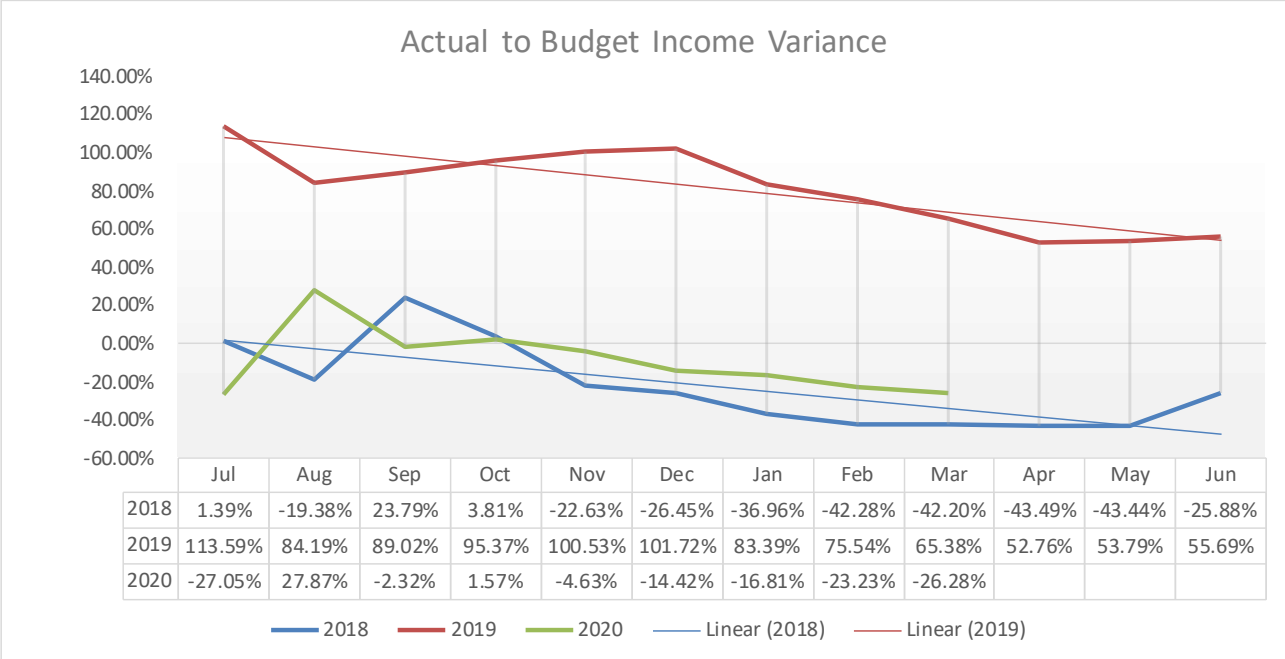
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2018	8.7616	11.21	12.679	10.997	10.225	8.118	6.837	6.536	6.928	5.927	4.183	7.403
2019	9.398	3.374	5.273	3.964	4.757	3.394	2.68	2.932	2.658	1.181	1.027	1.682
2020	3.248	3.951	2.965	6.387	5.833	5.118	4.154	3.610	3.240			

Comment: This graph provides comfort if it is trending upwards. This has slightly decreased in March 2020 due to paying of completed works for capital projects totalling $370k for the month for Special Projects. When unexpended grants are excluded, Council has a positive cash at bank of $0.356m. Similar to the current ratio, this is expected to decline in future months as Council draws down on the operational grants.



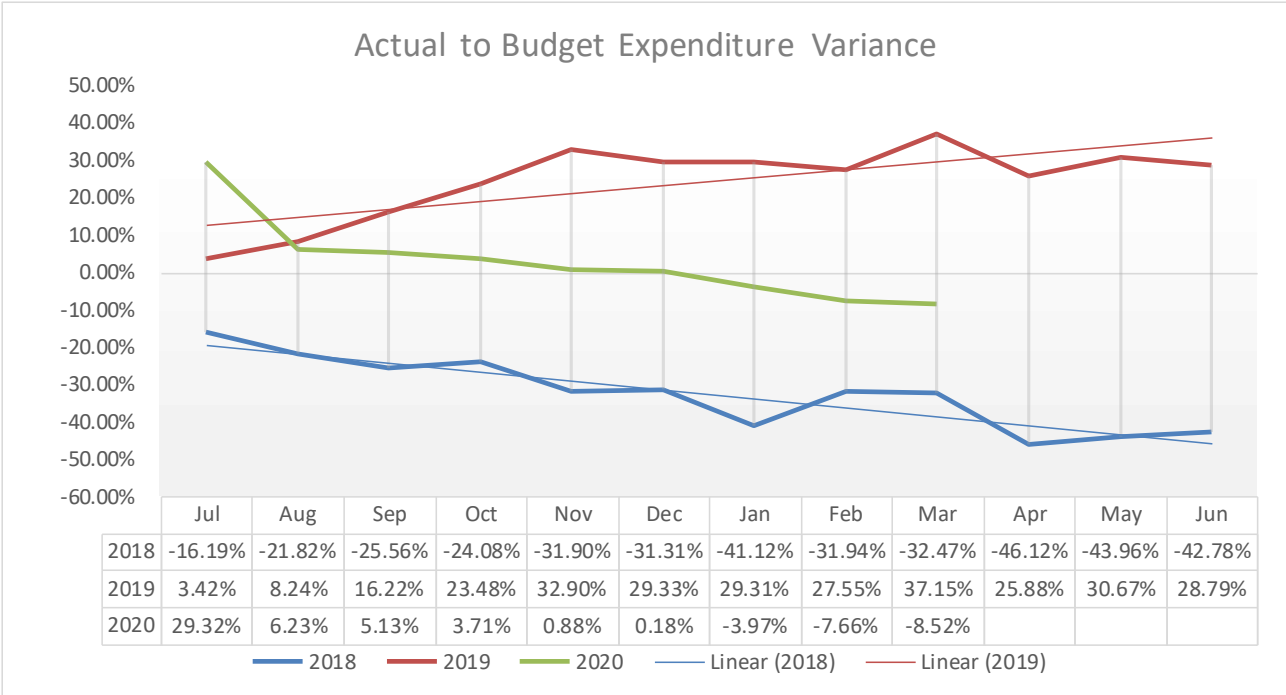
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2018	2.025	0.971	0.932	1.12	0.912	1.392	1.104	1.283	1.267	1.398	1.596	2.419
2019	3.485	2.746	2.489	2.709	1.604	2.35	1.221	0.982	0.826	0.493	1.721	1.553
2020	1.035	4.237	4.004	1.650	2.580	1.895	2.458	2.285	1.648			

Comment: This graph should be trending downwards from the commencement of each year and has well and truly commenced this trend for 2019/2020. Whilst good progress has been achieved in the collection of council service charge revenue and ongoing housing program works, there are still several general service charges being followed up. A further reduction in council service charges is expected to be paid in June 2020 as institutions pay their final quarterly instalment. Council will refer old accounts not being paid to debt collectors.



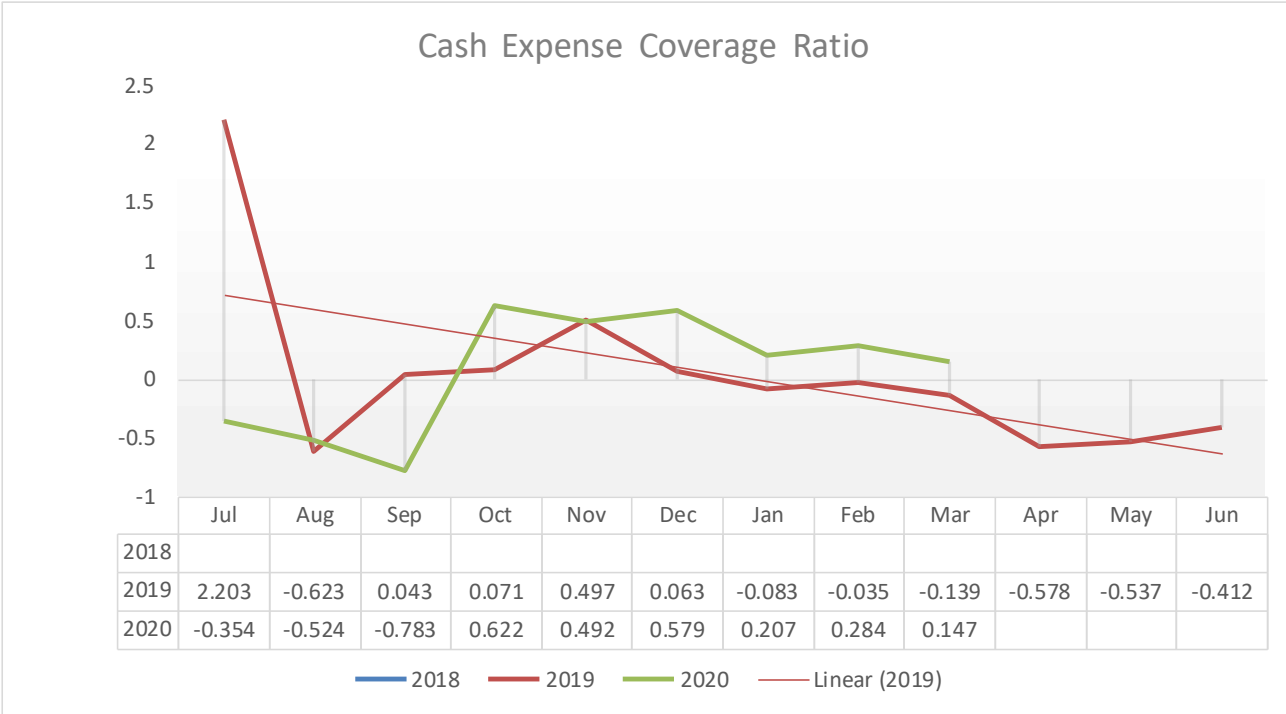
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2018	1.39%	-19.38%	23.79%	3.81%	-22.63%	-26.45%	-36.96%	-42.28%	-42.20%	-43.49%	-43.44%	-25.88%
2019	113.59%	84.19%	89.02%	95.37%	100.53%	101.72%	83.39%	75.54%	65.38%	52.76%	53.79%	55.69%
2020	-27.05%	27.87%	-2.32%	1.57%	-4.63%	-14.42%	-16.81%	-23.23%	-26.28%			

Comment: This graph should hover around the 0 +/- 5% trend line. This would represent an organisation on track with budget management and may take years to develop. A large diversion from 0% indicates a poor budget prediction for income by managers. Increased ownership and education measures have been developed as part of this year's budget process. The Actual to Budget Income variance has just fallen to -26.28% in March 2020, which predominantly is due to timing differences on the forecasting of Capital Grants and Contributions, i.e. disaster recovery funding.



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2018	-16.19%	-21.82%	-25.56%	-24.08%	-31.90%	-31.31%	-41.12%	-31.94%	-32.47%	-46.12%	-43.96%	-42.78%
2019	3.42%	8.24%	16.22%	23.48%	32.90%	29.33%	29.31%	27.55%	37.15%	25.88%	30.67%	28.79%
2020	29.32%	6.23%	5.13%	3.71%	0.88%	0.18%	-3.97%	-7.66%	-8.52%			

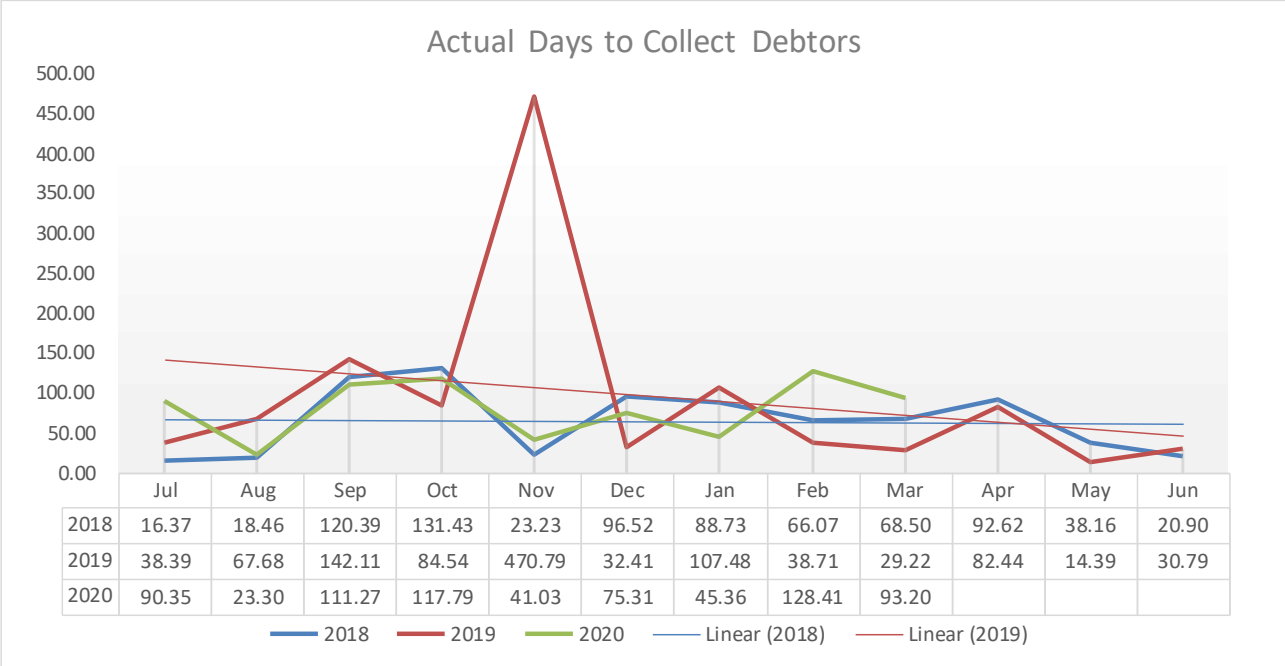
Comment: This graph should hover around the 0 +/- 5% trend-line. This would represent an organisation on track with budget management and may take many years to develop. Current year tracking is higher than budget. The quantity of diversion from 0% illustrates a worrying budget prediction for expenditure by managers. Increased ownership and education measures had been developed during this year's budget process, which are beginning to take effect. The actual to budget expenditure variance below budget has increased sllightly for the year to date of -8.52% at March 2020.



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2018												
2019	2.203	-0.623	0.043	0.071	0.497	0.063	-0.083	-0.035	-0.139	-0.578	-0.537	-0.412
2020	-0.354	-0.524	-0.783	0.622	0.492	0.579	0.207	0.284	0.147			

Comment: The expense coverage ratio has been included for the first time in 2019/2020 as is considered by QAO as a good indicator of a Council's short term liquidity. A healthy target as suggested by QAO is between three (3) and six (6). Mornington is one of nine (9) QLD councils with a cash expense coverage ratio of less than 3 months. This indicator needs to increase and further cost control measures may need to be taken if the ratio does not increase to acceptable

levels. This ratio will decrease again as Council draws down on this cash. There is further works being reviewed to reduce operational expenditure, and maximise income opportunities.



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2018	16.37	18.46	120.39	131.43	23.23	96.52	88.73	66.07	68.50	92.62	38.16	20.90
2019	38.39	67.68	142.11	84.54	470.79	32.41	107.48	38.71	29.22	82.44	14.39	30.79
2020	90.35	23.30	111.27	117.79	41.03	75.31	45.36	128.41	93.20			

Comment: The actual days to collect debtors measures how quickly cash is being collected from debtors. A shorter number of days is preferred, else Council is financing debts of individuals and organisations. Council has implemented an interest charge for overdue debtors. It is hoped this acts as a disincentive for debtors with outstanding debts. The actual number of days to collect debtors improved during the month to an average of 93 Days. This is due to institutions with outstanding general service charges making their March Quarter instalment.

FINANCIAL & RESOURCE IMPLICATIONS

It is noted that the actual to budget income variance had decreased by -26.28%, and the actual to budget expenditure variance had decreased by -8.52% indicating a narrowing gap in the forecasted net result. This is due to an improvement in reducing and controlling ongoing operational expenditure. The % of actual vs. budget at 69% for the year to date is identical for recurrent revenue and expenditure. The increase in the actual to budget total income variance is due to timing differences in the forecasting of the capital grants and contributions.

RECOMMENDATION

That Council notes and receives the information in this report.

Mornington Shire Council
Statement of Comprehensive Income
For the month ended 31 March 2020

	ACTUALS	ACTUALS/ BUDGET	ORIGINAL BUDGET	ORIGINAL BUDGET	REVISED BUDGET (@ Dec 19 Qbrs)
	31-Mar-20	%	31-Mar-20	30-Jun-20	30-Jun-20
Revenue					
Recurrent revenue					
Local Government Levies	2,804,220	84%	2,510,175	3,346,900	3,346,900
Fees and Utility Charges	390,272	70%	419,550	559,400	559,400
Rental Income	1,437,606	86%	1,252,275	1,669,700	1,669,700
Interest Earned	35,708	18%	150,000	200,000	50,000
Sales-Contracts and Recoverable Works	6,777,830	58%	8,763,488	11,684,650	11,366,650
Other Recurrent Income	99,782	40%	187,500	250,000	210,000
Grants, Subsidies and Contributions	3,347,101	85%	2,965,725	3,954,300	3,954,300
Total recurrent revenue	14,892,519	69%	16,248,713	21,664,950	21,156,950
Capital revenue					
Capital Grants, Subsidies, and Contributions	4,658,208		10,270,569	13,694,092	8,756,708
Total capital revenue	4,658,208	34%	10,270,569	13,694,092	8,756,708
Total revenue	19,550,727	55%	26,519,282	35,359,042	29,913,658
Capital Income	0	0%	0	0	0
Total income	**19,550,727**	55%	**26,519,282**	**35,359,042**	**29,913,658**
Expenses					
Recurrent expenses					
Employee Benefits	4,678,112	67%	5,229,591	6,972,788	6,770,788
Materials and Services	8,032,251	66%	9,127,847	12,170,462	12,321,462
Finance Costs	10,627	48%	16,725	22,300	12,000
Depreciation and Amortisation	4,593,258	78%	4,417,125	5,889,500	5,839,500
Total recurrent expenses	17,314,248	69%	18,791,288	25,055,050	24,943,750
Capital expenses					
Capital Expenses	-124,695		0	0	0
Impairment Losses	0		0	0	0
Total capital expenses	-124,695		0	0	0
Total expenses	**17,189,553**	69%	**18,791,288**	**25,055,050**	**24,943,750**
Net surplus	**2,361,174**	23%	**7,727,994**	**10,303,992**	**4,969,908**
Operating Capabilities before Depn and Capital Inc.	**2,296,224**		1,874,550	**2,499,400**	**2,052,700**
Operating Capabilities before Capital Income	**-2,297,034**		**-2,542,575**	**-3,390,100**	**-3,786,800**

Mornington Shire Council
Statement of Financial Postion
For the month ended 31 March 2020

	ACTUALS	ORIGINAL BUDGET	REVISED BUDGET (@ Dec 19 Qbrs)
	31-Mar-20	30-Jun-20	30-Jun-20
Current Assets			
Cash and cash equivalents	3,239,674	4,768,154	2,503,249
Trade and other receivables	1,648,012	2,222,534	2,222,534
Inventories	935,842	469,406	469,406
Other financial assets	208,092	201,047	201,047
	6,031,619	7,661,141	5,396,236
	0	0	0
Total current assets	**6,031,619**	**7,661,141**	**5,396,236**
Non-current Assets			
Other financial assets non-current	5,731,595	6,122,400	6,122,400
Property, plant and equipment	102,647,951	130,371,683	121,697,864
Total non-current assets	**108,379,547**	**136,494,083**	**127,820,264**
TOTAL ASSETS	**114,411,166**	**144,155,224**	**133,216,500**
Current Liabilities			
Trade and other payables	384,712	1,425,036	905,336
Provisions	705,846	71,891	71,891
Loans	0	235,291	0
Total current liabilities	**1,090,557**	**1,732,218**	**977,227**
Non-current Liabilities			
Provisions	1,219,527	58,952	1,219,527
Loans	0	4,647,649	0
Total non-current liabilities	**1,219,527**	**4,706,601**	**1,219,527**
TOTAL LIABILITIES	**2,310,084**	**6,438,819**	**2,196,754**
NET COMMUNITY ASSETS	**112,101,082**	**137,716,405**	**131,019,746**
Community Equity			
Asset revaluation reserve	99,160,206	107,141,328	107,141,328
Retained surplus/(deficiency)	12,940,876	30,575,077	23,878,418
Other reserves	0	0	0
TOTAL COMMUNITY EQUITY	**112,101,082**	**137,716,405**	**131,019,746**

Mornington Shire Council
Statement of Cash Flows
For the month ended 31 March 2020

	ACTUALS	ORIGINAL BUDGET	REVISED BUDGET (@ Dec 19 Qbrs)
	31-Mar-20	30-Jun-20	30-Jun-20
Cash flows from operating activities:			
Receipts from Customers	11,945,321	15,423,997	15,065,997
Payments to Suppliers and Employees	-16,267,579	-19,065,430	-19,116,429
	-4,322,258	**-3,641,433**	**-4,050,432**
Interest Received	35,708	200,000	50,000
Rental Income	1,116,670	1,614,043	1,614,043
Non-Capital Grants, Subsidies and Contributions	3,347,101	3,954,300	3,954,300
Borrowing Costs	0	-10,300	0
Net cash inflow (outflow) from operating activities	**177,221**	**2,116,609**	**1,567,910**
Cash flows from investing activities:			
Payments for Property, Plant and Equipment	-3,240,161	-18,626,400	-10,002,581
Payments for intangible assets	0	0	0
Proceeds from Sale of Property, Plant and Equipment	87,955	0	0
Finance lease Receipts	-624,760	0	0
Capital Grants, Subsidies and Contributions	4,658,208	13,694,092	8,756,708
Net cash inflow (outflow) from investing activities	**881,242**	**-4,932,308**	**-1,245,873**
Cash flows from financing activities	0	5,000,000	0
Repayment of Borrowings	0	-117,060	0
Net cash inflow (outflow) from financing activities	**0**	**4,882,940**	**0**
Net increase (decrease) in cash held	1,058,463	2,067,241	322,037
Cash at Beginning of Reporting Period	2,181,211	2,700,911	2,181,211
Cash at End of Reporting Period	**3,239,674**	**4,768,152**	**2,503,248**

Capital Budget Summary

Mornington Shire Council
31/03/2020

	Department	Budget	2019	YTD Capital Expenditure	Closing Balance	Committed Exp	Warehouse not posted	Adjusted Total	% of Budget	Grant Received in Previous Years	Current Year Grant	Total Grant Received	Restricted Funds
Project													
4100 Airport Terminal Building (RAAP)	Airport	1,790,000	1,652,401	120,072	1,772,473	8,500	-	1,780,973	99%	1,883,000	-	1,883,000	102,027
4100 Civic Centre (LGGSP)	Administration	8,862,820	22,875	5,085	27,960	-	-	27,960	0%	-	1,595,308	1,595,308	1,567,348
4100 Cyclone Shelter			11,321	-	11,321	-	-	11,321		-	-	-	-
4100 Dog Pound (W4Q)	Animal Control	472,000	460,334	19,770	480,105	-	-	480,105	102%	424,800	-	424,800	-
4100 Kiosk Upgrade	Leika Murrin: Kiosk		1,985	720	2,705	-	-	2,705		-	-	-	-
4100 Leika Murrin Tavern Upgrade (BOR)	Leika Murrin: Tavern	1,202,500	3,828	268,844	272,672	2,016	57	274,745	23%	500,000	-	500,000	225,255
4100 Places of Refuge (W4Q)		1,430,000	60,847	981,744	1,042,591	46,266	8,373	1,097,231	77%	715,000	-	715,000	-
4100 Staff Housing Install (W4Q)	Facilities: Residential	358,000	359,750	3,639	363,389	-	163	363,552	102%	322,200	-	322,200	-
4100 Storage Shed Refurb (W4Q)	Housing	340,000	44,904	303,838	348,743	4,587	6	353,335	104%	306,000	-	306,000	-
4100 Warehouse Shelving (W4Q)	Warehouse	210,000	214,897	-	214,897	-	-	214,897	102%	189,000	138,000	327,000	112,103
4150 Effluent Outflow Pipe (ICCIP)	Sewerage Management	835,431	278,789	234,448	513,237	-	-	513,237	61%	816,067	-	816,067	302,830
4150 Sewer Pond Desludging (ICCIP)	Sewerage Management			-	-	-	46	46		-	-	-	-
4150 Sewer Pump Station Upgrade (ICCIP)	Sewerage Management	200,000		-	-	412,510	-	412,510		-	117,000	117,000	-
4250 Chlorine Hypo Dosing Upgrade (ICCIP)	Water Management	103,011		109,123	109,123	-	-	109,123		-	60,000	60,000	-
4450 Airport Safety (RAAP)	Airport	1,210,000	846,545	388,600	1,235,145	750	335	1,236,230	102%	1,117,000	-	1,117,000	-
4450 Basketball Court Fencing			17,844	-	17,844	-	-	17,844		35,000	-	35,000	17,156
4450 Concrete Batch Plant (BOR)	Batching	496,556	484,970	363	485,333	-	-	485,333	98%	369,560	-	369,560	-
4450 Fuel Facility Upgrade (BOR)	Bowser	600,000	917,422	3,961	921,384	-	-	921,384	115%	501,220	-	501,220	-
4450 Service Station Upgrade (BOR)	Workshop and Plant	400,000	431,102	3,340	434,442	-	-	434,442	109%	400,000	-	400,000	-
DRFA - 2019 Event	Roads and Civil		114,446	793,176	907,622	-	-	907,622		35,940	1,428,488	1,464,428	556,806
Capital - Work in Progress			-	-	-			-		-	-	-	-
				3,436									
Total		**18,710,318**	**5,924,259**	**3,240,161**	**9,160,984**	**474,629**	**8,980**	**9,644,594**	**52%**	**7,614,787**	**3,338,796**	**10,953,583**	**2,883,525**

1 of 1

13.4 LOCAL GOVERNMENT REMUNERATION AND DISCIPLINE TRIBUNAL - ANNUAL PAYMENTS ELECTED OFFICIALS 2020-2021

Author: **Finance Manager**

Attachments: **1 Local Government Remuneration Commission Report 2019**

PURPOSE (EXECUTIVE SUMMARY)

The Local Government Remuneration and Discipline Tribunal (Tribunal) conduct an annual review of remuneration for mayors, deputy mayors and councillors of Local Governments.

BACKGROUND & PREVIOUS COUNCIL CONSIDERATION

The Local Government Remuneration and Discipline Tribunal (Tribunal) conduct an annual review of remuneration for mayors, deputy mayors and councillors of Local Governments. By the 30 November of each year the Tribunal will outline the review of remuneration for mayors, deputy mayors and councillors as follows:

For Example, the Remuneration (Maximum) determined (from 1 July 2020): -

- Mayor $ 108,222 (i.e. $2,081.19 per week)
- Deputy Mayor $ 62,435 (i.e. $ 1,200.67 per week)
- Councillor $ 54,110 (i.e. $693.72 per week + Councillors Meeting Fees of $1,503.06 per calendar month)

This will be based on a determined CPI increase to the maximum remuneration levels.

Mornington Shire Council is classified as a Category 1 Council. For 2020/21, $36,073.28 is payable for the 12 months commencing on 1 July 2020 to Councillors (i.e. $693.72 Per Week). In addition, Councillors will receive a meeting fee of $1,503.06 per calendar month is payable for attendance at, and participation in.

FINANCIAL & RESOURCE IMPLICATIONS

Refer attached Local Government Remuneration Commission Annual Report 2019. These changes will take effect 1st July 2020.

RECOMMENDATION

That Council receives and notes the information in this report.

Local Government Remuneration Commission
Annual Report 2019



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Any references to legislation are not an interpretation of the law. They are to be used as a guide only. The information in this publication is general and does not take into account individual circumstances or situations. Where appropriate, independent legal advice should be sought.

An electronic copy of this report is available on the Department of Local Government, Racing and Multicultural Affairs' website at www.dlgrma.qld.gov.au.

Local Government Remuneration Commission

29 November 2019

The Honourable Stirling Hinchliffe MP
Minister for Local Government, Racing and Multicultural Affairs
1 William Street
Brisbane QLD 4000

Dear Minister

On 29 November 2019, the Local Government Remuneration Commission (Commission) concluded its review of the categories of local governments and the assignment of local governments to categories. In addition, the Commission determined the levels of remuneration for mayors, deputy mayors and councillors of Queensland local governments (excluding Brisbane City Council) as required by section 177(c) of the *Local Government Act 2009* and Chapter 8, Division 1 of the *Local Government Regulation 2012*.

Our determinations on these matters, together with the Remuneration Schedule to apply from 1 July 2020 are included in the enclosed Report, which we commend to you.

Yours sincerely

Robert (Bob) Abbot
Chair Commissioner

Andrea Ranson
Commissioner

Reimen Hii
Commissioner

Department of Local Government, Racing and Multicultural Affairs



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2019 Report at a glance

The Commission has reviewed the current categories and decided not to make any change in this current review. The Commission will undertake a comprehensive category review within the first 12 months following the quadrennial local government elections in March 2020.

The Commission has decided to increase the maximum remuneration levels for mayors, deputy mayors and councillors by two per cent from 1 July 2020.

In making its determination, the Commission considered the following:

- Increases in the Consumer Price Index (CPI) for the financial year ended 30 June 2019 (percentage change from previous financial year)[1]
  - Weighted average of the eight capital cities: +1.6 per cent
  - Brisbane: +1.6 per cent.

- Increases in CPI for the year ended September 2019 (percentage change from corresponding quarter of previous year)[2]
  - Weighted average of the eight capital cities: +1.7 per cent
  - Brisbane: +1.9 per cent.

- Increases in the Wage Price Index (WPI) for the financial year ended 30 June 2019[3]
  - Australia & Queensland (All Industries): +2.3 per cent
  - Australia & Queensland (Public Sector): +2.5 per cent.

- The Commission considered Brisbane City Council's Independent Councillor Remuneration Tribunal (ICRT) remuneration determination a potentially relevant factor, however, the ICRT reviews and resets Brisbane City councillor remuneration arrangements every five (5) years. The last increase was in 2017, at which time the ICRT accorded a two per cent increase to salaries effective 1 July 2018. In its 20 November 2019 Report, the Tribunal did not issue a determination which provided a percentage increase to salaries.

- Decision of the Salaries and Allowances Tribunal of Western Australia determination dated 9 April 2019:
  - one per cent increase.

- Decision of the New South Wales Local Government Remuneration Tribunal Determination and Annual Report dated 15 April 2019:
  - 2.5 per cent increase.

[1] Source: Australian Bureau of Statistics 6401.0 - Consumer Price Index, Australia, Jun 2019; 'Summary', 'Selected Tables – Capital Cities', '2 All Groups CPI, Percentage changes', 'Percentage Change (from Previous Financial Year)'
[2] Source: Australian Bureau of Statistics 6401.0 - Consumer Price Index, Australia, Sep 2019; 'Summary', 'Selected Tables – Capital Cities', '2 All Groups CPI, Percentage changes', 'Percentage Change (from Corresponding Quarter of Previous Year)'
[3] Source: ABS 6345.0 - Wage Price Index, Australia, Jun 2019 - All WPI series: Original (Financial Year Index Numbers for year ended June quarter)

- Decision of the Victorian Minister for Local Government:
  - two per cent increase as at 1 December 2018. It is noted the 1 December 2019 Victorian decision was unavailable at the date of determination.

In making its decision the Commission also had regard to anecdotal reports and submissions received about:

- financial pressures on councils and sustainability of their communities
- recent level of impact of natural disasters
- increased requirement for community support
- councils' role in economic development and local infrastructure
- needs of resident and non-resident populations
- increasing pressure to deliver innovative solutions
- unique qualities and complexities of diverse communities
- potential impact of government reforms, such as changes to legislation arising from the Crime and Corruption Commission's report 'Operation Belcarra: A blueprint for integrity and addressing corruption risk in local government'.

1. The Commission

Formation and composition

The Local Government Remuneration Commission (Commission) is an independent entity established under the *Local Government Act 2009* (Act). On 1 October 2019, His Excellency the Governor, acting by and with the advice of the Executive Council, approved three new appointees to the Commission for a term of four years. This is the first report of the new Commission, and the thirteenth report including the reports of the former Local Government Remuneration and Discipline Tribunal and the Local Government Remuneration Tribunal.

The current Chair and Commissioners of the Commission are:

Mr. Robert (Bob) Abbot

Chair

Mr. Abbot has extensive experience in the local government sector with 32 years as an elected councillor and mayor. Mr. Abbot has experience working at State and National local government organizations and has held board and panel positions, including Deputy Chair of the South East Queensland Council of Mayors, Director of the Local Government Association of Queensland (LGAQ), and Director of the Australian Local Government Association. Mr. Abbot has been a mentor for newly elected mayors on behalf of the LGAQ, with a particular focus on mentoring Queensland Indigenous mayors.

Ms. Andrea Ranson

Commissioner

Ms. Ranson has extensive experience in Law and Business, including public and private sector governance and supply chain industry. Ms. Ranson practiced as a senior lawyer and brings substantial experience in civil, commercial and industrial law, equal opportunity, ethics and justice. Ms. Ranson is a Nationally Accredited Mediator currently working with the Queensland Civil and Administrative Tribunal (QCAT), and a Dispute Resolution Panel Member with the Department of Justice. Ms. Ranson is also currently a Director appointed to the Board of North Queensland Bulk Ports Corporation and is a member of the Corporate Governance & Planning Committee and Audit & Financial Risk Management Committee of that Board. Ms. Ranson holds a Master of Laws, Bachelor of Laws (Honours), and Bachelor of Arts. She is also a Graduate of the AICD (GAICD) and Fellow of the Governance Institute of Australia (FGIA). Ms. Ranson has significant understanding of regional Queensland, industry sectors and stakeholder engagement. Ms. Ranson brings her business acumen, legal skill, and passion for regional communities to the role.

Mr. Reimen Hii

Commissioner

Mr. Hii is a barrister and nationally accredited mediator. He also works as a mediator with QCAT. He holds a Bachelor of Laws and Bachelor of Arts Degree and is a practicing lawyer, with extensive knowledge in public administration and community affairs, and a particular interest in civil and commercial law. Mr. Hii is experienced in professional discipline matters, including investigations, public administration, corporate and public governance, public sector ethics and finance. Mr. Hii has a culturally and linguistically diverse background and experience working with diverse communities.

Mr. Abbot, Ms. Ranson and Mr. Hii are honoured to present this inaugural 2019 report of the newly formed Commission. The Commission is committed to undertaking its duties with diligence, skill, independence and transparency over the next four years.



The Local Government Remuneration Commission

From left: Mr Reimen Hii, Ms Andrea Ranson and Mr. Robert (Bob) Abbot

Remuneration Responsibilities

Chapter 6, Part 3 of the Act, proclaimed into force on 3 December 2018, established the Local Government Remuneration Commission to assume the remuneration functions of the former Local Government Remuneration and Discipline Tribunal which ceased to exist on 3 December 2018.

Section 177 of the Act provides the functions of the Commission are:

- to establish the categories of local governments, and
- to decide the category to which each local government belongs, and
- to decide the maximum amount of remuneration payable to the councillors in each of the categories, and
- another function related to the remuneration of councillors if directed, in writing, by the Minister.

Chapter 8, Part 1, Division 1 of the Local Government Regulation 2012 (Regulation) sets out the processes of the Commission in deciding the remuneration that is payable to councillors.

The Regulation requires the Commission to review the categories of local governments once every four years, in the year prior to each quadrennial election, to determine whether the categories and the assignment of local governments to those categories require amendment.

After determining the categories of local governments, the Regulation also requires the Commission to decide annually, before 1 December each year, the maximum amount of remuneration to be paid to mayors, deputy mayors and councillors in each category from 1 July of the following year.

In addition, section 248 of the Regulation allows a local government to make a submission to the Commission to vary the remuneration for a councillor, or councillors, to a level higher than that stated in the remuneration schedule where the local government considers exceptional circumstances apply. The Commission may, but is not required to, consider any such submission. If the Commission is satisfied that exceptional circumstances exist, the Commission may approve payment of a higher amount of remuneration.

The Former Local Government Remuneration and Discipline Tribunal

The Commission acknowledges the substantive contribution of the 2007-2018 former Tribunal/s to develop the local government remuneration schedule and category system.

The key milestones of the 2007 and subsequent Tribunals has been well documented and comprehensive history around decision making and rationale can be found in each of the 2007-2018 Tribunal Reports.

The Commission will, as stated in this report, undertake a comprehensive category review within the first 12 months following the quadrennial local government elections in March 2020. It is expected that during this review, the Commission will reference historic decision making and reasoning in relation to issues as appropriate.

2. Remuneration determination

Remuneration determination for councillors

As required by section 246 of the Regulation the Commission has prepared a remuneration schedule for the 2020-2021 financial year, applicable from 1 July 2020 (the Schedule), which appears below.

Arrangements have been made to publish the Schedule in the Queensland Government Gazette and for this report to be printed and presented to the Minister for Local Government.

Methodology

The Commission had regard to the matters in section 244 and 247 (2), (5) of the Regulation in determining the Schedule. The Commission also noted and had regard to the matters listed on page 2 of this Report to determine the appropriate maximum remuneration in each category of local government.

The Commission notes it did not receive any specific submissions from councils in relation to setting the remuneration schedule for the 2020-2021 financial year and has continued to adopt a conservative approach to setting remuneration levels.

Matters not included in the remuneration schedule

Section 244(3) of the Regulation states that the remuneration cannot include:

- any amount for expenses to be paid or facilities to be provided to councillors under a council's expenses reimbursement policy; or
- any contribution a local government may make to a voluntary superannuation scheme for councillors.

During the 2019 consultation period, Barcaldine Regional Council sought clarification of the role of the Commission to direct payment of compulsory superannuation payments to councillors.

The Commission notes section 244(3) of the Regulation states the remuneration decided by the Commission cannot include "voluntary superannuation scheme for councillors". In this regard, the Commission has determined that it has no power to direct matters relating to the structure, payment or otherwise of voluntary schemes, including salary sacrifice or other salary packaging.

Page 11 of the 2018 Tribunal Report considered the issue of superannuation, commenting:

"Accordingly, the level of superannuation payments made to a councillor is a matter to be determined by each individual council having regard to the relevant Commonwealth legislation and section 226 of the Act, as is the issue of whether a councillor may salary sacrifice such contributions".

The Commission notes there is precedent where Queensland local governments have paid superannuation to councillors. While this may be the case, the Commission notes the payment of compulsory or voluntary superannuation payments to councillors falls outside of its statutory functions and the Commission is unable to make a determination to direct council in relation to superannuation.

The Commission has informed Barcaldine Regional Council of this determination.

Pro rata payment

Should an elected representative hold a councillor position for only part of a financial year, she or he is only entitled to remuneration to reflect the portion of the year served.

Remuneration schedule to apply from 1 July 2020

		Remuneration determined (from 1 July 2020) ($ per annum; see Note 1)		
Category	**Local governments assigned to categories**	**Mayor**	**Deputy mayor**	**Councillor**
Category 1 (see Note 2)	Aurukun Shire Council Balonne Shire Council Banana Shire Council Barcaldine Regional Council Barcoo Shire Council Blackall-Tambo Regional Council Boulia Shire Council Bulloo Shire Council Burdekin Shire Council Burke Shire Council Carpentaria Shire Council Charters Towers Regional Council Cherbourg Aboriginal Shire Council Cloncurry Shire Council Cook Shire Council Croydon Shire Council Diamantina Shire Council Doomadgee Aboriginal Shire Council Douglas Shire Council Etheridge Shire Council Flinders Shire Council Goondiwindi Regional Council Hinchinbrook Shire Council Hope Vale Aboriginal Shire Council Kowanyama Aboriginal Shire Council Lockhart River Aboriginal Shire Council Longreach Regional Council Mapoon Aboriginal Shire Council McKinlay Shire Council Mornington Shire Council Murweh Shire Council Napranum Aboriginal Shire Council North Burnett Regional Council Northern Peninsula Area Regional Council Palm Island Aboriginal Shire Council Paroo Shire Council Pormpuraaw Aboriginal Shire Council Quilpie Shire Council Richmond Shire Council Torres Shire Council Torres Strait Island Regional Council Winton Shire Council Woorabinda Aboriginal Shire Council Wujal Wujal Aboriginal Shire Council Yarrabah Aboriginal Shire Council	$108,222	$62,435	$54,110
Category 2	Mareeba Shire Council Mount Isa City Council Somerset Regional Council	$124,869	$74,923	$62,435

Category 3	Cassowary Coast Regional Council Central Highlands Regional Council Gympie Regional Council Isaac Regional Council Livingstone Shire Council Lockyer Valley Regional Council Maranoa Regional Council Noosa Shire Council Scenic Rim Regional Council South Burnett Regional Council Southern Downs Regional Council Tablelands Regional Council Western Downs Regional Council Whitsunday Regional Council	$133,196	$83,247	$70,759
Category 4	Bundaberg Regional Council Fraser Coast Regional Council Gladstone Regional Council Rockhampton Regional Council	$158,168	$104,059	$91,571
Category 5	Cairns Regional Council Mackay Regional Council Redland City Council Toowoomba Regional Council	$183,143	$124,869	$108,222
Category 6	Ipswich City Council Townsville City Council	$208,117	$141,520	$124,869
Category 7	Logan City Council Moreton Bay Regional Council Sunshine Coast Regional Council	$233,091	$161,499	$141,520
Category 8	Gold Coast City Council	$258,066	$178,981	$154,006

Notes to the remuneration schedule
In its 2014 report the then Tribunal explained the rationale behind the adoption of a system of remuneration which comprised a base payment (of two thirds of the annual remuneration) and a monthly payment based upon attendance at, and participation in, the 12 mandated council meetings.

Note 1 The monetary amounts shown are the per annum figures to apply from 1 July 2020. If an elected representative only serves for part of a full year (that is, 1 July to 30 June) they are only entitled to a pro rata payment to reflect the portion of the year served.

Note 2 For councillors in Category 1 councils, a base payment of $36,073.28 is payable for the 12 months commencing on 1 July 2020. A meeting fee of $1,503.06 per calendar month (or fortnightly equivalent) is payable for attendance at, and participation in, scheduled meetings of council subject to certification by the mayor and/or chief executive officer of the council. Mayors and deputy mayors in category 1 councils are to receive the full annual remuneration level shown.

3. Determination of Categories pursuant to s. 177 of the Act

As noted above, Chapter 8, Part 1, Division 1 of the Regulation sets out the processes which the Commission is required to observe in deciding the remuneration that is payable to councillors.

Section 241 of the Regulation states the Commission must establish categories of local governments to enable the Commission to decide the maximum amounts of remuneration that are payable to mayors and other councillors in each of the categories.

Determination

The Commission has reviewed the current categories and decided not to make any change in this current review. The Commission will undertake a comprehensive category review within the first 12 months following the quadrennial local government elections in March 2020.

In reaching this decision, the Commission has carefully considered all nine (9) submissions received by it (set out below) during the review period.

The former Tribunal also reported two outstanding determinations to be considered by the newly formed Commission in 2019:

1. Isaac Regional Council (page 11-12, 2018 Tribunal Report) – council requested that the former Tribunal consider the current remuneration of mayors of councils in Category 3 to ensure it reflected full time hours for the mayor. The submission proposed that in order to achieve this, existing Category 3 councils be divided into two new categories, namely Category 3A and 3B.

   Determination: *The Commission notes a further submission was made by council during the 2019 deputation review period which largely reflected the submission made to the former Tribunal. The Commission has determined not to make any changes in this current review. The Commission will undertake a comprehensive review within the first 12 months following the quadrennial local government elections in 2020.*

2. Moreton Bay Regional Council (page 12, 2018 Tribunal Report) - oral submission from Moreton Bay Regional Council requesting the Tribunal to establish a process for allowances and expenditure for councillor's similar to that of Queensland MPs.

   Determination: *The Commission did not receive any further submission during the 2019 consultation period from Moreton Bay Regional Council (about this or any other matter). The Commission has determined not to make any changes in this current review and has further determined on the basis of the information available to it that the submission falls outside of its statutory remit.*

Matters raised with the Commission during the remuneration review program

A summary table of submissions made to the Commission during the review period and the Commission's determination is provided below.

Meetings and deputations

Local governments were provided with the opportunity to meet with the Commission at the 123rd Annual Conference of the LGAQ at the Cairns Convention Centre on Tuesday 15 October 2019. Commissioners were also available to engage with councils at the LGAQ Conference from Monday 14 October 2019 to Wednesday 16 October 2019 inclusive.

Oral submissions were received by the Commission in the form of deputations during this period. Written submissions were further received by the Commission on or before the due date for submissions on 28 October 2019.

In making its determination, the Commission had regard to the submissions it received, together with the matters on page 2 (summary) of this report.

Key points raised with the Commission during the 2019 review period included increasing demands on council in relation to sustainability, industry and innovation, potential recognition of differential councillor workload, structuring the payment of meeting fees and superannuation.

Table – Summary of 2019 Submissions

1	**Date Received**	Oral – LGAQ Annual Conference 15 October 2019 Written – 1 October 2019
	Received from	Boulia Shire Council; Mayor Eric (Rick) Britton; Deputy Mayor Rebecka (Beck) Britton
	Summary of submission	Currently Category 1 The council wished to affect a change in the remuneration to councillors (this does not affect the mayor or deputy mayor). Submitted that there is a need to review Meeting Fees to ensure performance. CEO stated that the submission "while unusual, it is supported by councillors who are happy to adopt the proposal that councillors are only paid if they attend a Meeting and not otherwise". Council identified disparity in workloads amongst councillors, with some councillors agreeing that they are limited in time/ability to attend all meetings and agreeing they should not be paid.
	Determination	The Commission considers it cannot approve the request for differential remuneration as submitted by council as s247 (5) of the Regulation provides that the amount of remuneration for each councillor (other than a mayor or deputy mayor) must be the same.
2	**Date Received**	Oral – LGAQ Annual Conference 15 October 2019
	Received from	Flinders Shire Council; Mayor Jane McNamara; Cr Arthur (Bill) Bode; CEO Daryl Buckingham
	Summary of submission	Currently Category 1 General discussion regarding financial sustainability and community expectations around maximum remuneration of councillors. Submission that remuneration be reviewed every 4 years instead of annually.

	Determination	s. 244(1) of the Regulation requires that the Commission must review and decide on remuneration rates before 1 December each year.
3	**Date Received**	Oral – LGAQ Annual Conference 15 October 2019 Written – 28 October 2019
	Received from	Central Highlands Council; Deputy Mayor Gail Godwin-Smith; CEO Scott Mason
	Summary of submission	Currently Category 3 Requested new category be considered between Category 3 and 4 by inserting Category 3(a) and Category 3(b). Council submitted that it does not consider it can justify being within Category 4 but that it can be differentiated from Category 3. The following factors were relied upon in council's submission: (a) geographic > 50,000 square km's; (b) population > 30,000 (c) diversity in population centers (d) significant industry diversity and engagement Council identified that similar challenges facing both Central Highlands and Isaac Regional Council supported the creation of two new categories. Key issues raised in support of council's submission included increased (and significant) demand particularly around the resource and agricultural sectors, infrastructure growth, innovation and regional sustainability. Discussed issues relating to resident and non-resident population demands creating additional workload and whether councillors could properly be considered as 'part-time' given increasing community and industry expectations for council regarding regional sustainability.
	Determination	The Commission has determined not to make any category changes in the current review. This issue will form part of the Commission forthcoming comprehensive review of categories.
4	**Date Received**	Oral – LGAQ Annual Conference 15 October 2019 Written – 24 October 2018 and 28 October 2019
	Received from	Isaac Regional Council; Deputy Mayor Kelly Vea Vea, Mary-Anne Uren, Senior Advisor Submission stated to relate to increased remuneration for mayor only.
	Summary of submission	Requested new category be considered between Category 3 and 4 by inserting Category 3(a) and Category 3(b). Council submitted that it does not consider it can justify being within Category 4 but that it can be differentiated from Category 3 and identified the following key issues in support of council's submission: (a) geographic > 50,000 square km's (b) population > 30,000 (c) diversity in population centers (d) significant industry diversity and engagement. Council identified similar challenges facing Central Highlands Council. In relation to Isaac Regional Council, council submitted that in the 2018-2019 financial year, the mayor of Isaac attended 496 meetings inside the local government area, and 50 meetings outside of the local government area, travelling a total of 32,651km. Council further submitted that it has 26 operating mines in the local government area with significant (increasing) workload arising from both the resource and agricultural sectors

		including increased expectations around stakeholder engagement and regional sustainability. Council identified increased community expectations regarding procurement and employment, and community expectations for engagement and support across a range of issues including drought.
	Determination	The Commission has determined not to make any category changes in the current review. This issue will form part of the Commission forthcoming comprehensive review of categories.
5	**Date Received**	Oral – LGAQ Annual Conference 15 October 2019 Written – 29 October 2019
	Received from	Sunshine Coast Regional Council; Deputy Mayor Tim Dwyer; CEO Michael Whittaker; Chief of Staff Craig Matheson
	Summary of submission	Current Category 7 Noted that Commission Chair, Mr. Bob Abbot, was a former mayor of the Sunshine Coast Regional Council from 2008-2012. Chair declared that he had no conflict of interest or material personal interest and remained in the room. Commissioners Ranson and Hii determined that given the declaration from the Chair, and in the absence of any actual or perceived material personal interest of the Chair, that it was appropriate for the Chair to remain to receive the deputation and deliberate. Council submitted that it was supportive of the current category system and that it wished to remain in Category 7.
	Determination	The Commission has determined not to make any category changes in the current review. This issue will form part of the Commission forthcoming comprehensive review of categories.
6	**Date Received**	Oral – LGAQ Annual Conference 15 October 2019
	Received from	Barcaldine Regional Council; Mayor Rob Chandler
	Summary of submission	Category 1 Submission that the Commission consider superannuation for councillors, particularly the mayor.
	Determination	The payment of compulsory or voluntary superannuation payments to councillors falls outside the Commission's statutory functions.
7	**Date Received**	Written – 24 October 2019
	Received from	Western Downs Regional Council
	Summary of submission	Submission that satisfied with current category system and wished to remain at Category 3.
	Determination	The Commission has determined not to make any category changes in the current review. This issue will form part of the Commission forthcoming comprehensive review of categories.

8	**Date Received**	Written – 25 October 2019
	Received from	Toowoomba Regional Council
	Summary of submission	Submission to elevate council from current Category 5 to Category 6. Currently in the same category as Cairns, Mackay, Redland, however, Toowoomba submitted that it is more appropriately benchmarked on a variety of measures, with those in Category 6, specifically Ipswich and Townsville.
	Determination	The Commission has determined not to make any category changes in the current review. This issue will form part of the Commission forthcoming comprehensive review of categories.
9	**Date Received**	Oral submission Referred from Previous Commission – 2018 Report
	Received from	Moreton Bay Regional Council
	Summary of submission	In its final report, the former Tribunal referred the submission to the newly formed Commission. The submission argued that there was a lack of consistency between the levels of government (Queensland Members of Parliament and local government councillors) which can be seen, for example, in community events where councillors are required to pay to attend events themselves, while state MPs may pay for it out of their allowance.
	Determination	The Commission did not receive any further submission during the 2019 consultation period and notes that this request is outside of its remit.

4. Other activities of the Commission

Exceptional circumstances carried over from the former Local Government Remuneration and Discipline Tribunal:

On 1 November 2018, following the suspension of the then Mayor of Doomadgee Aboriginal Shire Council, the council sought approval to vary the remuneration of the acting mayor (Councillor Jason Ned) until the end of the elected members term or until the mayor is either removed from office or the suspension concludes. The request was made prior to the formation of the current Commission. The former Tribunal wrote to council seeking clarifying information and carried this matter over for determination by the newly formed Commission.

Following receipt of the confirmed minutes from the council showing the resolution, the Commission considered and approved the request to increase the remuneration and back pay Cr Jason Ned.

The Commission has advised Doomadgee Aboriginal Shire Council of this decision.

5. Commission's future priorities

The Commission will invite further consultation and submissions from councils in the first year of the elected term for councillors following the 2020 local government elections. The purpose will be to ascertain whether any change following a further comprehensive category review may be warranted in that year, rather than waiting until the next quadrennial review due on 1 December 2023.

Further information about the Commission and/or the Councillor Conduct Tribunal can be located at www.dlgrma.qld.gov.au

Local Government Remuneration Commission
PO Box 15009
City East Qld 4002

1 William Street
Brisbane Qld 4000

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13.5 EXECUTIVE MANAGER FINANCE AND HUMAN SERVICES MONTHLY REPORT

Author: **Executive Manager of Finance and Human Services**

Attachments: **Nil**

PURPOSE (EXECUTIVE SUMMARY)

This report provides Council with an overview of the programs and projects tracking within the Finance and Human Services directorate as at 30th March, 2020. The report is at a high level and is not intended to duplicate matters that Program Managers will cover in their normal quarterly reports.

BACKGROUND & PREVIOUS COUNCIL CONSIDERATION

Facilities Management Program

- The new Facilities Manager commenced on the 19th February, 2020 and has settled in very well to the role and community. He is being kept quite busy due to the lack of immediate resources under his role.
- The Accommodation Coordinator position is currently vacant due to a resignation. It has been advertised locally and we are currently awaiting a decision from a local candidate.
- The Accommodation Administration Assistant is currently on leave off-island and upon return may need to self-isolate for 14 days.
- Council's bakery continues to struggle with the current oven and working environment. The oven is prone to breaking down and it is envisaged a replacement will be required imminently. Council's Facilities Manager is progressing the procurement. Indications are a replacement oven could total $60,000 (including installation) which may require Council approval as is unlikely to be funded from Council's existing budget. Council officers have commenced the bakery business plan to review the program and look at options for sustainability. It is envisaged this plan will be available for Council in the next few months, so Council can make a decision around the on-going sustainability of the bakery and the continuation of the service for the community.
- Similar Business plans are also being undertaken for the Motel and VAC.
- Council's kiosk facilities at Lelka Murrin and the Airport are still closed. Expressions of Interest (EOI) are being developed to provide Council with a solution that address the problems associated with management turnover in the past. This process is partly on hold due to COVID-19 restrictions. EOI's at a local level have not secured a suitable solution in the past, however Council will continue to drive local involvement with any chosen solution.
- Council's cleaning and grounds maintenance programs continue to provide effective solutions. The COVID-19 arrangements have increased the workload for the cleaning team with extra work being undertaken at the airport and public areas at the service station and VAC. The grounds team has been affected by self-isolation measures due to COVID-19 restrictions.

Finance Program

- Council has secured a risk management system from LG Software Solutions. The system is currently being populated with all of Council's risks (strategic and operational). This was due to be completed in time for Council to meet its Corporate / Operational Plan outcome of an Annual Risk Register reported to Council in April, however this timeframe has been affected by the COVID-19 restrictions. When restrictions are lifted, Council will engage again with the external consultant who is facilitating this outcome and ideally required to attend the Council in person.

- EOI's for outsourced payroll service providers closed during late November. A separate report is tabled for this meeting on the matter.
- A new temporary finance resource was sought in early 2020 to assist with finance activities, particularly the development of the 2020/21 budget. This resource was required as other staff will be on leave during the next few months and development of the budget is a critical outcome for Council to complete. This resource has completed the first draft of Council's budget by the target date of 31st March, 2020. The resource is contracted until the 1st May, 2020 to continue facilitating the budget to final document stage.
- Council's finance team have been investigating a project management and control system on behalf of the Infrastructure Services directorate. This is to ensure projects are well managed within the organisation and are completed on time and budget. One system has been assessed as being suitable. The product is developed by LG Software Solutions. This system could address the Corporate / Operation Plan outcome which the EMIS is responsible for, but which the finance team have been eager to assist in driving the project to date.
- Valuation services have been secured by the finance team for the Annual Financial Statements. A valuation is due every 3 years as per Council's policy contained in the Annual Financial Statements. This exercise will cost in the vicinity of $42,000. It is hoped in future years this cost will be decreased as the finance team have developed self revaluation techniques in consultation with the valuation company selected. A review of the three year valuation policy to potentially a 5 year timeframe is also being investigated.
- Discussions on alternative insurance arrangements for 2020/2021 are underway with LGAQ. Council's insurance rose in cost by nearly $140K last year primarily for Industrial Special Risks (ISR) and Council's broker Marsh / JLT have been unable to provide any acceptable alternatives. Simple measures like increasing the excess has been rejected by the underwriting insurance organisations. Council has explored going to tender, but advice to date has suggested the underwriting insurance organisations will not alter their terms to the council. This whole dynamic is anti-competitive and Council's only short term options are to accept the insurance renewal as offered or reject the renewal and thus have no insurance cover. The anti-competitive nature of this situation is being escalated with higher levels of government.

Information Technology & Communications Program

- Council's Information Technology Manager (ITM) has resigned and now repatriated from the Council. IT support services are now provided through a contracted arrangement as detailed below.
- Council encountered major system issues with its network and server environment during January. This necessitated external parties visiting the island for a week to remedy the situation as Council's IT Manager was on leave. It is apparent the current IT environment is not "up to scratch" and consequently a report has been commissioned from the contractors on recommendations to improve Council's IT environment. This report has been received and recommends a $170K investment to address the underlying network problems. It is envisaged this upgrade will be undertaken in this financial year and will be funded from operational savings in other areas.
- A quotation on providing support services on Council's IT environment has also been requested so Council has a 24/7, 365 day support arrangement in the future. With Council being so reliant on this critical function, it cannot afford to have a repeat of non functioning IT systems. Council has signed on Fourier as the new ITC provider. This arrangement is now in place and working. This new arrangement is funded from personnel cost savings.
- Councilwise was due to visit on-site from 27th April to 1st May, however this has been postponed due to COVID-19 restrictions. Councilwise has helped Council facilitate its IT

transformation with Xero, Office 365 and Sharepoint software solutions. Discussions have also been held with Councilwise on the ongoing maintenance of Council's website. An ongoing proposal from Councilwise has been requested to continue the product development work which continues to improve the efficiency and effectiveness of Council's operations. This proposal is being reviewed and will be discussed further when Councilwise next visit the Council.

Sport, Recreation & Events Program

- Council's Sport, Recreation & Events (SRE) Manager is currently vacant. Recruitment has been finalised and the successful candidate was due to arrive on Monday 30th March, 2020. Due to COVID-19 restrictions, the arrival of the successful candidate has been postponed indefinitely. The candidate is still very keen to take on the role, however has made the decision to "stay put" for the time being.
- With the change of the SRE Manager role description the day to day management of the oval has been returned to the Technical Services team. The difficulty now arises on the knowledge required for sport grounds maintenance. It is suggested this isn't a knowledge or competency currently held by the Technical Services team. To this end, the Executive Manager of Technical Services is coordinating with Bynoe CACS to ascertain if they can assist with any knowledge / competency gaps.

Work Health & Safety Program

- Work is continuing on the WHS framework and plan as per the Corporate / Operational Plan. This work is being undertaken by Council's contractor ABW Compliance Consultants. The goal of 30th June 2020 for this outcome is well on track and expectations are that it will be reported to Council within the next quarter. This will create a strong foundation for sustaining the Council's WHS obligations.
- Council has finalised the major remaining WHSQ improvement notice issued by the Cairns based Workplace Inspector from the Workplace Health and Safety branch of QLD Government. This issue related to the chlorine management at the Water Treatment Plant.
- Council had no staff on rehabilitation and return to work measures as at the end of March 2020.
- There were no lost time injury (LTI) reports for March 2020.
- There were no incidents reported for March 2020.
- A number of Safe Work Method Statements have been developed for staff during March.
- Council's contractor was due to visit the Council from 20 March – 3rd April, 2020 however this trip was cancelled due to COVID-19 restrictions.
- The next visit is planned for Late May / June 2020, subject to COVID-19 restrictions.

General Matters

- The Executive Manager has taken on the responsibility for the Housing portfolio due to the departure of the Executive Manager Infrastructure Services from mid January. A significant amount of time has been spent ensuring all vacant positions have been filled as quickly as possible. In addition, a review of the organisation chart with the Housing Manager has identified some new opportunities for local positions, and a change in structure on how some roles will be managed in future.
- Grant Thornton were on site during late February to undertake the next instalment of sustainability reviews. This trip their focus was on the Workshop & Plant, Warehouse, Airport and Waste Management programs. Once a final report is received from Grant Thornton it will be presented to Council for consideration.

- Due to the COVID-19 issues, since 17th March 2020 until the end of March the Executive Manager has principally been a full-time support mechanism to the LDMG activities. In addition a number of associated staff have assisted with the following activities;
    - Self Isolation accommodation and associated register
    - Administration support for LDMG and Health Council
    - Recruit and assist COVID-19 disaster management support consultant
    - Investigate and action SMS Whisper system for LDMG

FINANCIAL & RESOURCE IMPLICATIONS

As contained within the report.

RECOMMENDATION

That Council receives and notes the report.

14 STAFF REPORTS - INFRASTRUCTURE & TECHNICAL SERVICES

14.1 PLANT AND EQUIPMENT NEW PURCHASE 2019-2020

Author: **Finance Manager**

Attachments: **1 Summary Plant and Equipment - Quotations Received New Purchases 2019-2020**

PURPOSE (EXECUTIVE SUMMARY)

The purpose of this report is to provide Council with a plan that outlines the purchase for a new 2.5 to 3 Tonne Excavator on Mornington Island. Council does not have a fit for purpose Excavator to carry out two committed major Housing department projects including 64 Car Ports, and 78 driveways. The report will also include the purchase of a replacement Parks & Gardens truck which had been damaged, and settlement has been received from an insurance claim.

BACKGROUND & PREVIOUS COUNCIL CONSIDERATION

Council has been contracted to conduct a range of construction activities during the 2019-2020 and 2020-2021 financial years including 64 car ports and 78 driveways. Current contracts and estimates include $4,580,000 being completed on Mornington Island with the work being carried out by Council as principal contractor.

Council doesn't have a fit for purpose excavator to complete these works and would need to hire this equipment to complete these works. It is envisaged to purchase a new item of plant in lieu of incurring hiring costs, and once the jobs are completed, it would be commissioned into the operational yellow plant fleet, and cost recovery would be in place.

A budget amount of $200,000 is recommended to be allocated to the 2019-2020 budgets for the purchase of new plant and equipment to complete these works.

FINANCIAL & RESOURCE IMPLICATIONS

The immediate purchase of construction plant and equipment had not been factored into Council's 2019-2020 annual budgets and consideration of any variations to that budget is required to be carefully evaluated beforehand.

Council's Executive Management team consisting of Chief Executive Officer, Executive Manager of Financial and Human Services, Executive Manager of Governance and Service Delivery, Executive Manager of Technical Services, are ultimately responsible for the approval of all expenditure in Council's annual budget. Whilst various delegations exist for the Executive Management team, collaboration of expenditure is a pre-requisite to ensure budget compliance and this is achieved through Executive Management meetings.

Through collaboration Council's Executive Management team is able to determine priorities and through adherence to Council and State legislative procurement requirements procure necessary items of plant and equipment on behalf of Council resolution or position delegation.

For the new item of plant proposed to be purchased, there are cost recovery mechanisms that indicate how much of the purchase price will be recovered during the 2019-2020 and 2020-2021 financial years. In subsequent years, it will also provide Council with the opportunity to maximise cost recovery and raise revenue from external contractors engaged to conduct infrastructure and construction works on Mornington Island.

Three quotations have been sought for the excavator and trailer and current indicative pricing is $82,160 including a trailer (Excluding Freight and Commissioning Costs). Two quotations have been received to date for the replacement Parks and Gardens truck and current indicative pricing

is $76,585. (Excluding Freight and Commissioning Costs). By purchasing the two items of plant together, is in anticipated that their will be savings on transport costs of approximately $5,000.

The replacement Parks and Gardens truck will be funded by the settlement of the insurance claim received of $65,227, and the balance has been funded by sale proceeds of various plant items.

RECOMMENDATION

1. That Council endorses the Chief Executive Officer, after collaboration with the Executive Management Team to procure the Excavator required to complete current construction contracts.
2. That Council endorses the Chief Executive Officer, after collaboration with the Executive Management Team to procure the Parks and Gardens replacement truck.

3. That Council amend and increase Capital Expenditure Budget by $200,000 to acquire the recommended plant and equipment.

MORNINGTON SHIRE COUNCIL

Mornington Shire Council
Summary of Quotations

1. **Purchase of New Excavator**

Supplier	Excavator ($ Ex-Gst)
Supplier 1 (Include Trailer) (Ex-Cairns)	$ 75,365
Supplier 2 (Include Trailer) (Ex-Cairns)	$ 82,160
Supplier 3 (Ex-Brisbane)	$ 51,980

2. **Purchase of Replacement Parks & Gardens Truck**

Supplier	Parks & Gardens Truck ($ Ex-Gst)
Supplier 1 (Ex-Cairns)	$ 76,585
Supplier 2 (Ex-Cairns)	$ 62,160

15 STAFF REPORTS - HUMAN SERVICES

15.1 VISITORS ACCOMMODATION COMPLEX - ONGOING SECURITY & VISITOR DISTURBANCES

Author: **Executive Manager of Finance and Human Services**

Attachments: **1 VAC - Risk Assessment - Feb 2019**

PURPOSE (EXECUTIVE SUMMARY)

This report was considered by Council at the January 2020 meeting and the Council resolved to defer this matter until post the Local Government Elections. Accordingly this matter is re-presented to the new Council as verbatim at the January 2020 meeting.

Council would be aware from previous reports (June 2018 and March 2019) that the Visitors Accommodation Complex (VAC) has been an ongoing site for vandalism, theft and general disturbance for guests. The problems have fluctuated at various times throughout the year, but does tend to peak in school holiday periods. These problems do exist with Council's other operational sites and in the community in general, but it is considered the VAC is "targeted" due to the number of guests on one site. This report provides Council with the risk assessment conducted on the site and approximate costs on these solutions.

BACKGROUND & PREVIOUS COUNCIL CONSIDERATION

The Council report from March 2019, provided a risk assessment report on the VAC conducted by a professional risk assessment company, Risk 2 Solution. This company proposed the following measures to decrease the risk to Council and visitors.

Measures	Status
Appoint Security Manager	The responsibility for the security of Council Buildings is included within the Facilities Manager job description, albeit that the knowledge required to meet arrangements like the Protective Security Policy Framework standard is considerable. Council certainly does not have this knowledge in house. An additional manager role is not possible to fund within Council's existing budget. Estimated costings for a Security Manager role are as follows. 1 FTE – minimum of $110,000 (including Council overheads) 0.5 FTE – a more cost effective solution would be to contract a company on an as reqd basis for a few visits each year for $50,000.
Employ Security Guards to patrol and respond 24/7	This measure is not possible to fund within Council's existing budget. It is considered a very costly exercise in addition to the current security measures already being undertaken. Estimated costings for additional security guard services are as follows. Based on 10 hours – 8.00pm to 6.00am (Monday to Sunday) 2.3 FTE – minimum of $160,000 (including Council overheads) if can be employed under hospitality award provisions (but does not include supervision / management thereof). If not under hospitality award the cost will increase by 50% to $240,000 or 2 FTE – $226,000 if contracted. This service is certainly more akin to the current contracted arrangements for security and therefore placement of any resourcing should be outsourced.
Install CCTV Cameras	Some of this infrastructure measure is being considered as part of other grant funding as Council does not have a current budget for this

	measure. Estimated costings for installation of CCTV cameras are estimated as follows. 4 – 6 cameras for the site - $20,000 - $30,000 (POR funding) Network Cost, Server and Storage - $50,000 (if networked back to a central site)
Install flood lights and position towards external perimeter	This infrastructure measure is being considered as part of other grant funding as Council does not have a current budget for this measure. Estimated costings for lighting are estimated as follows. Solar Lighting would be cost effective though has a significant up front cost of $20,000 per light. Two or three lights would be required for the area. Thus the cost is in the vicinity of $40,000 - $60,000.
Remove all rocks and loose items within the external perimeter zone	This measure is being continually assessed by Council's VAC caretaker role. However, this role has been vacant for a period of time and thus the associated risk has not always been undertaken. The role is now filled on a permanent basis and as such it is expected this measure will be kept under control.
Develop and implement security plans and procedures	This measure has not been undertaken and will need to be outsourced as Council does not have this detailed and specific knowledge "in-house". A contractor could undertake this plan and could be supplied within the 0.5 FTE cost described above.
Implement incident reporting system	Visitors have been advised to report all crime related incidents to the police. Any damage related incidents are to be reported to the facilities team. Council is aware that this is not always occurring and continual education of visitors is required to ensure incidents are being reported.
Provide safety and security induction to all new arrrivals / visitors, staff and contractors.	The facilities team have provided safety and security advice to contractors. However given the turnover of visitors this is ongoing. Documentation is being created to assist with this measure on an ongoing basis.
Install security signage	Will be undertaken with installation of CCTV.

Thus a quick summary on the measures and their estimated costs;

Management - $50,000 (based on contractor / consultant)

Security Guards – $226,000 (based on contracted service)

CCTV - $30,000 (just cameras with no network initially)

Lights – $60,000 (3 lights)

Total $366,000

In addition to the above measures, Council's fencing around the perimeter is not adequate. Estimates in the order of $300,000 have been put forward to change the style of fencing to something more resistant to vandalism and break-ins. Given the measures in the table above were recommended by a risk expert and fencing was not included as a measure, it would be prudent to firstly undertake the measures in the report and consider fencing in a future budget period. If Council wanted to ensure the fencing is addressed it could make an allocation in the 2020/21 budget.

Whilst some of the proposed measures might be funded from other grant funding (potentially $90,000), a worse case situation would require a 33% increase in the daily room rate to ensure Council's budget is not affected. This would take the average room rate from $155 per night to $206 per night. If the grant funding is available this would cut the increase to 25%, taking the average room rate to $194 per night.

Whilst the increase is considerable, the current situation continues to be a problem for guests and contractors and no doubt is one of the reasons why our contracted resources turn over so frequently.

It must also be borne in mind that whilst the budget for the VAC would be unaffected with these room rate rises, it will come at the cost of special projects and any other infrastructure / housing related projects. Any costs in accommodation are billed back to Council by contractors and will be costed to the relevant projects. In essence any extra costs being incurred through extra security and other measures will come at the expense of project capability on the ground.

FINANCIAL & RESOURCE IMPLICATIONS

As detailed above.

RECOMMENDATION

That Council approve the following;

1. $366,000 of funding to undertake the risk measures contained in the risk assessment report.
2. Increase the VAC room rate by 33%, effective from 1st February, 2020 (for any new bookings after this date).
3. Allocate $300,000 in the 2020/21 budget towards VAC fencing.

RISK 2 SOLUTION
INTEGRATED RISK PROFESSIONALS

Physical Site Security Assessment
&
Summarised Hard Risk Assessment

ASSESSMENT DATE: 13 Feb 19

ASSESSOR: Carl Severien

FACILITY PROFILE:	**Mornington Shire Council – Accommodation Section**
Region:	Gulf of Carpentaria
Facility Address:	1 Mission Road, Gununa
City:	Mornington Island
State / Province:	Queensland
Country:	Australia
Postal Code:	4892
Point of Contact:	Viktoria Borodulja
Title:	Accommodation Coordinator
Office #:	07 4745 7836
Mobile #:	0456 657 000
Type:	Offsite staff, contractor and visitor accommodation facility
Stories:	All buildings are ground level standalone demountables and shipping containers
No. of Employees:	About 150 employees, contractors and workers are employed by the Council

DAS Dynamic Alternatives Risk & Protection Solutions

Risk 2 Solution 2019©

RISK 2 SOLUTION
INTEGRATED RISK PROFESSIONALS

RISK RATING MATRIX

Risk Consequence / Likelihood is based on the principle that a risk has two primary dimensions:

1 Likelihood – A security risk is an event that "may" occur. The Likelihood of it occurring can range anywhere from just above 0 percent to just below 100 percent. (Note: It can't be exactly 100 percent, because then it would be a certainty, not a risk. And it can't be exactly 0 percent, or it wouldn't be a risk.)

2. Consequence – A security risk, by its very nature, always has a negative consequence. However, the severity of the Consequence varies in terms of cost and impact on human life, business or some other critical factor.

Overall	Extreme	Assessor rates this as extreme risk.
Overall	High	Assessor rates this as high risk and a high degree of caution is advised.
Overall	Moderate	Assessor rates this as moderate risk, however caution is still advised.
Overall	Low	Assessor rates this as low risk. Basic precautions are advised.

GEOGRAPHIC RISK (Risk to be Rated: 1-Low, 2-Moderate, 3-High, 4-Extreme)

Instability	Terrorism	Corruption	Crime	Health
Moderate	Low	Low	High	Moderate

ENVIRONMENTAL RISK (Risk to be Rated: 1-Low, 2-Moderate, 3-High, 4-Extreme)

Power Failures	Floods	Earthquakes	Other weather events	Fire
Moderate	Moderate	Low	High	Moderate

Information Security RISK (Risk to be Rated: 1-Low, 2-Moderate, 3-High, 4-Extreme)

IT System Failure	External Attack on Systems	Internal Attack on Systems	Information protection processes	Hard Copy documentation protection
High	Low	Moderate	High	Moderate

DAS Dynamic Alternatives Risk & Protection Solutions

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RISK 2 SOLUTION
INTEGRATED RISK PROFESSIONALS

PERFORMANCE SUMMARY

	Excellent	Good	Average	Poor	Non-Existent
Governance (SRM System)					✓
Physical Security			✓		
Access Control and Structural Security				✓	
Personnel Security				✓	
Security Training & Threat Awareness					✓
Information Security				✓	
Fire & Emergency Systems				✓	

Executive Summary

A Security Risk Assessment (SRA) was conducted on 13 Feb 19 as requested by, and in consultation with, Mornington Shire Council. The methodology used consisted of a physical security survey of the site, interviews conducted with and information obtained through department managers, staff, contractors and contracted security. Police were not available to provide information and input during this process.

The focus for this SRA was specifically on the Vistor Accommodation Compound (VAC) which houses 50 – 60 people in several standalone demountable buildings and converted shipping containers. The compound has a 2 metre high wire mesh perimeter fence with 3 rows of barbwire on top; however, the compound gates are left open during the day and only locked at night. There is lighting providing some coverage of the internal areas of the compound and there are no CCTV cameras installed at the facility. The local police station is located approximately 100 metres away and contracted security guards patrol the site on weekends only.

Staff, contractors and visitors at the VAC have reported the following anti-social behaviour and criminal activity, predominately from the local youths: Rock throwing at people and buildings; bashing on containers with occupants inside; jumping on and in front of stationary and moving vehicles; taunting and abusing staff/contractors; graffiti on machinery and buildings; damage to property; stealing food from the communal kitchens; theft of private property and tools. However, there is no internal incident reporting and/or records management system to draw on statistical data and asertain the number and frequency of these incidents or the costs to the organisation.

This assessment has identified a number of vulnerabilities within the overall security posture of this facility. As a result a risk register has been compiled detailing the top 3 risks to Mornington Shire Council in relation to this site along with suggested control measures to be implemented to reduce the risks as low as reasonably practicable (ALARP).

Risk analysis conducted utilising Mornington Shire Council's risk matrix in line with ISO31000 Risk Management Guidlines has identified the following top 3 risks:

1. Injury to staff, contractors or visitors
2. Injury to the youths/offenders
3. Damage to Council reputation and community relations

The current overall risk rating is HIGH; therefore, immediate action is recommended to manage the risk. If the proposed control measures are implemented the residual risk rating will be reduced ALARP to the risk rating LOW.

DAS Dynamic Alternatives Risk & Protection Solutions

Risk 2 Solution 2019©

RISK 2 SOLUTION
INTEGRATED RISK PROFESSIONALS

2.0 Facility Location			
Item #	**Question**	**Answer**	**Comment / Description**
2.1	Is the facility located in a populated business area of the city?	Yes ☐ No ☒	The facility is located near community housing, isolated from other businesses and situated about 3-4 kms from the Council Accommodation and Administration Offices.
2.2	Are there businesses in the area that may be a threat to the facility, e.g. chemical plants, etc.?	Yes ☐ No ☒	
2.3	What is the local crime profile in the area of the facility?	High threat of petty crime/criminal activity including theft, vandalism and anti-social behaviour predominately by large groups of local youths within the community.	
2.4	What is the off-set of the facility from the street?	Facility is located on one of the main roads. The external perimeter fencline has been cleared and aligns with CPTED principles; however,there is medium to large rocks scattered and potential missiles easily accessible on the grounds.	
2.5	Are there other buildings surrounding the facility that share common walls with it?	Yes ☐ No ☒	
2.6	Is public transportation easily accessible from the facility?	Yes ☐ No ☒	Staff/contractors are not provided with security escorts to and from the facility.
2.7	Brief description of the area the facility is located?	Facility is surrounded by bushland to the north with a service road on the external perimeter and a main road and community housing on the southern side of the property. The local police station is about 100 metres adjacent to the facility.	

Additional Comments:

Staff, contractors and visitors at the VAC have reported the following anti-social behaviour and criminal activity, predominately from the local youths: Rock throwing at people and buildings; bashing on containers with occupants inside; jumping on and in front of stationary and moving vehicles; taunting and abusing staff/contractors; graffiti on machinery and buildings; damage to property; stealing food from the communal kitchens; theft of private property and tools.





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3.0 Building Exteriors			
Item #	**Question**	**Answer**	**Comment / Description**
3.1	What are the exterior walls constructed of? (Concrete, glass etc.)	There are several standalone demountable buildings consisting of light aluminium cladding as well as solid steel converted shipping containers.	
3.2	What are the exterior doors constructed of? (Wood, glass etc.)	The doors are a mixture of light timber, solid core timber and steel. Most have adequate locks with strike plates fitted, while the common areas such as the kitchens have combination locks. Kitchen doors are often left open due to the demountable filling up with smoke and heat during cooking. There is some exhaust capability above the gas stoves; however, this appears to need upgrading/replacing along with some of the air conditioning units.	
3.3	Does the facility have windows?	Yes ☒ No ☐	Some buildings contain security screens, however, many of the windows are unprotected with some facing the rear/north of the property where there is a service road and surrounding bushland.
3.4	Is there signage on the exterior of the building identifying Client name and or brand or other sensitive symbol?	Yes ☐ No ☒	Signage could be utilised more within the common areas to remind guests to use exhaust systems when cooking and to keep doors and windows closed/locked at all times.
3.5	Are adequate emergency exits in place?	Yes ☐ No ☒	Most buildings have one entry exit point and the occupants are locked in the compound at night. There is insufficient evacuation produres on display and no signposted assembly point. The dedicated fire hose reel has been tampered with and does not work, the fire extinguishers are out of date/have not been tested. Insufficient tag and testing of electrical leads/appliances. This all indicates a significant fire risk to the kitchen common areas.
3.6	Is there effective Hostile Vehicle mitigation?	Yes ☒ No ☐	
3.7	Is the outside of the building hardened?	Yes ☐ No ☒	In general no, however some buildings are solid steel.

Additional Comments:

The compound has a 2 metre high wire mesh perimeter fence with 3 rows of barbwire on top; however, the compound gates are left open during the day and only locked at night. There is some lighting providing minimal coverage of the compound and there are no CCTV cameras installed at the facility.





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4.0 Building Interior			
Item #	**Question**	**Answer**	**Comment / Description**
4.1	Are there visitor / tenant controls?	Yes ☐ No ☒	
4.2	Are temporary visitor badges provided? Note whether they are paper or electronic.	Yes ☐ No ☒	
4.3	Are visitors required to be escorted by tenants?	Yes ☐ No ☒	
4.4	Is visitor identification obtained?	Yes ☐ No ☒	
4.5	Are lobby elevators access controlled?	Yes ☐ No ☐	N/A
4.6	Is there access controlled physical barriers? (turnstiles, man traps etc.)	Yes ☐ No ☒	
4.7	Does the building have parking for tenants and visitors?	Yes ☒ No ☐	Parking is inside the compound and there is a heavy machinery yard within the compound which also has potential to pose some risk to pedestrian traffic.
4.8	Is the parking subterranean?	Yes ☐ No ☒	
4.9	Is parking controlled by physical security or guards or both?	Yes ☐ No ☒	
4.7	Are there guards on-duty? If yes, what is the scope of their duties.	Yes ☐ No ☒	AISS provide security guards to conduct patrols on weekends only. There is no security service during weekdays for the site assessed. Managers are expected to respond to alarms after hours, including females.
4.8	Are they proprietary or contract?	Australian Indigenous Security Service Pty Ltd are based in Townsville and contracted to provide security for all of the Council facilities.	
4.9	How many guards are there and what are the shift hours they work?	2 x 2 Guards, 12 hour shifts	
4.10	Are suspicious items screened or scanned?	Yes ☐ No ☒	

Additional Comments:

There is no site security plan or manager specifically responsible for security within Council. Some Council sites are monitored by alarm systems, some have standalone, unmonitored CCTV cameras installed; however, there is no 24/7 security response cability or procedures in place other than to call police. Staff advise police response times are generally too long and actually discourage them from reporting.





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5.0 Office Space Security and General Security			
Item #	**Question**	**Answer**	**Comment / Description**
5.1	Is there a standalone access control system managed by property management at the entrances(s) to the office space?	Yes ☒ No ☐	Main Administration Office only.
5.2	Is there a dedicated access control into client space?	Yes ☐ No ☒	
5.3	Are rooms access controlled within the space? If yes, What are they?	Yes ☒ No ☐	Key control system utilised for accommodation rooms. Staff advise loss/replacement of keys is on ongoing cost/issue to the organisation.
5.4	Is there a means of communication for visitors wanting to enter the office space?	Yes ☐ No ☒	There is also limited mobile phone service in the area, restricted to Telstra mobiles only.
5.5	Is there any CCTV that covers the elevator lobby adjacent to the office space (if applicable) of coving the entrance to the office space?	Yes ☐ No ☐	N/A
5.6	Is the CCTV coverage inside the space adequate?	Yes ☐ No ☒	
5.7	If no access control system into the office space; how do, we control our perimeter?	Compound gates are locked at night only. Wild horses roam freely within the compound and pose a potential safety risk to occupants either by being biten, kicked or trampled on by a 500kg plus animal.	
5.8	Are entrance(s) to the office space routinely kept locked during and after business hours	Yes ☒ No ☐	
5.9	Is there a dedicated person responsible for physical security?	Yes ☐ No ☒	
5.10	Do female employees have the ability to be escorted to their vehicles during hours of darkness?	Yes ☐ No ☒	
5.11	What is the overall security mindset of the office management and staff?	There appears to be a general lack of security awareness, particularly in the form of policy, written procedures and compliance to Australian Government standards such as the Protective Security Policy Framework.	

Additional Comments:

There was no safety and security induction provided upon arrival, no information or instructions pertaining to general safety and security, evacuation or emergency contacts within the accommodation rooms for visitors/guests and staff do not participate in annual safety or security awareness training.





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6.0 Information Security (IS)			
Item #	**Question**	**Answer**	**Comment / Description**
6.1	Is there an employee onsite responsible for the protection of sensitive data?	Yes ☒ No ☐	
6.2	Have IS security policies and standards been developed and implemented?	Yes ☐ No ☒	
6.3	Do employees receive training on IS security policies as part of the new hire process?	Yes ☐ No ☒	
6.4	Have response procedures been developed in case of a system breach?	Yes ☐ No ☒	
6.5	Are servers and workstations backed up at least weekly?	Yes ☒ No ☐	
6.6	Are backups stored off-site?	Yes ☐ No ☒	
6.7	Are there periodic backup tests conducted to ensure data can be restored?	Yes ☒ No ☐	
6.8	Are third parties who connect to the Systems required to comply with IT security policies and procedures?	Yes ☐ No ☒	
6.9	Have anti-malware (anti-virus) been implemented on all systems?	Yes ☒ No ☐	
6.10	Is system malware software updated at least once per day?	Yes ☒ No ☐	
6.11	Are firewall and server logs regularly monitored for intrusion attempts?	Yes ☒ No ☐	
6.12	Is web browsing restricted by policy or technical restraint to only business appropriate sites?	Yes ☐ No ☒	
6.13	Is remote access to sensitive information properly encrypted?	Yes ☐ No ☒	

Additional Comments:

Information Security was not initially identified within the scope of this assessment; however, the Information and Technology Manager was consulted in relation to CCTV capability and advised the entire ICT system is currently undergoing network and infrastructure upgrade and will be moving to a cloud based capability in the near future. There are several vulnerabilities known to the department head and there is a proposal in place to upgrade and install CCTV network to feed back to one location where cameras can be monitored and controlled in the future.

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7.0 Policies & Procedures (Governance and SRM)			
Item #	**Question**	**Answer**	**Comment / Description**
7.1	Annual Risk & Vulnerability Assessment	Yes ☐ No ☒	
7.2	Background Checks for Employees	Yes ☐ No ☒	
7.3	Bomb Threat Procedures	Yes ☐ No ☒	
7.4	Enterprise Business Continuity Plans	Yes ☐ No ☒	
7.5	Crisis Management & Response	Yes ☐ No ☒	There is an Emergency and Disaster Management Plan in draft; however, this was not provided.
7.6	Document Classification, Protection and Disposal	Yes ☐ No ☒	
7.7	System Recovery Plans and Procedures	Yes ☐ No ☒	
7.8	Key & Access Device Control	Yes ☐ No ☒	
7.9	Mail Screening Procedures	Yes ☐ No ☒	
7.10	Physical & IT Security Awareness Training	Yes ☐ No ☒	
7.11	Travel Safety and Security Guidelines	Yes ☐ No ☒	
7.12	Workplace Violence Policies and Procedures	Yes ☐ No ☒	
7.13	CSO or equivalent responsible person	Yes ☐ No ☒	There is no one person assigned responsibility for security.
7.14	Currency and qualifications of responsible person		Nil

Additional Comments:

Managers do not appear to be familiar with Government security standards and requirements such as the Protective Security Policy Framework.

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Risk Impact Matrix

Risk is measured in terms of consequence and likelihood.

Likelihood \ Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	E	Moderate	High	High	Extreme	Extreme
Likely	D	Moderate	Moderate	High	High	Extreme
Possible	C	Low	Moderate	Moderate	High	High
Unlikely	B	Low	Low	Moderate	Moderate	High
Rare	A	Low	Low	Low	Moderate	High

Likelihood

The level of possibility that the Council could be exposed to risk.

Likelihood Rating	Description	Probability
E. Almost Certain	Is expected to occur in most circumstances - frequently during the year	>90%-100%
D. Likely	Will probably occur - once during the year	60%-90%
C. Possible	Might occur at some time – once every 3 years	30%-60%
B. Unlikely	Could occur at some time – once every 5 years	5%-30%
A. Rare	May only occur only in exceptional circumstances. This event is known to have occurred elsewhere – once every 5+ years	<5%

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Risk Register

Risk	Possible hazards and injury outcome	Initial Risk Rating			Existing Control Measures	Additional Control Measures Required	Residual Risk Rating		
		L	C	R			L	C	R
1. Injury to staff, contractors or visitors	Physical assault, Improvised weapons, Impact with rocks/missiles thrown causing serious injury or death	D	4	High	Security guards employed on weekends Compound gate secured at night Some lighting in place Caretaker on site	Appoint Security Manager Employ Security Guards to patrol and respond 24/7 Install CCTV Cameras Install flood lights and position towards external perimeter Remove all rocks and loose items within the external perimeter zone Develop and implement security plans and procedures Provide general safety and security awareness training to all staff and contractors Implement incident reporting system Provide safety and security induction to all new arrrivals/visitors Install security signage	B	2	Low

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Risk	Possible hazards and injury outcome	Initial Risk Rating			Existing Control Measures	Additional Control Measures Required	Residual Risk Rating		
		L	C	R			L	C	R
2. Injury to youths/offenders	Assault Retaliation Self Defence Citizens Arrest Struck by moving vehicle accidently or unintentionally to escape from the threat causing serious injury or death	D	4	High	Security guards employed on weekends Compound gate secured at night Some lighting in place Caretaker on site	Employ Security Guards to patrol and respond 24/7 Develop and implement security plans and procedures Provide general safety and security awareness training to all staff and contractors Implement incident reporting system Provide safety and security induction to all new arrrivals/visitors	B	2	Low
3. Damage to Council reputation and community relations	Altercations/incidents between staff/contractors and local community/youths Serious, permanent injury or even death of any person on Council sites Instability within the community Potential liability and ongoing financial losses to the business Non-compliance with Australian Government safety and security standards	D	3	High	Security guards employed on weekends Compound gate secured at night Some lighting in place Caretaker on site	Appoint Security Manager Employ Security Guards to patrol and respond 24/7 Install CCTV Cameras Install flood lights and position towards external perimeter Remove all rocks and loose items within the external perimeter zone Develop and implement security plans and procedures Provide general safety and security awareness training to all staff and contractors Implement incident reporting system Provide safety and security induction to all new arrrivals/visitors Install security signage	B	2	Low

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15.2 NEW YEARS EVE EVENT

Author: **Executive Manager of Finance and Human Services**

Attachments: **Nil**

PURPOSE (EXECUTIVE SUMMARY)

To provide Council feedback on the New Years Eve Event from Mornington Island stakeholders and consider any changes for following events.

BACKGROUND & PREVIOUS COUNCIL CONSIDERATION

This report was considered by Council at the January 2020 meeting and the Council resolved to defer this matter until post the Local Government Elections. Accordingly this matter is re-presented to the new Council as verbatim at the January 2020 meeting.

Council's CEO has sought feedback on the recent event due to the low turnout of the Mornington community (estimates of 150-200 participants with 80-90% being young children under 13 years of age). The event commenced at approximately 5.30pm culminating in a fireworks display at 8.00pm and again at midnight.

PCYC had music and lights running inside the centre and Council had music outside along with a BBQ. Mission Australia arranged face painting activities for the children. Largely the children in attendance were very good, until a small crew starting being unruly, hence the closure of the PCYC. There were also some intoxicated adults in attendance which did give rise for concerns during the evening.

Comments have been received from the following stakeholders;

Council's CEO – Frank Mills

The recent new year's eve was my sixth one on Mornington Island and from my perspective, the fireworks and community celebration held at the community centre (PCYC) was the least impressive and for some reason/s did not capture or engage the majority of the community (other than a significant number of young children).

What this indicates to me, is that collectively we have a lot of work to do in the events management/conduct space. Hence, I am reaching out and seeking your advice, input, feedback and constructive criticism on how we can improve in this space to make sure future events capture the audience intended.

Farrah Linden
Program Manager
Gununa Bidngen Nywerrwe (Mornington Island Women's Place)

I firmly believe that we need a events committee that is made up of dedicated persons and the invite for anyone else who maybe interested in particular days or events be allowed to attend. As long as we have a core group I think this is the way forward.

To me this would include; NAIDOC, Reconciliation Week, Closing the Gap, Memorial, White Ribbon (and any other DV event for which there are many through out the year and with the number of services who work along those lines there should be no excuse for more community awareness/education etc), youth activities and events and so forth

Xmas and New Years activities are definitely included and should be better and more engaging for the whole community but lets face facts – most of the community are partying early so that stops them from coming along. More entertainment maybe required.

Everything is usually planned at the last moment.

Here is a heads up with dates of significant events etc that can be tabled if you want at the council meeting along with this matter

Please note that some dates are a little off due to the new 2020 dates not yet being available but it's a start. Regards,

Harm Singh
Acting Sergeant – Relief Branch Manager PCYC

I was present at the PCYC on NYE until after the midnight fireworks. I have only been here a short few weeks and leave tomorrow, but can provide the following notes and feedback from my observations:

- *During this holiday period I have had very limited PCYC staff (2) – their role is to supervise youth and PCYC activities. They are civilian staff and not Police Officers. My role is also the same (supervise youth and youth activities) including also being responsible for the safekeeping of the PCYC facility and grounds.*
- *Our (PCYC) role is not to supervise adults or to keep public order at events such as this. We as PCYC were willing to help Shane and his fellow volunteering Council colleagues by providing a venue (barbeque at the front of the PCYC) especially given the fireworks are held out on our field, while we held activities for youth within the PCYC facility*
- *Shane and his colleagues did a great job at the BBQ with music outside - we had a great turnout of approx. 200+ people (mix of adults/youth with crowd behaviour seemingly pleasant) at the BBQ between the 6-8pm period; Additionally I had a good crowd of youth inside the PCYC enjoying separate music and lights etc*
- *Unfortunately after the 8pm fireworks the large crowd numbers returned to the BBQ area and started to flow into the PCYC – there were simply far too many people for my limited staff numbers to maintain safety and supervision; additionally I had adults coming inside the PCYC, including some I observed as intoxicated; I was also observing small groups of people loitering and congregating inside venue. The environment I sensed at that time was such that I deemed the risk of public disorder to be far too high in and around the PCYC therefore I made the decision to close the PCYC building itself at approx. 8.30pm*
    - *My feedback here would be if you would like to run a NYE event and festivities that attract and maintain large crowds, sufficient staffing and resources need to be allocated, along with entertainment, events and activities for attendees. By resources I would suggest: More staff running more entertainment/activities; Hiring of security to supervise the event for when the crowds do attend; Requesting Police for a special operation that would be tasked specifically to the event (S/Sgt HILL can advise further – local General Duties Police attended the event but could not remain here continuously as they must maintain Police presence across town)*
- *It was my intention, given crowd numbers and behaviour, to keep the venue open up until the midnight fireworks to allow for youth to stay occupied and enjoy the festivities safely however it is not my responsibility to account for entertainment for adults and the associated public safety requirements that would entail*
- *The BBQ continued for about another half an hour after I closed the PCYC building, and in the interest of public and PCYC safety I maintained my presence outside the facility and assisted Shane with the BBQ. I observed a large amount of the crowd disperse and by approx. 9.45pm I observed there were a small number of well behaved adults and a large number of very young youth so reopened the PCYC to allow for youth to play some sports while awaiting the new year fireworks – I subsequently had a constant stream of youth reattend however my PCYC youth were well behaved and rest of the night was very pleasant. I closed the PCYC just before the midnight fireworks commenced*
- *In summary as a PCYC our role is to provide youth with activities and entertainment, and a safe environment in which to do it – not to run and be responsible for an event for the entire community. Given the staff and resources available, Shane, his colleagues, and my PCYC staff did the best they were able to for this event.*

I hope this feedback helps, if you wish to ask me any specific questions please feel free to email me directly otherwise Darren BLACK will be the new relieving branch manager for any further enquiries, he will arrive here in several days.

Adam Hill
Acting Senior Sergeant – Officer in Charge Mornington Island Police

New Year's was extremely quiet from our perspective. It seemed like a lot of people were not in town. This could explain why numbers were also down at this event.

During our patrols we did have discussions with many families who were aware of the events at the PCYC but preferred to sit at home as a family and watch the fireworks from there.

I acknowledge what Farrah has suggested in relation to a joint committee. This would be great but after my experience at numerous events on the Island it always seems to be the same two or three people that get lumped with the workload of this. Unfortunately a majority of the other organisations shut down over the Christmas and New Year period and all workers leave the island, so I see any committee would fall apart over this holiday period which doesn't help our predicament.

As Harm form the PCYC suggested, there does appear the need to be some type of security / crowd control at the PCYC for a large event like this. From my understanding I thought that there were 4 security officers that were supposed to be in attendance (I thought I saw this on the fireworks plan). I personally didn't see them however this doesn't mean that they were not there. The police do try and attend these events and get involved, as well as providing some type of security presence, however with the importance of performing early intervention in relation to alcohol and a few calls few service that we had we were unable to be at the PCYC at these key times. I believe the efforts of my team here in the early part of the evening went along way to ensuring less incidents and calls for service later in the evening. This has been done in the past, and will be necessary in the future on these particular busy days, so unfortunately we can't guarantee our resources to be at these events all of the time. This perhaps could be an opening for Mr WILSON and his security business when it becomes fully operational?

The police are very supportive of these community events and will provide any assistance we reasonably can to assist and ensure community safety.

FINANCIAL & RESOURCE IMPLICATIONS

The event cost Council in the vicinity of $27,000 as detailed below, and if held in future with the added costs of security would increase to nearly $30,000.

Fireworks (including accommodation & flights)	$24,000.00
BBQ (sausages, burgers, bread, etc)	$1500.00
Staff time (Sport, Recreation & Events Manager)	$1100.00
Other Staff (volunteers)	Nil
Security Officers (reqd in future – based on 4)	$2400.00

The bulk of this cost is for 14 minutes of fireworks. Local Government Council's do provide fireworks display as "public goods" for the community. They do this often on the basis of improving economic activity within the wider community. There is no doubt this works in major metropolitan areas where businesses surrounding the event get a lot of indirect benefit. Sydney City Council estimates their $7M investment would yield an indirect benefit to other businesses of $156M.

However for Mornington the benefit cannot be thought of as economic benefit, it arguably is a social benefit. Council should consider whether the cost for the event provides enough social benefit given the low number of community residents in attendance.

RECOMMENDATION

That Council consider the feedback provided and propose any changes for future events.

15.3 BYNOE CACS AND CDP ARRANGEMENTS

Author: **Executive Manager of Finance and Human Services**

Attachments: **Nil**

PURPOSE (EXECUTIVE SUMMARY)

This report was considered by Council at the January 2020 meeting and the Council resolved to defer this matter until post the Local Government Elections. Accordingly this matter is re-presented to the new Council as verbatim at the January 2020 meeting.

This report was deferred from the July 2019 Council meeting due to concerns overs conflicts of interest. This report is now re-presented for Council consideration.

This report provides Council an update on the Community Development Program (CDP) service currently being delivered by Bynoe Community Advancement Cooperative Society (CACS) Limited and the future partnership with Mundalbe Enterprises Limited.

BACKGROUND & PREVIOUS COUNCIL CONSIDERATION

Bynoe CACS are in the process of transitioning matters from Rise Ventures. Bynoe have kept the majority of staff from Rise Ventures, it is understood to maintain corporate knowledge. The staff are operating from the same buildings as Rise Ventures occupied and participants are transitioning to the new arrangements.

Bynoe CACS are in the process of arranging a community engagement committee meeting which at this stage will be held on 24th July, 2019. Council will recall at the last Ordinary Meeting, they approved the Mayor as Council's delegate on this committee.

Council will recall that it has created a company to partner with Bynoe CACS on the operations of the CDP service with the mind of transitioning the total service to Council's new company over a period of years. This new company Mundalbe Enterprises Limited has now been created by MacDonnells Law.

Now that this has been confirmed it is suggested a joint venture agreement should be developed to cover the responsibilities and transition arrangements of the "partnership" with Bynoe CACS. This is more so a matter for Mundalbe as opposed to Council, though Council may want to facilitate given Mundalbe does not have a bank account, staff, etc to facilitate the matter on its own accord at this present time. The joint agreement is likely to require some legal advice and expertise, but in the first instance Bynoe CACS will be approached to ascertain whether they have had a similar arrangement with anyone else and if so, some pro-forma documentation maybe used to save on costs, time and legal work.

FINANCIAL & RESOURCE IMPLICATIONS

As detailed in the report

RECOMMENDATION

That Council approve and fund the development of a joint venture agreement between Mundalbe and Bynoe CACS that covers the responsibilities and transition arrangements between the two entities.

15.4 MUNDALBE ENTERPRISES LIMITED

Author: **Executive Manager of Finance and Human Services**

Attachments: **1 Directors Australia Proposal**
2 Certificate of Incorporation - Mundalbe Enterprises Limited

PURPOSE (EXECUTIVE SUMMARY)

This report was considered by Council at the January 2020 meeting and the Council resolved to defer this matter until post the Local Government Elections. Accordingly this matter is re-presented to the new Council as verbatim at the January 2020 meeting.

This report was deferred from the July 2019 Council meeting due to concerns over conflicts of interest. This matter is now re-presented for Council consideration.

This report provides Council an update on the status of Mundalbe Enterprises Limited and seeks Councils thoughts on the additional setup requirements for the Company.

BACKGROUND & PREVIOUS COUNCIL CONSIDERATION

Confirmation from MacDonnells Law on the company being setup has now been received. Please find Certificate of Incorporation attached. MacDonnells Law is currently compiling a company register which is a set of documents required under the Corporations Act. Whilst this is in progress there are a number of activities that can be actioned;

C*ompany Setup Considerations*

- Board Composition Matrix (what skill sets does the Board require)
- Recruitment and appointment of additional independent directors
- Chair of the Board – could be good to consider having an independent chair purely as this role will have most of the workload
- Position Description for Board Members and Chair
- Recruitment of CEO, General Manager or alike
- Position Description of CEO, General Manager
- Remuneration of independent directors
- Company Secretary requirements
- Company Taxation requirements, ABN, GST, PAYG, etc
- Office Location
- Longer Term aspirations as to exactly what activities Mundalbe might get involved in
- Staffing requirements in due course

A proposal from a specialist director recruitment agency is attached. It does provide some useful ideas on composition matrix, position descriptions, recruitment and independent board remuneration. Stage 1 requirements certainly would continue to bring strong governance to the table for the new entity and would follow on from the sound legal advice provided to date in setting up this entity. The continuation of good governance principles, coupled with strong planning and using “outside” assistance certainly provides an element of good assurance for any stakeholders.

Stage 2 of the requirements could be undertaken just for a chairperson role if Council so desires, as Council has identified two other independent directors. These other two directors could be appointed for an interim period of two years if Council is comfortable to own and manage the board composition risk. Further to this, Council could utilise its own HR function to undertake the recruitment of a third Director, whether this is the role of the chair or simply just a third independent

director. Council's HR function has provided a quote of $15,000 to undertake the recruitment process.

Once the Board has been formed, organisational type matters concerning the operational dynamics could be left with a new CEO / General Manager to arrange.

Short Term Funding Considerations

Before any of the above commences it would be good to get some insight into the possible financing of the new enterprise.

Whilst the joint venture with Bynoe CACS on the CDP activity will eventuate in due course and roll forward, this activity isn't expected to be a "money making" enterprise so consideration will need to be given shortly as to how Mundalbe will initially be funded to setup the above actions plus how it will be funded on an ongoing basis.

Enquiries have been made as to how much Council can "invest" in the setup of this new entity without invoking the requirements of the Statutory Bodies Financial Arrangements Act (SBFAA). Tentative advice suggests it could be limited to $120K and would require payment back to Council over 10 years.

Currently Council has expended $7588 on legal advice and incorporation that might be considered as payable by the new entity. This excludes any time expended by Council officers. Council might also consider this expenditure as a true council cost and be comfortable incurring this expenditure under the banner of Council operations and the facilitation of economic development. The greater the cost being incurred by Council, the greater the visibility and accountability of using public money for such initiatives would be required.

Longer Term Funding Considerations

This is an area that will invoke consideration of exactly what are the objectives of Mundalbe Enterprises Limited. Ideas that come to mind within Council's own activities that could provide a financial return to Mundalbe include;

- NDRRA / NDRF (Road rehabilitation / restoration)
- Mechanical Workshop
- Housing & Private Works
- Warehouse
- Barge Operations

There would be good financial reasons for Mornington Shire Council (and thus the wider community) to consider all the above becoming business activities in their own right.

Currently the profits associated with disaster relief are benefitting large contractors who provide very little economic benefit back to the Mornington community. The profits in these areas certainly could run into the millions over the past few years based upon an indicative return of 20%.

In respect to the other activities of mechanical workshop, housing, warehouse and barge these would be run as profit making concerns if run anywhere else in Australia. Unfortunately Council has allowed or been forced to cross subsidise these operations to the detriment of other "core" council services. If the above services were run commercially as they should be this would improve the financial viability of the Council and also improve service delivery in other core areas.

A quick precis of the non commerciality of these activities is reflected in the below table with financial results and return on revenue figures for the past 2 years;

Program	Interim Result 18/19	Interim ROR 18/19	Result 17/18	ROR 17/18

Mechanical Workshop	$1,842,635 loss	Nil	$817,526 loss	Nil
Housing & Private Works	$488,884 surplus	5.04%	$806,797 loss	Nil
Warehouse	$766,399 loss	Nil	$382,549 loss	Nil
Barge	$413,658 loss	Nil	$397,078 loss	Nil

The other benefit would be the provision of services under Mundalbe Enterprises Limited would allow a more commercial view to be taken. This is an extremely difficult proposition for any Council as Council's are always looked upon as a community service provider, first and foremost.

How might this work in practice?

Council could simply pass varying degrees of control over to Mundalbe Enterprises. Whether this is just an operator's licence or the physical assets and staff involved in service provision it all could be controlled by a service level agreement between Council and Mundalbe. It is suggested Council would want to ensure it does not lose the ability to have ultimate control over service delivery or the physical enterprises mentioned above until it was extremely comfortable that service delivery standards are acceptable to itself and the community. These same considerations would apply whether Council ponders relinquishing operational capability to Mundalbe or any other alternative operator it might wish to consider. At the core of any service level agreement Council should consider the need to include indigenous employment opportunities. Whilst improvements to service delivery and cost savings may well be a benefit the Mundalbe Enterprise model can bring to the table, it is suggested any Economic Development ventures must also include employment opportunities for the community.

In addition to taking over Council activities that could finance the operations of Mundalbe, Mundalbe could explore opportunities that are currently not being provided in the community. One such area is Book-Keeping and Business Support Services. This has been suggested by a few stakeholders around the community as there certainly is a current gap in providing this service locally. Council's discussion in the service delivery working group (SDWG) arena may also provoke other service gaps that Mundalbe could consider undertaking for the benefit of the community. This also could include being the SDWG facilitator as this would then allow Council to be an independent party to service delivery discussions.

In addition to activities that could assist with financing the operations of Mundalbe, ideas that were generated in Council's planning meetings this year included tourism, cultural activities and local business development. Whilst these are all great ideas for Mundalbe, there could be questions as to how these can be funded initially. Grant funding opportunities may be one avenue that these activities could source funding from to start the activity but this is unlikely to be a long term sustainable financial revenue source for Mundalbe.

FINANCIAL & RESOURCE IMPLICATIONS

As detailed in the report and attachments.

RECOMMENDATION

1. That Council continue enquiries in regards to any SBFAA requirements and when available table the final advice so Council can make a decision on the costs incurred to date on the setup of Mundalbe Enterprises Limited.
2. That Council approve the proposal from Directors Australia for stage 1, but undertake stage 2 through Council's own HR function.
3. That Council approach the two independent Directors that have been identified and invite them to put forward written applications for a period of two years.
4. That Council confirm further exploration of the following Council activities as possible commercial enterprises under Mundalbe Enterprises Limited;

- NDDRA / NDRF disaster recovery
- Mechanical Workshop
- Housing
- Warehouse
- Barge
- Book-Keeping and Business Support Services

Directors Australia

Board Consultants and Director Recruitment

PROPOSAL

BOARD DEVELOPMENT AND DIRECTOR RECRUITMENT PROCESS

for

Mundalbe Enterprises Limited

(Joint Venture with Mornington Shire Council)

MORNINGTON SHIRE COUNCIL

28 June 2019

Directors Australia Pty Ltd
PO Box 3018
South Brisbane Qld 4101
(ABN 69 534 972 076)

P: 07 3221 5107
E: kerryn.newton@directorsaustralia.com
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Proposal for **Mundalbe Enterprises Limited**

INTRODUCTION

Thank you for inviting us to submit a proposal to assist Mundalbe Enterprises Limited by providing governance advice and to recruit suitably skilled board members. Our proposal addresses the following matters.

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1. **OUR UNDERSTANDING OF YOUR NEEDS** 1
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Should you have any questions or require any further information, please do not hesitate to contact me.

Kerryn Newton
Managing Director
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Proposal for **Mundalbe Enterprises Limited**

1. OUR UNDERSTANDING OF YOUR NEEDS

Mundalbe Enterprises Limited ('Mundalbe') is a joint venture company with the Mornington Shire Council and another entity. Mundalbe is a company limited by guarantee and is to be established effective from 1 July 2019. The purpose of Mundalbe is to create economic development opportunities in the Mornington Shire and for profits to be reinvested back into the local community.

The goal is for the core business of Mundalbe to be wide ranging. Under the Constitution, there is scope for a wide range of activities including training programs, housing companies, small businesses operations around the jetty area. Grant Thornton has been engaged to assess the business and make recommendations regarding what the focus of the services should be.

The Constitution provides that the company is to be governed by a board of six directors, including three member directors and three independent non-executive directors. The three member directors consist of the Mornington Shire Council Mayor, Deputy Mayor and a Councillor.

Given Mundalbe is in the establishment stage, the current board is seeking assistance with appointing a number of independent, skills-based non-executive directors. The board is also seeking assistance with determining the board composition matrix outlining the types of skills and experience that it considers the new directors will need to hold. Apart from skills and experience requirements, it will be critical that all new board members have the personal attributes and behaviours to work constructively within a newly established company. The board will also require advice around director remuneration.

Collectively, the board will be responsible for ensuring that Mundalbe has an appropriate strategy in place to realise its potential and achieve its objectives ethically, responsibly and within its legislative obligations.

Mundalbe Enterprises Limited also recognises that it will need to establish a number of other key governance documents including a board charter, conflict of interest policy, code of conduct, annual calendar and work plan for the board. In due course, the board might also establish board committees and those committees will require charters. Our proposal includes developing these key documents as a separate piece of work.

2. OUR EXPERTISE AND TESTIMONIALS

Directors Australia is a national consultancy firm specialising in corporate governance advice and non-executive director recruitment. Our specialised director recruitment service is founded in our strong belief that recruitment of a director – as one person who has to work effectively as part of a cohesive, collective board – requires different considerations to executive recruitment.

In this context, we assist boards in sourcing candidates who not only have the right skills, knowledge and experience for a board vacancy but who are also a good cultural fit for the board and company. Underpinning our unparalleled success in placing directors are our director networks across Australia as well as our extensive, national director database.

Our expertise in corporate governance enables us to provide boards with a value-added recruitment service as we have a deep understanding of the role and functions of boards, and the skills and dynamics critical to board effectiveness. We also advise companies on requisite board skills and director remuneration levels.

We seek to establish long term relationships with clients where we develop a deep and on-going understanding of their business, and assist with recruitment and governance issues as required.

Our recruitment clients have included:

- privately owned businesses in various sectors including fast moving consumer goods (FMCG), construction, professional services, planning and project management
- member and industry-owned companies
- large not-for-profit organisations
- Government-owned entities (local, state and federal government)
- ASX-listed companies, and
- APRA-regulated financial institutions.

We have conducted a number of assignments which have involved recruiting multiple directors through to an entire board. Of particular relevance to this assignment is our experience in providing governance advice to, and recruiting non-executive directors and advisors for local government and start-up businesses. For example, we assisted with the reappointment of the Wide Bay Water Corporation board for the Fraser Coast Regional Council. We also assisted the Gladstone Regional Council with the establishment of the Gladstone Airport Corporation board.

We would also bring to this assignment a deep understanding of the broader governance context in which the recruitment process is taking place through our extensive board and governance consulting work, particularly in local government context. We are happy to provide the names of referees for our recruitment work. Below are selected testimonials which attest to our approach, experience and success in the director recruitment area.

Proposal for **Mundalbe Enterprises Limited**

AV TECHNOLOGY Pty Ltd	WINSON GROUP PTY LTD	MULGOWIE FRESH PTY LTD
(Preparation of governance documents; establishment of an advisory board; and recruitment of board members)	**(Governance advice, board evaluation and two director recruitment assignments)**	**(Director recruitment)**
On behalf of the board of AVT, I would like to thank Directors Australia for guiding us through the process of appointing two new advisory board members. You [Directors Australia] came highly recommended to us and you have surpassed our expectations throughout every step of the process. We found the discovery phase to establishing our ideal board composition to be efficient and effective. Glee's deep and tailored understanding of our requirements certainly aided the efficiency of the candidate identification phase and path to interview the shortlisted applicants. Finally, the reference checks and due diligence was handled in an extremely professional and timely manner.	*Directors Australia* assisted the *Winson Group with the recruitment of our first independent, non-executive director into the role of Chair and, following the success of that appointment, a subsequent non-executive director. The way Directors Australia managed the entire process was excellent. Their experience in corporate governance assisted them develop a good understanding of our company and the type of the director that would best add value, and their approach brought the board along with the process. The level of the candidate pool generated by Directors Australia was exceptional. I have been happy with every facet of our interaction with Directors Australia and their work.*	*We approached Kerryn at Directors Australia about recruiting two more Independent Directors against a tight specification and timeline. Through Kerryn, Glee was able to work closely with us to refine our specification against our skills matrix. Glee communicated with us frequently during the recruitment process ensuring an optimum outcome within our tight timeline. We've been delighted with the contribution of our new Independent Directors who have enhanced Board performance as hoped.*
Graham Evans, CEO **NB: The company shareholders quickly decided to appoint the advisory board members as full non-executive directors of the company.**	**Jack Winson, Managing Director**	**Chris Leon, Chairman**

We have also conducted a range of assignments for Aboriginal and Torres Strait Islander organisations. Below is a testimonial regarding our governance and recruitment work in this context.

ABORIGINAL AND TORRES STRAIT ISLANDER HEALING FOUNDATION (Various assignments)

Directors Australia are a pleasure to work with! Over an extended period, they have assisted the Healing Foundation in refining its governance model and Board Policy, as well as supporting us in the recruitment of new Board Directors, and the provision of the highest quality Company Secretary services. They are an incredibly professional, knowledgeable organisation, that have played a crucial role in taking the Healing Foundation to a higher level of governance performance that meets the demands of the complex and challenging Indigenous Affairs landscape that we operate in and helped equip us with the policy and procedures in place to ensure we stay there.

Richard Weston, CEO

3. OUR PEOPLE

Our key consultants for this assignment would be Kerryn Newton and Glee Mitchell.

The Managing Director of Directors Australia, Kerryn Newton, would lead the initial 'governance advisory' stage (stage 1 outlined below). Kerryn would also oversee the recruitment stage and the delivery of all assignment milestones. Glee Mitchell, our Recruitment Manager, would be responsible for the day-to-day management of the recruitment process (stage 2).

As required, one of our other experienced recruitment consultants might assist with the recruitment process.



KERRYN NEWTON LLM, MBA, MA, FAICD, FGIA, FIML
Managing Director

Kerryn has over 25 years' experience working in various legal, management and commercial roles in the private and public sectors. She has Masters qualifications in Law, Business Administration and Arts and is a Fellow, and accredited facilitator, of the Australian Institute of Company Directors.

For over a decade, Kerryn has worked exclusively in the board and governance arena including director recruitment. Through consulting to a wide array of boards and organisations, Kerryn has key skill sets in all aspects of corporate governance (including governance structures, systems, policies and practices), board and organisational performance, strategic planning, risk and compliance management, board skills assessment, and director search and selection.

In addition to her qualifications and broad work experience, Kerryn has extensive personal experience in governance and directorship through her membership on the boards of a range of organisations in the non-profit, private and government sectors. Her current directorships include Energy Queensland Ltd, a Queensland Government Owned Corporation with an asset base of $25B, having served on the board of its subsidiary Energex Ltd for eight years.

Kerryn's board experience augments her highly relevant qualifications and work experience to provide her with exceptional practical insight to her board consultancy work.



GLEE MITCHELL BCOM, GRAD DIP BUSINESS ADMINISTRATION, MAICD, MAHRI
Recruitment Manager

Glee's background is in human resource management having held senior HR roles in Sydney and Brisbane with Andersen Consulting (Accenture), Myer, Bankers Trust, Foxtel and Ernst & Young.

Glee has worked across all aspects of human resources including recruitment and terminations, succession planning, performance management, salary reviews, induction and orientation programs, learning and development, employee relations as well as troubleshooting on a daily basis across human resource issues of staff and management.

Glee now specialises in board level recruitment, search and selection building on her strong personal interest in corporate governance. Glee's reputation for listening to, and delivering on, client's director recruitment needs has positioned her as a 'go to' person in the specialist board placement arena.

4. OUR APPROACH

Stage 1: Initial governance advice

We agree that an important precursor to recruiting directors is to develop a board composition matrix which outlines the range of knowledge, experience and skills which have been assessed as ideal for the board to hold in order to drive Mundalbe's strategic direction as well as effectively govern the company. Therefore, following our review of foundational documents and a discussion with relevant officers, we would prepare a board composition matrix comprising the following parts:

- Part A - the professional and industry-based skills which should be held **collectively** by the board
- Part B - the board's **collective** board diversity and other non-skills based criteria, and
- Part C - a description of attributes and behaviours that **all** directors should be expected to possess in order to be an effective director.

All three of these parts should be considered in the director recruitment process.

Once finalised in consultation with you, this matrix would be the key reference document for the search process. It would also enable us to develop a position description for directors outlining the skills and experience sought, expectations of the role, and key selection criteria. The position description would be used:

- as the basis for candidate sourcing regarding the role
- to provide prospective candidates with position details
- as the basis for screening candidates to produce a short-list of candidates
- for the board to assess candidates at interview, and
- as the basis for conducting referee checks of the preferred candidates.

Through stage 1 we would also seek to gain a good understanding of Mundalbe and the context in which it will operate. This will assist us in finding candidates who are most likely to be a good cultural fit with the company, its 'owners' and key stakeholders.

In stage 1 we would also provide advice as to the level at which directors should be remunerated based on the expectations of them and comparative board roles. Our ability to provide advice in this regard is supported by our access to director remuneration survey data and knowledge from working with an extensive array of boards.

Establishment governance documents (separately quoted option)

Given we are also a board and governance advisory firm, we would be ideally placed to assist Mundalbe in the drafting of key governance documents. These draft documents could then be considered and approved by the board at its first meeting.

Key governance documents which we consider should be in place at the outset are:

- board charter outlining the role, responsibilities and processes of the board
- directors' conflict of interest policy
- directors' code of conduct
- board delegation of authority policy
- annual calendar and work plan for the board, and
- template board committee charter (for when committees are established).

We would also provide high level advice on other necessary key aspects of a board-level good governance framework for Mundalbe although the scope of this work would not extend to assisting Mundalbe Enterprises Limited in implementing that advice.

Stage 2: The recruitment process

Once your approval is given, we would go to market for suitable candidates to recruit the board. Our approach would be to source a broad pool of candidates with the requisite skills, experience and personal attributes through multiple strategies. More specifically, this would involve the sequence of activities outlined below.

We would work with you to identify a suitable commencement date for the assignment.

	Anticipated timing
Search Process	**Weeks 1 - 3**
Using the agreed position description as a guide, we would search for suitable candidates for the vacancies through: • our extensive on-line, national director database, and • our director contacts and networks throughout Australia. As agreed with you, the search strategy might also include some 'public' advertising such as positing on director 'job boards' run by the Australian Institute of Company Directors and Women on Boards. Our preferred approach is that all candidates that Mundalbe has identified are also referred to us so that we can consider them as part of the candidate pool. (We **note** that Mundalbe has two potential candidates to be referred to the recruitment process). We recommend that the search period is open for approximately two weeks.	

Proposal for **Mundalbe Enterprises Limited**

	Anticipated timing
Preliminary interviews	**Weeks 4 and 5**
In this stage we would interview each candidate whom we assess to have a strong claim to the selection criteria. Where possible, these interviews would be in person. Otherwise, they would be by telecommunication. The purpose of these preliminary interviews would be to: • obtain more information on a candidate's skills, experience and knowledge • clarify any inconsistencies or gaps in their resume • assess whether any conflicts of interest might exist, and • assess their presentation, oral communications skills, and likely cultural fit with the board and Mundalbe.	
Preparation of a short list	***Week 6***
Following preliminary interviews, we would prepare a short list of candidates for the board's consideration. For each 'short listed' candidate, we would provide their resume as well as a one-page summary highlighting key attributes of the candidate together with our assessment of how they would contribute to the board.	
Client-facilitated interviews	***Week 7***
Once the board has decided which candidates to interview, we would make suitable arrangements with the candidates and advise them as to matters such as: date, time and location of the interview; who will be attending the interview; and interview format. If required, we would be able to provide advice in relation to the interview format and questions. However, we would not play a decision-making role with respect to the appointment.	
Reference and credential checking	***Week 8***
Once a decision has been made by Mundalbe as to the preferred candidates, we would conduct referee checks and other credential searches as appropriate to verify the candidates' suitability. Our policy is to obtain at least two referee checks for a candidate, at least one of which is from a peer director who has served on a board with the candidate. We have developed specific questions for referees based on our in-depth experience of the requisite qualities and skills of directors. Written referee reports will be provided to the board where the referee has consented to this.	

	Anticipated timing
Candidates' due diligence	***Week 9***
A unique aspect of director recruitment is that candidate directors will seek to undertake a due diligence process of a company before committing to take on the responsibilities and liabilities of a director. We would facilitate the preferred candidates' due diligence requirements, and the offer and acceptance process.	

5. FEES AND EXPENSES

Our fee for stage 1 of this assignment (preparation of a board composition matrix, director remuneration advice and development of a director position description) would be $6,600 plus GST.

An additional fee of $9,900 plus GST would apply for us to assist in the drafting of the establishment governance documents.

In terms of stage 2 (the recruitment process), we charge a flat fee for non-executive director recruitment. Based on our current knowledge of the assignment scope, our fee for recruitment of the first independent, director would be $18,900 plus GST. Our fee for each additional board member would be an additional $9,450 plus GST.

Our terms of business in section 6 of this proposal relate to stage 2 of the assignment. By agreeing to undertake stage 1, Mundalbe would not be bound to proceed with Stage 2.

We anticipate the need for travel and accommodation expenses associated with this assignment given we are a Brisbane-based firm. Any such expenses (for example, to meet interstate candidates) would be charged at cost although we would seek to minimise travel expenses associated with this assignment including economy class airfares and modest accommodation if required. We would meet incidental expenses such as telephone calls and printing.

6. RECRUITMENT TERMS AND CONDITIONS

1. General

These Terms and Conditions of Business are between Directors Australia Pty Ltd ACN 134 627 875 ("we/us/our"), and the Client including its employees, representatives and/or agents ("you/your"), and state the conditions upon which we will provide recruitment services to you.

This proposal is valid for 1 month from the date displayed on the front cover sheet.

2. Acceptance of Terms

Any one of the following events, without anything further constitutes acceptance of these Terms and Conditions:

- the acceptance by you of candidate resumes provided by us; or
- you interviewing a candidate introduced by us; or
- your appointment of a candidate introduced by us; or
- you referring a candidate introduced by us to you to any other person or organisation.

3. Entitlement to Fees

3.1 Our full fee ("Placement Fee") is payable by you if:

- you appoint a candidate introduced by us either directly or indirectly within twelve months of the introduction; or
- you refer a candidate introduced by us to a third party, or introduce a third party to a candidate introduced by us, and that referral results in an appointment; or
- you appoint a candidate identified by you as part of the recruitment process.

3.2 Our full fee ("Placement Fee") is also payable by you if, during the course of the recruitment process, your business needs change and you decide not to proceed with placing a non-executive director/s, as agreed. However, in our absolute discretion we may elect not to invoice all or part of the stages as described in clause 4.2.

3.3 Notwithstanding any other clause, if the recruitment process results in an additional placement of any other persons to that stipulated in clause 4.1, an additional Placement Fee of $9,450 plus GST per director will be payable by you. For the avoidance of doubt, the Placement Fee under this Clause 3.3 is in addition to any Placement Fee payable under Clause 3.1.

3.4 All candidates for the role identified by you (whether internal or external to your organisation), will be forwarded by you to us to be considered in the recruitment process. The successful appointment of any such candidate will not in any way affect or reduce our Placement Fee.

3.5 You will notify us as soon as reasonably practicable once a candidate that we have introduced to you, or a candidate identified by you in the process, has accepted an offer of appointment.

3.6 You will not forward or discuss details of any candidate introduced by us with any other party without our prior consent in writing.

4. Placement Fee and Payment Terms

4.1 Our Placement Fee for recruiting one non-executive director is $18,900 plus GST.

4.2 We will invoice you the equivalent of one third of our Placement Fee at each of the following stages:

- Stage 1 – payable on retaining our services to conduct a recruitment process
- Stage 2 – payable on presentation of short-listed candidates

- Stage 3 – payable upon the successful candidate accepting appointment.

4.3 Where you have engaged us to recruit more than one non-executive director and, for whatever reason, the process results in less than the agreed number of directors being placed, then the Stage 3 payment will be payable on a pro-rata basis depending on the number of successful candidates accepting appointment. Our Placement Fee due for Stage 1 and 2 will not be affected.

4.4 Our invoices for fees and expenses are payable within 14 days of the date of invoice to you. Any fee for a stage already completed is non-refundable and payable notwithstanding a subsequent stage is not completed.

4.5 All fees and expenses quoted by us are exclusive of GST. We will add GST to all tax invoices issued to you.

4.6 We reserve the right to charge finance charges to any overdue accounts without further notice. You shall pay the cost of any recovery of the Placement Fee including legal costs on a full indemnity/solicitor and own client basis.

5. Confidentiality

5.1 All candidate introductions and other candidate information supplied by us to you is strictly confidential. Candidate details cannot be forwarded or discussed by you with any other party without our prior consent.

5.2 We will not disclose to a third party any information that you have requested to remain confidential without your agreement, unless we are legally required to do so.

6. Privacy

The Directors Australia Privacy Policy forms part of these Terms and Conditions of Business. You acknowledge receipt of the Directors Australia Privacy Policy prior to accepting these terms and agree to handle all candidates' personal information in accordance with our Privacy Policy.

7. Liability

7.1 We will take reasonable steps to present you with suitable candidates based on the information provided by you. However, you must satisfy yourself as to the suitability of a candidate and are responsible for the final recruitment decision. You will indemnify us on a full indemnity basis for any claims relating to the candidates provided to you under these Terms and Conditions.

7.2 We accept no responsibility for any loss, expense, damage or delay occasioned during the course of, or by, the recruitment services provided by us.

8. Advertising and Other Expenses

8.1 We will discuss and agree with you in advance any advertising costs. We will invoice you such costs upon placement of the advertisement, such invoices being payable within 14 days.

8.2 We will invoice you any out-of-pocket expenses, which may include, accommodation and travel undertaken by us or a candidate at cost, such invoices being payable within 14 days.

9. Variations

Any variations to these Terms and Conditions will not be effective unless approved in writing by us.

10. Governing Law

The law of Queensland shall govern all matters concerning these Terms and Conditions and any dispute shall be determined by a Queensland court.

7. INSURANCE

Directors Australia Pty Limited carries the following professional indemnity and public liability insurance:

Insurer:	Berkley Insurance Australia
Policy:	Professional indemnity - policy no. 201610-0227
Indemnity limit (PI):	$10,000,000 any one claim $20,000,000 in the aggregate
Policy:	Public and product liability - policy no. 201610-0268
Indemnity limit (PL):	$20,000,000 any one occurrence
Period:	14 September 2018 to 14 September 2019

8. CLIENT ACCEPTANCE

I, , being a duly authorised officer of Mundalbe Enterprises Limited accept the proposal outlined above and on the terms and conditions outlined:

_____ [Name]

_____ [Signature]

_____ [Date]

Please note that this proposal is valid for one calendar month from the date on the front page of the cover sheet.

Macdonnells Law Attn: Matthew Colleton
Russell Beer
PO Box 5046
Cairns QLD 4870

Remove this top section if desired before framing

Certificate of Registration of a Company

ASIC
Australian Securities & Investments Commission

This is to certify that

MUNDALBE ENTERPRISES LIMITED

Australian Company Number 633 876 178

is a registered company under the Corporations Act 2001 and is taken to be registered in Queensland.

The company **is limited by guarantee.**

The company is a **public** company.

The day of commencement of registration is **the eighteenth day of June 2019.**

CERTIFICATE

Issued by the
Australian Securities and Investments Commission
on this eighteenth day of June, 2019.

James Shipton
Chair

16 GENERAL BUSINESS

17 CONFIDENTIAL REPORTS

RECOMMENDATION

That Council considers the confidential report(s) listed below in a meeting closed to the public in accordance with Section 275 of the Local Government Act 2009:

17.1 Chief Executive Officer - temporary change of employment location.

This matter is considered to be confidential under Section 275(a) of the Local Government Act, and the Council is satisfied that discussion of this matter in an open meeting would, on balance, be contrary to the public interest as it deals with the appointment, dismissal or discipline of employees.

18 NEXT MEETING

19 CLOSURE