



MINUTES OF A BUSINESS IMPROVEMENT COMMITTEE MEETING OF
GLADSTONE REGIONAL COUNCIL
HELD AT THE GLADSTONE ADMINISTRATION CENTRE BOARDROOM
101 GOONDOON STREET, GLADSTONE
ON **12 SEPTEMBER 2018** COMMENCING AT **9.00AM**

PRESENT

Ross Cook (Committee Chair & Business Improvement Committee External Appointee)
Kerry Phillips (Business Improvement Committee External Appointee)
Carolyn Eagle (Business Improvement Committee External Appointee)
Cr Rick Hansen (Councillor)
Cr Kahn Goodluck (Councillor)

OTHERS IN ATTENDANCE

Officers

Mark Holmes, General Manager Finance Governance & Risk (GM FGR)
Brooke Saunders, Manager Governance
Richard Pegg, General Manager People Culture and Safety (GM PCS)
Carly Quinn, Acting General Manager Strategy and Transformation (GM ST)
Ashleigh Tomkins, Manager Asset Governance
Anna Scott, General Manager Strategic Asset Performance (GM SAP)
Nerrilynn Taylor, Team Leader Financial Operations
Shelley Penrose, Governance Officer
Alison Jones, Acting Manager Contracts and Procurement
Rowena Smallcombe, Ethics Integrity and Audit Specialist
Carmen Smith, Engineer Strategic Asset Performance
Neels Kloppers, Manager Asset Performance and Monitoring
Peter Billing, General Manager Operations (GM Ops)
Rob Huth, Manager Roads Program Delivery
Vicky Hankinson, Governance Advisor

External Representatives

Jenelle MacGregor, Queensland Audit Office (by telephone link)
Junaide Latif, William Buck, External Audit (in person)

Observers

Desley O'Grady, Councillor
Peter Masters, Councillor

Chairperson Initials:

1.0 APOLOGIES

Leisa Dowling, Acting Chief Executive Officer

2.0 DECLARATION OF CONFLICTS OF INTEREST

Nil

3.0 CONFIRMATION OF MINUTES 22 MARCH 2018

It was noted that Jenelle McGregor's name was incorrectly spelt in the minutes (page 15).

The meeting resolved that, subject to the abovementioned correction, to accept the Gladstone Regional Council Business Improvement Committee Meeting Minutes of the 27 June 2018.

4.0 BUSINESS ARISING FROM PREVIOUS MEETINGS

4.1 OPEN TASKS REPORT

Item 8.1.1 – Financial Report Period Ending 31 May 2018 – Community Wellbeing

The General Manager Finance Governance and Risk advised that in relation to the relatively high expenditure in the Community Wellbeing budget it had been a timing issue with the budget coming back in line with expectations at the end of financial year. It was resolved to close this action.

5.0 OFFICER REPORTS

5.1 PROGRESS REPORT – WORK HEALTH AND SAFETY AUDIT ISSUES

The General Manager People Culture and Safety briefed the meeting on progress with the formation of new internal Work Health and Safety Committees which represent workers within the new corporate structure. It was noted that this process should be complete by the end of the month. These groups once formed will be an integral part of assisting the organisation in its ongoing development, monitoring and review of work health and safety within the organisation.

It was noted that the current Work Health and Safety Representatives have been meeting to assist in the review of OHS Policies, Corporate Standards, Work Instructions and Procedures identified as priority documents for review from the recent OHS Audit. Council is on track to achieve the review of key documents prior to the next audit.

The General Manager also reported that relocating Council Health and Safety Business Partners out of the Gladstone Office into the three depots, one at Gladstone, one at Calliope and one at Miriam Vale has been very positively received by the organisation and is assisting in changing the safety culture now that more outdoor workers have direct access to these Officers. There has been notably more engagement between staff and the advisors.

Chairperson Initials:

Members made an enquiry on how the workforce has generally received the audit result and the change to processes/culture moving forward. Officers considered that the uptake of new cultural initiatives seems to be well received by the workforce now that there is a proactive approach regarding safety.

Cr. Goodluck enquired on what measures are being put in place to ensure that safety performance is a key driver for staff, particularly General Managers in the everyday performance of their duties. The General Manager People Culture and Safety advised that there are Key Performance Indicators and Targets in all General Manager performance reviews which will ensure that safety remains a high-profile deliverable for all General Managers which will flow through to subordinate staff. The meeting noted that Officers are currently developing a reporting tool that will allow Managers, Team Leaders and Supervisors to see Council’s safety statistics and the associated targets from a ‘dashboard view’ in Council’s safety software so that they can monitor and track safety performance at all times.

The General Manager People Culture and Safety reported that in relation to confined spaces our staff are finding a number of new confined spaces within our workplaces and therefore the workload involved in assessing those spaces, entering them into registers and preparing the necessary profiles and risk assessment documentation has taken more time than first anticipated. Currently Council has over 400 separate confined spaces on its register.

Members enquired when the next independent OHS audit would be performed. Officers advised that this will occur in October/November 2018. Officers were confident that the organisation will achieve the required 70% compliance rating. It was suggested that the OHS Auditor be requested to complete their report in time for it to be tabled at BIC’s December 2018 meeting. It was further suggested that it may be appropriate for the Auditor to attend that meeting and deliver the report to Members.

Carolyn Eagle advised that the Australian Institute of Company Directors have an excellent resource tool which it recommends that Company Directors apply to the assessment of an organisations work health and safety status. It was suggested that Officers may wish to obtain a copy of that resource as another measure to assess the organisation’s current status.

Officers enquired on the frequency of future OHS reports to the Committee. It was agreed that at this time, the Committee should continue to receive quarterly reports.

ACTION ITEMS:

No.	Item to be Actioned	By Whom	By When
5.1.1	That Officers continue to table quarterly OHS reports for the Committee’s consideration	GM PCS	Each Quarter
5.1.2	That the October/November 2018 Independent Audit report be presented to the December 2018 BIC meeting, with the Auditor being invited to attend the meeting to deliver the report to Members.	GM PCS	12 December 2018

Chairperson Initials:

5.2 PROGRESS REPORT - ASSET MANAGEMENT

Officers worked through the report presenting key initiatives and actions that have occurred since its last report. This included:

1. Recruitment activity in relation to resourcing of Strategic Asset Performance;
2. Progress with Policy development;
3. Initiatives included in the 2018/19 Operational Plan to achieve the 14 key outcomes identified in the Corporate Plan;
4. Reinvigoration of Strategic Asset Modelling and Planning strategies;
5. The elevation of environment and conservation considerations in asset performance;
6. Internal communication strategies that ensure that our staff are ready and informed on the asset management initiatives and responsibilities moving forward.

Members raised a number of questions, queries and concerns on the following issues:

- (a) Kerry Phillips sought some clarity around role definition for the two positions of Manager Asset Solutions and Manager Engineering Design and how Council proposes to ensure that they have clarity around their responsibilities. The meeting was satisfied with the response provided by the General Manager Strategic Asset Performance.
- (b) Carolyn Eagle advised that in her view, one of the most important milestones for Council to achieve is a single source of truth in relation to asset inventory, condition and values. She considered this is fundamental to the organisation's success in achieving best practice asset management. She acknowledged the considerable work proposed in relation to the asset management journey towards ISO5001 compliance. But what she failed to see was a plan and timeline for the organisation to achieving that single source of truth for asset data which is so vital to assessing the financial implications and practical asset management strategies needed for good governance. She requested that Officers bring a plan back for the Committee's consideration in relation to achieving this outcome.
- (c) Both Kerry Phillips and Junaide Latiff expressed significant concerns in the volatility of Council's asset values which will be considered as part of the draft financial statements later in the agenda. Asset values / management has been a concern to external audit for the last three years and it is disappointing to see that the organisation appears to be no further progressed in this area of operations.
- (d) Carolyn Eagle enquired if Officers can provide assurance that the figures presented in the 2017/18 draft financial statements have been subject to rigorous assessment and evaluation when being brought in from the asset system into the financials. It was noted that Nerrilynne Taylor performs a number of audit and assessment functions and Officers are confident that what is presented is an accurate financial representation of Council's asset values.

The General Manager Finance Governance and Risk advised Members that

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Council is proposing make an investment in a comprehensive review of its software systems in the current financial year, to investigate the mechanisms and products on the current market, that may assist in achieving more integrated systems as one mechanism of mitigating its risks in relation to single source data.

- (e) Members also challenged Officers on whether it is realistic that a Strategic Asset Management Plan can be developed and be put in place by January 2019. It was suggested that if this is not achievable, timelines need to be adjusted accordingly.

ACTION ITEM:

No.	Item to be Actioned	By Whom	By When
5.2.1	That Officers provide a Plan and Timeline for achieving a single source of truth for asset data	GM SAP	December 2018

5.3 BRIDGE CONDITION ASSESSMENT REPORT

The meeting noted that this report has also been tabled at an earlier Council Information Session, so the elected members on the Committee will be familiar with its content and findings.

Members worked through the report and were satisfied that Council is in an informed position in relation to its bridge assets. It was noted that there are no structures that currently represent a public safety risk and the process of inspection and condition assessment appears comprehensive and robust.

The meeting made specific enquiries regarding the following matters:

1. Was the budget of \$170,000 for repairs in the 2018/19 financial year sufficient for maintenance given the statement that \$722,000 worth of work has been identified for completion over the next two years? Officers clarified the funding allocations with members.
2. The meeting also discussed the condition assessment rating scale (ie. good, fair, poor, very poor, unsafe) and what that meant in terms of structural integrity and condition assessment.
3. Cr. Goodluck enquired if Council does inspections immediately following flood events to ensure that the condition of bridges is reassessed given the potential for significant structural damage associated with floodwaters and damage caused by debris. Officers advised that all bridge structures inundated by flood waters are inspected immediately after flood events. If this inspection identifies that the structural integrity of the bridge may have been compromised a more comprehensive inspection (Level 2 inspection) is then programmed.

5.4 PROCUREMENT AND CONTRACTS QUARTERLY REPORT

Members made enquiries on the Procurement and Contracts Quarterly Report as follows:

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1. Carolyn Eagle noted that there was an increase in orders raised after invoice date for the last reporting period than what has been reported in prior periods. She restated her concerns on the integrity of the data source of this statistic. She also requested that the parameters of the statistic be returned to the prior parameter of orders raised “on or after” the invoice date. The meeting had a discussion on this matter and Cr Hansen enquired on what generally is an acceptable target statistic. Carolyn Eagle advised that most organisations can generally have around a 7%-15% rate of orders raised on or after invoice date. This generally accounts for a level of non-compliant purchasing activity and for emergency buys in response to critical problems.
2. The General Manager Operations provided the meeting with a briefing on staffing and the planned improvements to purchasing activities and controls moving forward. Members were advised:
 - (a) That currently staff levels are very low, however the recruitment process is progressing well with Council having secured some excellent applications.
 - (b) To date our process for managing follow up on orders raised on or after the date of invoice has not been best practice and improvements will be implemented with the responsibility for corrective action to sit with line management.
 - (c) Council has held some briefings with its suppliers to provide information on Council’s new “safety gate” incorporated into the procurement assessment process, whereby suppliers will need to demonstrate their ability to comply with the necessary safety requirements if they are to become a Council supplier. This was quite well received by the those that attended.
 - (d) Once new staff are onboard, the proposal is to develop a 5-year strategic procurement plan and to have a much more centralised approach to procurement.
3. External Audit queried the delegations associated with the previous ‘requisition only’ procurement authority. It was clarified that those with ‘requisition only’ authority could not authorise the purchase of goods and services, they could only request. An Officer with delegated purchasing authority had to approve the request and raise the purchase order. Council’s Manager Governance outlined the purchasing authorities as contained in the Financial Delegations Register and the restrictions in relation to the ability to purchase from the various centralised budgets.
4. Members also discussed the percentage of contracts awarded to local and non-local suppliers. The General Manager Operations explained that, of those contracts awarded to non-local suppliers, many will use a significant level of local resources in fulfilling the contract requirements. Cr. Goodluck enquired if there was a better way of reporting this information to reflect a more realistic view of local spend? The General Manager Operations gave an undertaking to review the report format.
5. The General Manager Operations sought Committee direction on future reporting to BIC. The question was asked if members want to continue with

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quarterly reporting or if there are suggestions on an alternative reporting frequency. Members advised that during this period of organisational change, they would prefer to continue to receive quarterly reports.

ACTION ITEM:

No.	Item to be Actioned	By Whom	By When
5.4.1	That Officers revise the Contracts report to more accurately reflect the local verse non-local spend	GM Ops	ASAP
5.4.2	That the parameters on the Orders statistic be amended to show statistics on orders raised “on or after” invoice date	GM Ops	By 12 December 2018

5.5 COUNCILLOR BUSINESS IMPROVEMENT COMMITTEE SURVEY REPORT

The meeting worked through the results of the survey noting the suggestions to improvement engagement between the Committee and elected council.

The meeting discussed the suggestion that the Committee meet with elected Council in person annually at a Councillor Information Session, to brief Councillors on the important issues arising out of Committee business. It was agreed that a more collaborative relationship between the Committee and Council would be beneficial for the organisation.

Kerry Phillips reported on her observations and experience sitting on other Committees. Members noted that most other Committees generally had the Mayor as one of the elected representatives on the Committee. Where it wasn't possible for the Mayor to attend, the Mayor would generally seek a briefing from the other elected representatives and/or Senior Officers. Kerry Phillips noted that during her short term on the Committee she had not observed the Mayor in attendance and sought advice on how the Mayor is briefed in relation to the activities of the Committee. She commented that, as this is a critical time of change for Council, the Mayor could benefit from independent advice and the insights of the Committee which is a missed opportunity.

The meeting discussed conducting a survey on the composition of other Committees for the purposes of benchmarking. Council can then make some decisions around whether it considers the current membership to be appropriate also taking into consideration the legislative parameters. The Ethics Integrity and Audit Specialist advised that it appears that many other Council's are undertaking these types of surveys and suggested that the data may already be available via the internal audit network. She resolved to follow this up and report back to the Committee at its December 2018 meeting.

The meeting noted that elected members are provided with a report as part of the General Meeting of Council which does highlight the most important issues discussed at BIC meetings. Carolyn Eagle advised that Isaac Regional Council have a good Committee reporting system should Officers seek other reporting examples.

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Members discussed Councillor attendance at BIC meetings. Cr O’Grady commented that in view of the recent local government conduct investigations and proposed changes to legislation, elected members may be compelled to attend more advisory meetings. The meeting also discussed the timing of BIC meetings and whether it was scheduled at a time that prevented elected members from attending. Cr Hansen considered that the current timing of meetings (day and time) was not a factor in Councillor non-attendance.

ACTION ITEM:

No.	Item to be Actioned	By Whom	By When
5.5.1	That Officers follow up with Council the suggestion that the BIC Committee meet with elected Council annually at a Council Information Session to provide the opportunity for BIC Members to personally brief elected members on significant issues arising out of the Committee’s activities and for elected members to engage with BIC members on other matters of interest	Ethics Integrity and Audit Specialist / CEO	12 December 2018
5.5.2	That Officers source information on the composition of other Committees for the purposes of benchmarking and provide a report to the Committee on the findings	Ethics Integrity and Audit Specialist	12 December 2018
5.5.3	Officers liaise with Isaac Regional Council in relation to Committee Reporting	Ethics Integrity and Audit Specialist	12 December 2018
5.5.4	Council’s elected representatives on the Committee liaise with the Mayor in relation to attendance and briefings on BIC meetings	Crs Hansen and Goodluck	ASAP

5.6 TWO YEARLY BUSINESS IMPROVEMENT COMMITTEE SELF-ASSESSMENT SURVEY REPORT

Members agreed that the survey results were quite positive. However, the following issues remained as areas for improvement:

- Member assurance around compliance with laws and regulations;
- Engagement with elected members.

Some additional suggestions were made in relation BIC agendas. It was suggested that the reports clearly indicate the name and position of the report author. It was also suggested that when Officers attend to present reports that they be given the opportunity to introduce themselves and brief the meeting on their role in the organisation.

ACTION ITEM:

No.	Item to be Actioned	By Whom	By When
5.6.1	That BIC Reports be amended in accordance with meeting discussion	Officers reporting to BIC	Ongoing

Chairperson Initials:

5.7 COUNCILLOR MEMBERSHIP ON THE BUSINESS IMPROVEMENT COMMITTEE

The meeting congratulated Cr Goodluck on his appointment to the Committee. In relation to advice on proxy delegates it was generally agreed that it may be appropriate to have two Councillors nominated as proxy delegates for the Business Improvement Committee and either proxy could attend in the absence of either of the current elected member representatives. This would provide Council with more options where there are Councillor commitments that may clash with scheduled meetings.

Carolyn Eagle also made the suggestion that in relation to the 18-month rotation of Councillor membership that it be scheduled “off cycle” in relation to local government elections to minimise the risk associated with losing all Councillor knowledge on the Committee.

ACTION ITEM:

No.	Item to be Actioned	By Whom	By When
5.7.1	That the Business Improvement Committee recommendations be taken forward for Council's consideration	Governance Advisor	Prior to the 12 December 2018

5.8 PROGRESS REPORT – ORGANISATION REDESIGN

The meeting noted the contents of the report. The Ethics Integrity and Audit Specialist provided a presentation for Members with additional information.

Cr Goodluck commented from a Councillor perspective, the organisation redesign process has resulted in a turbulent 12-month period of change, but he has received some feedback from staff that acknowledges that the redesign is a better way forward for Council in the long term. Whilst staff morale may still be on the lower end of the scale, the general feeling is that it is starting to rise as we begin to implement the new way forward.

Members were briefed on the transition action plan that has been developed to assist with the change process. There are 734 separate actions that came out of that process and it is still a work in progress as the organisation tests and in some cases reassesses, the best way forward.

Officers also briefed Members on the recent management workshops which were held to engage and build the organisation's momentum and culture through into operating rhythm. The workshops involved the top three levels of the management structure with management to then cascade the outcomes of the workshops down into their respective business units and teams. The workshops have been very positive and the mood of the organisation appears to be lifting as the vision around the new corporate and operational plans is rolled out and people become more engaged in new roles and the new direction. The proposal at this stage is that the organisation will reach operating rhythm by the end of the calendar year.

Members enquired on the number of positions in the organisation post redesign. Officer advised that there are now 648 positions in the organisation verses 660 under the old structure.

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BIC members also enquired on the exit of the Chief Executive Officer and it was resolved to hold over discussion on this matter to later in the agenda.

6.0 RISK MANAGEMENT

6.1 RISK MANAGEMENT REPORT

Members noted the report and in particular, the advice that a Risk Management Workshop will be held in mid-October 2018. The meeting will be facilitated by Council's insurers Jardine Lloyd Thompson who will present the outcomes from their risk review conducted last year.

Officers also reported that considerable work has been done to map the new risk owners of risks in the under the new organisational structure.

Members accepted the report as tabled.

7.0 INTERNAL AUDIT

7.1 PROGRESS REPORT AGAINST INTERNAL AUDIT PLAN 2018/19 OPEN AUDIT TASKS

Members made enquiries on the review of the Internal Audit Plan. The Ethics Integrity and Audit Specialist advised that a review has not yet been carried out but the proposal is to bring a revised Plan back to the Committee at its December 2018 meeting.

It was noted that in relation to lost and stolen items:-

1. the offender has been identified in relation the stolen batteries; and
2. funding to replace the stolen SES equipment has been very generously donated by Orica.

In relation to managing the risk of lost and stolen items, Carolyn Eagle advised that her Company had recently done some work with a large Agri-Business who resolved to place GIS tracking stickers on their plant. The stickers were no larger than a speck of dirt and they used the information to monitor the location of their equipment at all times. This may be something that Council may wish to consider for a number of reasons including tracking stolen items and for other reasons such as monitoring where equipment is being stored or used at various points in time.

In relation to the fuel audit, it was suggested that the Agnes Water fuel purchases be mapped against employee leave patterns.

Carolyn Eagle commented that an asset management audit is critical but suggested that its timing may need to be carefully considered to ensure that Council obtains best value from the audit process.

Chairperson Initials:

ACTION ITEM:

No.	Item to be Actioned	By Whom	By When
7.1.1	That a revised internal audit plan for 2017/18 be tabled for the Committee's consideration	Ethics Integrity and Audit Specialist	12 December 2018

7.2 ETHICS INTEGRITY AND AUDIT UPDATE REPORT

The Ethics Integrity and Audit Specialist advised of the internal changes made to monitoring Open Audit Issues with Council's Executive Team. It was noted that Officers are preparing Open Audit Task reports to each of the Finance Governance and Risk Executive Team meetings with General Managers to follow up and provide reports on outstanding items. It was acknowledged that during the organisation design process there has not been a strong focus on actioning audit matters, however, the organisation has recognised that this needs to be given priority consideration.

Members were also briefed on the Ethics Integrity and Audit recruitment process noting that both the Compliance and Reporting Officer and the Compliance and Assurance Officer will commence on the 8 October 2018.

7.3 INTERNAL AUDIT REPORT – MANDATORY REQUIREMENTS OF POSITIONS DESCRIPTIONS

Carolyn Eagle made an enquiry on Recommendation 1 contained on page 143 of the agenda. Officers reported that the audit had identified an instance where an appointment had been made to a position without the candidate fully meeting the essential criteria of the role. Officers advised that this is not a systematic problem, it is a case where the selection panel considered that the gap could be filled in other ways.

Members also made enquiries on Recommendation 3 (page 143-144) regarding mandatory training. It was noted that the recommendation was not supported by Management. Officers clarified that management support mandatory training, they did not agree with the recommended process outlined in the report.

Page 140 – The Committee noted management had also disagreed with a recommendation regarding funding of licenses and other professional registration fees. Officers advised this has been a policy interpretation issue and moving forward, management propose to resolve this matter through EBA provisions and as part of contractual negotiations for contract positions.

7.4 INTERNAL AUDIT REPORT– TENDER REVIEW BIO SOLIDS

Carolyn Eagle noted on page 181 of the agenda that audit could not locate signed declarations indicating that the tender panel members did not have conflicts of interest in relation to the assessment of the bio solids tender. It was suggested that even though the tender has been awarded, there may be benefit in seeking retrospectively, those signed declarations. It was agreed that it would be better to

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know and have it clearly documented if there were any perceived or real conflicts of interest. It is unclear from the report whether internal audit made enquiries with panel members and if so, what the outcome of those enquiries were. Members advised that they would appreciate an update on this matter at a future meeting.

Officers advised that this oversight highlights the importance of having much stronger involvement from procurement in actively overseeing all stages of the procurement process.

ACTION ITEM:

No.	Item to be Actioned	By Whom	By When
7.4.1	That signed Conflicts of Interest declarations be retrospectively sought from Panel Members involved in the assessment of the Bio Solids Tender and an update be provided to BIC	Internal Audit	ASAP

8.0 FINANCIAL SERVICES

8.1 MAYOR’S ANNUAL BUDGET REPORT 2017 18

Noted by Members

8.2 LONG TERM FINANCIAL PLAN

It was acknowledged that as the organisation matures in relation to asset management it was acknowledged that some changes may be required to the long-term financial plan.

8.3 VERBAL REPORT – CHANGE TO ACCOUNTING POLICY AND ACCOUNTING TREATMENTS IMPACTING 2017 18 FINANCIAL STATEMENTS

8.4 DRAFT 2017/18 DRAFT FINANCIAL STATEMENTS

Officers briefed the meeting in accordance with the power point presentation attached as Addendum 1 to the minutes.

Cr. Goodluck left the meeting part way through discussions at 12.20pm

The meeting worked through the Draft 2017/18 Financial Statements with members making a number of enquiries which were answered by Officers.

The most concerning issue to both external BIC members and external audit was the significant movement in Council’s non-current asset values as discussed earlier in the Asset Management Report.

Carolyn Eagle advised that Council has been extended a considerable amount of patience and support over several years to address the issues associated with asset valuation and developing a single source of truth for asset data and it is extremely disappointing as a Committee to be presented with statements that again

Chairperson Initials:

highlight the lack of progress on Council’s part in addressing asset valuation matters.

Carolyn Eagle suggested that Council is heading down the path towards a potential qualification on its financial statements which has quite serious implications for the organisation for future grant funding and loan borrowings. There is simply no more time for Council to get this right. Members expressed in the strongest terms possible that it is critical that it address its asset management deficiencies as a matter of priority and urgency. Having reliable asset data also has impacts on the organisation’s ability to make informed decisions about asset management into the future.

Kerry Phillips again reiterated the need for Council to exhaust every resource available to it to validate the asset movement as presented in the financial statements and to assure itself that the movements aren’t process/classification related rather than physical asset related.

Kerry Phillips advised that she had made a number of observations on specific items in the financials statements and given the time constraints of the meeting, she advised that she will forward those enquiries through to the Team Leader Financial Operations and the General Manager Finance Governance and Risk for response.

The General Manager Finance Governance and Risk also provided Members with a briefing on a financial and reputational risk associated with a recently identified potential sinkhole in Goondoon Street adjacent to the St Vincent De Paul building. Members noted that in the early years of development of Gladstone this area had a small creek system running through it and a timber bridge had been constructed over the watercourse. When the land was progressively reclaimed as the town developed, it appears that this timber bridge was not removed and material was simply backfilled around the structure. Over time the bridge and associated backfill has deteriorated creating spaces below the road surface which will need to be comprehensively assessed and properly filled. Noted by Members.

The meeting discussed the delays associated with producing consolidated financial statements incorporating the Gladstone Airport Corporations information. It was suggested that in future years ideally it would be best if GAC was positioned about 4-5 weeks ahead of Council in its end of financial year processing.

It was resolved to convene a teleconference of BIC Members once consolidated financial statements are finalised.

ACTION ITEM:

No.	Item to be Actioned	By Whom	By When
8.4.1	That a teleconference be convened for BIC members to consider the consolidated 2017/18 financial statements	GM FGR	Once consolidated financial statements are complete
8.4.2	That the Acting CEO and Council be advised of the risks identified by BIC due to asset valuation and identification methodologies and a lack of assurance of the validity and accuracy of asset data	GM FGR	ASAP

Chairperson Initials:

9.0 EXTERNAL AUDIT

9.1 BRIEFING NOTE

External Audit worked through their briefing note with Members. Key issues raised included:

- Audit is on track to meet the milestones as identified in the Audit Plan;
- The Gladstone Airport Corporation (GAC) has completed their end of financial year work. The GAC financial statements provided to Council on Monday should not change. The issue identified by audit in their end of year processing related to income tax. From a controlled entity perspective, audit has no issues in relation to the Gladstone Airport Corporation.
- The major issue that external audit has in relation to the Gladstone Regional Council financial statements is the size of movements in asset values relating to Council's non-current assets which are beyond what was expected. This will be an area that external audit will be focussing on during its onsite visit.

The meeting also discussed the other documents provided in the briefing report being:

- QAO Insights Newsletter – Winter 2018.
- Fact sheet – Assessing financial statement preparation for local governments 2018: – External Audit drew members attention to:
 - (a) the changes that have been made to the traffic light system of assessment which many clients have a concern with. In particular members noted the change, that the quality of financial statements will be based on the materiality of adjustments (including material prior period adjustments) made to figures and note disclosures between the first draft of the financial statements provided to audit and the version that is certified; and
 - (b) the potential changes to accounting standards as contained in the QAO Insights Newsletter.

Jenelle McGregor briefed Members on the key issues out of the Crime and Corruption Commission's findings in relation to the Ipswich City Council investigation into the allegations of corrupt conduct relating to two former Mayors, two former Chief Executive Officers, the former Chief Operating Officer and other parties which has resulted in 15 people being charged with 86 criminal offences. Amongst other things, the investigation highlighted issues such as:

- The improper use of power and influence;
- There being no consequence for breach of policies and procedures; and
- The importance of having good monitoring controls in place.

Jenelle McGregor also reported that in relation to the Insights Newsletter, the proposal is to move away from the newsletter in favour of blogs. Noted by Members.

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10.0 LEGAL AND LEGISLATIVE MATTERS

The Manager Governance provided a verbal update on:

- A staff matter that has been referred to the Crime and Corruption Commission involving a potential theft; and
- Two Queensland Ombudsman referred matters, one which was in relation to development fees and charges and an unsubstantiated complaint regarding Councillor conduct.

11.0 SELF-DEVELOPMENT

The Ethics Integrity and Audit Specialist advised that the Queensland Local Government Internal Audit Discussion Group Conference will be held on the 1st & 2nd of November 2018 on the Gold Coast. Noted by Members.

12.0 REFERRALS BY COUNCIL

There were no referrals from Council.

13.0 GENERAL BUSINESS

13.1 LENGTH OF COMMITTEE MEETINGS

It was noted that Committee meetings are beginning to run over the scheduled time of 9am-12noon. It was suggested that it may be appropriate to extend the duration of meetings.

It was agreed that the September meeting where the Committee considers the Annual Financial Statements needs to be extended. It was suggested that in future, this meeting be scheduled from 9am – 1pm.

ACTION ITEM:

No.	Item to be Actioned	By Whom	By When
13.1.1	That future September meetings of BIC be scheduled from 9am to 1pm	Governance Advisor	Each September

13.2 VOTING AT THE DECEMBER 2018 MEETING

It was noted that potentially at the next meeting a new external member may be appointed and in attendance making four external representatives. This will impact on voting rights, in that generally only three external members have voting rights. It was agreed that the new Member attend as an observer only.

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14.0 CLOSED SESSION - AUDIT REPRESENTATIVES

Council's management representatives left the meeting at this point and the Committee had a closed session with internal and external audit to discuss any matters that the Committee or audit representatives wished to raise.

14.1 EXPRESSIONS OF INTEREST – BUSINESS IMPROVEMENT COMMITTEE

The meeting also discussed the Expressions of Interest from candidates for the position of external member on the Business Improvement Committee commencing December 2018.

Cr. Goodluck re-joined the meeting at 1.17pm

At the conclusion of the closed session, Members requested that reference checks and interviews be organised for two shortlisted candidates.

ACTION ITEM:

No.	Item to be Actioned	By Whom	By When
14.1.1	That reference checks and interviews be arranged for the two short-listed candidates for the external position on the Business Improvement Committee	Ethics, Integrity & Audit Specialist and Governance Advisor	By 12 October 2018

15.0 NEXT MEETING DATE

The next meeting of the Committee is scheduled for Wednesday 12 December 2018.

THE MEETING CLOSED AT 2.07PM

CERTIFICATION

I hereby confirm that I have read the minutes and they are a true and correct record of the proceedings of the meeting. I certify that these 26 pages form the official copy of Gladstone Regional Council Business Improvement Committee Meeting Minutes of the 12 September 2018.

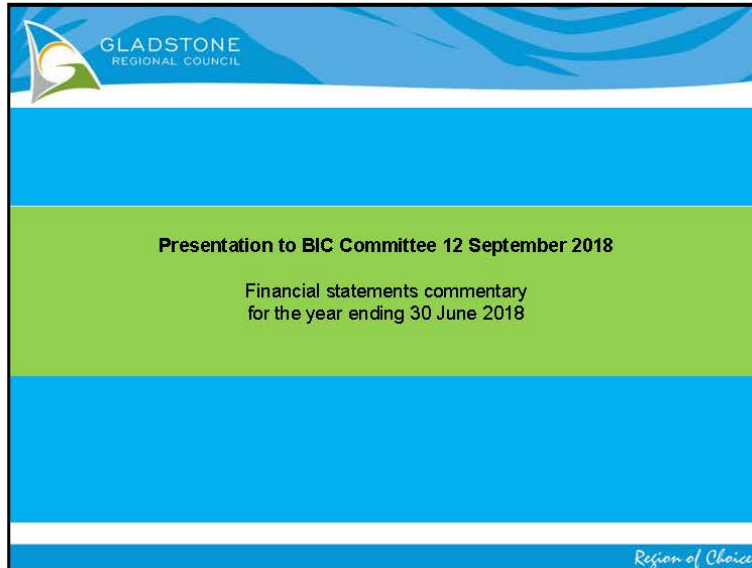
.....
Ross Cook (Chairperson)

...../...../.....
Date

Chairperson Initials:

ADDENDUM 1

21/09/2018




Net Result

	30-Jun-18	30-Jun-17
	\$'000	\$'000
Net recurrent deficit \$6.4m		
The net recurrent result for Council operations between the two financial years is considerably lower with a draft result of \$6.378m deficit for 2017/2018, compared to the prior year \$13.158m surplus. 17/18 Budget \$5.885m.		
Total Recurrent Revenue	183,850,890	186,230,000
Total Capital Revenue	15,915,648	21,553,000
Total Income	199,766,538	207,783,000
Total Recurrent Expenses	(190,229,049)	(174,983,000)
Capital Expenses	(19,926,905)	(19,842,000)
Total Expenses	(210,155,954)	(194,825,000)
Net Recurrent Result	(6,378,159)	11,247,000
Net Result	(10,389,415)	13,158,000

Budget Variances include:
 Decrease in Rates Income \$3.2m;
 Decrease in Grants & Other Subsidies \$1.7m
 Decrease Employee Benefits \$4.3m
 Increase in Depreciation Expense \$4.8m
 Increase in Materials and Services \$13.6m

Chairperson Initials:

21/09/2018




GLADSTONE REGIONAL COUNCIL

Income statement

	Note	Council	
		30 June 2018 \$'000	30 June 2017 \$'000
Income			
Revenue			
Recurrent revenue			
Net rate and utility charges	3(a)	140,412,204	138,781
Fees and charges	3(b)	9,799,495	10,255
Interest received	3(c)	3,864,701	4,424
Other recurrent income	3(d)	16,102,525	19,688
Grants, subsidies, contributions and donations	4(a)	13,571,364	13,081
Total recurrent revenue		183,650,890	186,230
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	15,815,648	21,563
Total capital revenue		15,815,648	21,563
Total income		199,466,538	207,793

Region of Choice



GLADSTONE REGIONAL COUNCIL

Income statement

Recurrent Revenue


Statements are showing an overall decrease of \$2.379m compared to 16/17.

Rates and Charges

- Water consumption increased \$0.705m.
- Overall increase of \$1.631m in rate revenue net of discount and concessions in comparison to previous year.
 - Year on year property growth for FY18 was 0.15% (or 50 properties)
 - There were no water and sewerage access charge increases (32,566 water, 30,840 sewerage);

Region of Choice

21/09/2018



GLADSTONE
REGIONAL COUNCIL

Income statement


Fees and Charges

- Down \$0.456m on 2016/2017, the most significant reduction in is in Waste Management Fees, with a lower volume of waste disposal resulting in lower income of \$0.797m.

Interest Received

- Fall in interest rates has been one of the contributing factors to the decrease of \$0.414m. 2016/2017 Interest rates ranged between 2.2% to 2.95% in 16/17 compared to 2017/2018 2.2% to 2.75%. It should also be highlighted that less funds are available to invest due to funds being used for repayment of debt during 15/16.

Region of Choice



GLADSTONE
REGIONAL COUNCIL


Income statement

Other recurrent income

- Draft Statements show an overall decrease of \$3.586m;
- Decreased demand for external works (Main Roads) responsible for a decrease of \$1.6m in revenue;
- Entertainment Centre income down by \$0.294m
- Income Tax Equivalent (GAC/GAWB) down by \$0.414m;
- Controlled Entity (GAC) dividend down on last year by \$0.5m;
- Other Revenue shows an overall decrease of \$1.228m. Further investigations into correctly classifying this income will result in a change to this line and capital grants and subsidies

Region of Choice

21/09/2018



GLADSTONE
REGIONAL COUNCIL


Income statement

Recurrent subsidies and grants

- Overall increase of \$0.491m
- Decrease of \$3.914 in General Purpose Federal Assistance Grant
- Increase in Commonwealth Subsidies and Grants \$3.228m

Capital Revenue
Overall a decrease of \$5.637m compared to 16/17

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GLADSTONE
REGIONAL COUNCIL

Income statement

Capital subsidies and grants


- There was a \$3.959m increase in State Government grants which is attributable to various capital projects grants received, the largest Gladstone WWTP Biosolids \$1.152m
- Decrease of \$4.329 in Commonwealth grants is directly related to the NDRRA funding for repair of infrastructure last year
- Decrease of \$0.750m in developer contributions reflects the decrease of development in the area

Developer contributions (Donated Assets)

- There have no developer contributed assets assigned in 17/18, decrease of \$4.233m.

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21/09/2018




GLADSTONE REGIONAL COUNCIL

Income statement

	Note	Council	
		30-Jun-18 \$'000	30-Jun-17 \$'000
Expenses			
Employee benefits	5	(56,673,709)	(52,683,000)
Materials and services	6	(77,972,599)	(72,551,000)
Finance costs	7	(6,228,289)	(6,711,000)
Depreciation and amortisation		(49,354,451)	(43,038,000)
Total recurrent expenses		(190,229,049)	(174,983,000)
Capital expenses	8	(19,926,905)	(19,642,000)
Total expenses		(210,155,954)	(194,625,000)

Region of Choice



GLADSTONE REGIONAL COUNCIL

Income statement

Recurrent expense


Overall increase of \$15.246m compared to 16/17

Employee benefits

- Staff wages and super related expenses have increased in line with the 2.5% pay increase in September, 2017.
- Redundancy benefits of \$3.554m has been the major contributor to the overall increase of \$3.995m in employee benefits.
- As at 30th June FTE had decreased by 25 in total. Positions will continue to be filled over the next few months.

Region of Choice

21/09/2018




GLADSTONE
REGIONAL COUNCIL

Income statement

Recurrent expenses
Material and services

- Overall increase of \$5.422m
- Largest variances being
 - \$2.062m increase in donations and contributions; W4Q/Titans
 - \$0.921m increase in water purchases;
 - \$0.734m increase in consultants.

Region of Choice



GLADSTONE
REGIONAL COUNCIL

Income statement

Recurrent expense
Finance costs

- There has been a decrease of \$0.425m in QTC finance costs This decrease in cost is as a result of the early repayment of term debt in June 2016.
- GAC interest only receipt \$2.053m with respect to the Shareholder Loan Arrangement, recognised as an offsetting receipt, as per prior year.

Depreciation and amortisation


- As presented there is \$6.316m increase in depreciation;
- The largest variance of \$3.3m has mainly been the result from recognising the missing unsealed roads surface components
- The second largest variance of \$2.6m has resulted from an adjustment to the landfill amortisation due to a revised model now based on new projections for landfill cell life and space available.

Region of Choice

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Chairperson Initials:

21/09/2018




GLADSTONE
REGIONAL COUNCIL

Income statement

Capital expenses

- Proceeds received did not cover the book value of disposed assets resulting in a loss on disposal of PPE.
- The majority of the disposed book value relates to road infrastructure. This highlights the need to ensure our useful lives and condition scoring on our assets are as accurate as possible to ensure accurate depreciation values are being costed. The fine tuning of these factors are expected to improve as the new asset system is continued to be refined.
- A further write off of RDTI assets has largely contributed to the \$11.518m loss.
 - Duplicate assets
 - Assets not owned by Council
 - A prior year correction note and adjustment may need to be added to the statements to recognise those road assets that have been written off. This will be discussed with audit in the coming week.
- Also represented is the decrease in the revaluation of investment property which is reflective of the current market.

Region of Choice



GLADSTONE
REGIONAL COUNCIL

Statement of Financial Position

Current assets

Cash and cash equivalents


- This financial year Council had less investments (Term deposits) and less money at call (QTC) than at year end last year, giving a total decrease in cash of \$8.874m.

Trade and other receivables

- Increase in Outstanding Rates as at the 30 June of \$1.55m;
- Increase in accrued revenue \$0.542m in comparison to last year (Department of Main Roads \$0.429m and Lane 4 \$0.430m)
- Decrease in other debtors \$3.229m
- The largest invoices outstanding at 30 June were Department of Main Roads \$703,692 Infrastructure; Stokeston Pty Ltd \$250,619; Department of Infrastructure \$149,606

Region of Choice

21/09/2018



GLADSTONE
REGIONAL COUNCIL

Statement of financial position

Current assets


Inventories

- Increase in inventories are directly attributable to an increase in our gravel and crushed concrete stock at year end. A survey of each gravel pit and concrete stockpiles were undertaken this year.

Land purchased for development and sale

- An increase in this asset class has resulted from Council resolving to sell two units at Agnes Water. This is an "addition" in the draft statements, this should read "transfer from investment land" and will be amended for audit.

Region of Choice



GLADSTONE
REGIONAL COUNCIL

Statement of financial position

Non current assets

Investment in controlled entity


This note reflects the investment in Councils controlled entity, Gladstone Airport Corporation

Investment property

Properties were revalued during the financial year to ascertain fair value, and relative to the current market, a decrease of \$0.656m is shown against this asset class.

Region of Choice

21/09/2018




**GLADSTONE
REGIONAL COUNCIL**

Statement of financial position

Property, plant and equipment

- Found assets net worth \$34.4m (up from \$5.5m 16/17) mainly comprising road and drainage infrastructure assets. These have been a result mainly from incorrect road lengths and widths not being correctly recorded in the new asset system.
- \$46.79m WIP capitalised 17/18; \$58.1m 16/17
- Largest assets capitalised
 - Harvey Road Upgrade \$4.306m
 - Trunk Rising Main From SPS A to WWTP \$3.560m
 - Red Rover Road Reconstruction \$2.473m
 - Lions Park Redevelopment - \$2.270m

Region of Choice



**GLADSTONE
REGIONAL COUNCIL**

Statement of financial position


Current liabilities
Overall increase of \$3.933m compared to 16/17

Trade and other payables

- \$1.535m decrease in current trade payables
- \$3.498m recognition of redundancy benefits payable
- Long Service Leave entitlement in total (Note 21) decreased by \$0.165m, with the current component rising \$1.23m, based on the average annual expenditure on long service leave over the past three financial years and taking into consideration redundancies and employees leaving Council upon restructure.

Region of Choice

21/09/2018



GLADSTONE
REGIONAL COUNCIL


Statement of financial position

Non current liabilities
Borrowings
No borrowings were drawn down this financial year and no further additional payments were made.

Provisions (Non Current):

- An decrease in the Long Service Provision (non current portion) of \$1.398m taking into consideration the leave entitlements paid out on employees exiting the organisation
- Landfill Remediation Provision has slightly been increased by \$0.063m.

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REGIONAL COUNCIL

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Chairperson Initials: