



**Redland**  
CITY COUNCIL

# **AGENDA**

## **GENERAL MEETING**

**Wednesday, 8 November 2017  
commencing at 9.30am**

**The Council Chambers**

**91-93 Bloomfield Street  
CLEVELAND QLD**

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## **1 DECLARATION OF OPENING**

On establishing there is a quorum, the Mayor will declare the meeting open.

### **Recognition of the Traditional Owners**

Council acknowledges the Quandamooka people who are the traditional custodians of the land on which we meet. Council also pays respect to their elders, past and present, and extend that respect to other indigenous Australians who are present.

## **2 RECORD OF ATTENDANCE AND LEAVE OF ABSENCE**

Motion is required to approve leave of absence for any Councillor absent from today's meeting.

## **3 DEVOTIONAL SEGMENT**

Member of the Ministers' Fellowship will lead Council in a brief devotional segment.

## **4 RECOGNITION OF ACHIEVEMENT**

Mayor to present any recognition of achievement items.

## **5 RECEIPT AND CONFIRMATION OF MINUTES**

### **5.1 GENERAL MEETING MINUTES 18 OCTOBER 2017**

Motion is required to confirm the Minutes of the General Meeting of Council held on 18 October 2017.

### **5.2 SPECIAL MEETING MINUTES 25 OCTOBER 2017**

Motion is required to confirm the Minutes of the Special Meeting of Council held on 25 October 2017.

## **6 MATTERS OUTSTANDING FROM PREVIOUS COUNCIL MEETING MINUTES**

There are no matters outstanding.

## **7 PUBLIC PARTICIPATION**

In accordance with s.31 of POL-3127 Council Meeting Standing Orders:

1. In each meeting (other than special meetings), a period of 15 minutes may be made available by resolution to permit members of the public to address the local government on matters of public interest relating to the local government. This period may be extended by resolution.
2. Priority will be given to members of the public who make written application to the CEO no later than 4.30pm two days before the meeting. A request may also be made to the chairperson, when invited to do so, at the commencement of the public participation period of the meeting.
3. The time allocated to each speaker shall be a maximum of five minutes. The chairperson, at his/her discretion, has authority to withdraw the approval to address Council before the time period has elapsed.
4. The chairperson will consider each application on its merits and may consider any relevant matter in his/her decision to allow or disallow a person to address the local government, e.g.

- a) Whether the matter is of public interest;
  - b) The number of people who wish to address the meeting about the same subject
  - c) The number of times that a person, or anyone else, has addressed the local government previously about the matter;
  - d) The person's behaviour at that or a previous meeting; and
  - e) If the person has made a written application to address the meeting.
5. Any person invited to address the meeting must:
- a) State their name and suburb, or organisation they represent and the subject they wish to speak about;
  - b) Stand (unless unable to do so);
  - c) Act and speak with decorum;
  - d) Be respectful and courteous; and
  - e) Make no comments directed at any individual Council employee, Councillor or member of the public, ensuring that all comments relate to Council as a whole.

## **8 PETITIONS AND PRESENTATIONS**

Councillors may present petitions or make presentations under this section.

## **9 MOTION TO ALTER THE ORDER OF BUSINESS**

The order of business may be altered for a particular meeting where the Councillors at that meeting pass a motion to that effect. Any motion to alter the order of business may be moved without notice.

## **10 DECLARATION OF MATERIAL PERSONAL INTEREST OR CONFLICT OF INTEREST ON ANY ITEMS OF BUSINESS**

Councillors are reminded of their responsibilities in relation to a Councillor's material personal interest and conflict of interest at a meeting (for full details see sections 172 and 173 of the *Local Government Act 2009*). In summary:

### **If a Councillor has a material personal interest in a matter before the meeting:**

*The Councillor must—*

- *inform the meeting of the Councillor's material personal interest in the matter; and*
- *leave the meeting room (including any area set aside for the public), and stay out of the meeting room while the matter is being discussed and voted on.*

*The following information must be recorded in the minutes of the meeting, and on the local government's website—*

- *the name of the Councillor who has the material personal interest, or possible material personal interest, in a matter;*
- *the nature of the material personal interest, or possible material personal interest, as described by the Councillor.*

A Councillor has a **material personal interest** in the matter if any of the following persons stands to gain a benefit, or suffer a loss, (either directly or indirectly) depending on the outcome of the consideration of the matter at the meeting—

- (a) the Councillor;
- (b) a spouse of the Councillor;
- (c) a parent, child or sibling of the Councillor;
- (d) a partner of the Councillor;
- (e) an employer (other than a government entity) of the Councillor;
- (f) an entity (other than a government entity) of which the Councillor is a member;
- (g) another person prescribed under a regulation.

**If a Councillor has a conflict of interest (a real conflict of interest), or could reasonably be taken to have a conflict of interest (a perceived conflict of interest) in a matter before the meeting:**

*The Councillor must—*

- *deal with the real conflict of interest or perceived conflict of interest in a transparent and accountable way.*
- *Inform the meeting of—*
  - (a) *the Councillor's personal interests in the matter; and*
  - (b) *if the Councillor participates in the meeting in relation to the matter, how the Councillor intends to deal with the real or perceived conflict of interest.*

*The following must be recorded in the minutes of the meeting, and on the local government's website—*

- (a) *the name of the Councillor who has the real or perceived conflict of interest;*
- (b) *the nature of the personal interest, as described by the Councillor;*
- (c) *how the Councillor dealt with the real or perceived conflict of interest;*
- (d) *if the Councillor voted on the matter—how the Councillor voted on the matter;*
- (e) *how the majority of persons who were entitled to vote at the meeting voted on the matter.*

**A conflict of interest is a conflict between—**

- (a) *a Councillor's personal interests (including personal interests arising from the Councillor's relationships, for example); and*
- (b) *the public interest;*

*that might lead to a decision that is contrary to the public interest.*

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## 11 REPORTS TO COUNCIL

### 11.1 ORGANISATIONAL SERVICES

#### 11.1.1 ANNUAL COMMUNITY FINANCIAL REPORT 2016-17

**Objective Reference:** A2662352  
Reports and Attachments (Archives)

**Attachment:** [Community Financial Report 2016-17](#)

**Authorising/Responsible Officer:** Deborah Corbett-Hall  
Chief Financial Officer

**Report Author:** Joy Manalo  
Finance Manager Corporate Finance

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#### PURPOSE

The purpose of this report is to present the 2016-17 community financial report to Council for noting prior to adoption of the 2016-17 annual report.

#### BACKGROUND

The annual community financial report is a plain language document that contains a summary and high-level analysis of Council's financial performance and position for the 2016-17 financial year.

It is consistent with the audited annual financial statements and discloses how Council has performed against the adopted key financial stability ratios and measures of sustainability. It uses non-technical terms and graphical representations to make it an easy-to-follow document for the community and other stakeholders. The attached report was compiled on completion (Queensland Audit Office certification) of the 2016-17 annual financial statements and accompanying notes.

#### ISSUES

There are no issues contained in the community financial report that are not already covered in the 2016-17 annual report or financial statements. The attachment is purely a summary – please refer to the annual report and audited financial statements for full information.

The report presents an overview of the consolidated financial statements of Redland City Council and its subsidiary Redland Investment Corporation Pty Ltd.

#### STRATEGIC IMPLICATIONS

##### Legislative Requirements

Section 179 of the *Local Government Regulation 2012* requires a local government to prepare a community financial report for each financial year. The report then forms part of Council's annual report, alongside the Queensland Audit Office certified financial statements, disclosures and financial sustainability statements.

##### Risk Management

Risk management is undertaken during the year with respect to the financials – Council reviews its actual performance against budget on a monthly basis and formally reviews its budget on a regular basis throughout the year. At the conclusion

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of the financial statement audit, QAO provides feedback to Council on the general appropriateness of key internal controls that ensure financial information is reasonably complete and accurate.

### **Financial**

There are no direct financial implications arising from this report. This report provides a plain language indication of Council's financial performance for the 2016-17 financial year and the financial position as at 30 June 2017.

### **People**

No impact as the purpose of the report is to present the 2016-17 community financial report.

### **Environmental**

No impact as the purpose of the report is to present the 2016-17 community financial report.

### **Social**

No impact as the purpose of the report is to present the 2016-17 community financial report.

### **Alignment with Council's Policy and Plans**

This report has a relationship with the following items of the Corporate Plan:

#### **8. Inclusive and ethical governance**

Deep engagement, quality leadership at all levels, transparent and accountable democratic processes and a spirit of partnership between the community and Council will enrich residents' participation in local decision making to achieve the community's Redlands 2030 vision and goals.

8.2 Council produces and delivers against sustainable financial forecasts as a result of best practice Capital and Asset Management Plans that guide project planning and service delivery across the city; and

8.5 Council uses meaningful tools to engage with the community on diverse issues so that the community is well informed and can contribute to decision making.

### **CONSULTATION**

The Corporate Finance Unit and other internal stakeholders discussed the financial results, report layout and accounting treatment of various transactions with the Queensland Audit Office during the interim and final audit visits.

The financial statements were presented to the Audit Committee on 12 October 2017 before sign-off was obtained from the Mayor and the Chief Executive Officer.

### **OPTIONS**

1. That Council resolves to note the Community Financial Report for inclusion in the 2016-17 Annual Report.
2. That Council requests further information.



**OFFICER'S RECOMMENDATION**

**That Council resolves to note the Community Financial Report for inclusion in the 2016-17 Annual Report.**

# Community Financial Report

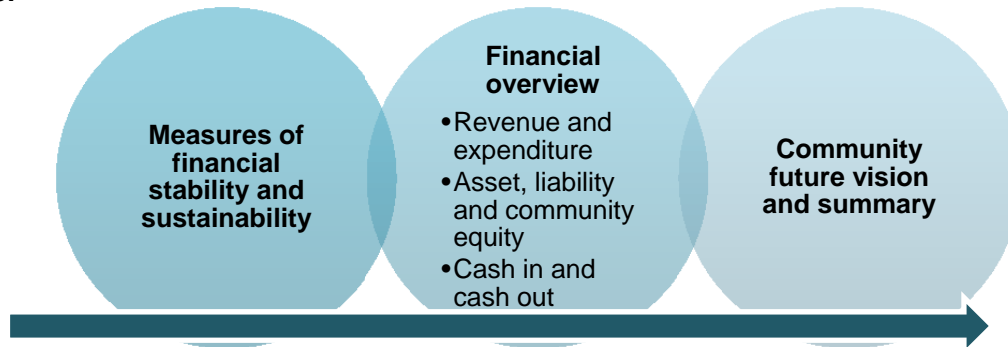
## Financial year 2016-17



# Community Financial Report

This report aims to simplify the consolidated financial statements of Redland City Council (Council) and its subsidiary, Redland Investment Corporation (RIC). Council and RIC form the economic entity referred to in this report as the Group. The report provides graphical representations of the financial position, financial performance and cash flows, as well as changes in community equity, to provide a simple, comprehensive view of the Group's financial results for the period 1 July 2016 to 30 June 2017.

## Report outline:



## Summary of key financial stability (Council)

Ratio	Description	Formula	Target	2016-17 Actual	
Level of dependence on general rate revenue	This ratio measures Council's reliance on operating revenue from general rates (excludes utility revenues)	General rates revenue less pensioner remissions, divided by total operating revenue less gain on sale of developed land	Less than 37.5%	32.59%	✓
Ability to pay our bills – current ratio	This measures the extent to which Council has liquid assets available to meet short term financial obligations	Current assets divided by current liabilities	Between 1.1 and 4.1	3.06	✓
Ability to repay our debt – debt servicing ratio	This indicates Council's ability to meet current debt instalments with recurrent revenue	Interest expense plus loan redemption, divided by total operating revenue less gain on sale of developed land	Less than or equal to 10%	3.05%	✓
Cash balances	Cash balance includes cash on hand, cash at bank and other short term investments	Cash held at period end	Greater than or equal to \$40m	\$156.42m	✓
Cash balances – cash capacity in months	This provides an indication as to the number of months cash held at period end would cover operating cash outflows	Cash held at period end, divided by cash operating costs plus interest expense per month	3-4 months	9.49	✓
Longer term financial stability – debt to asset ratio	This is total debt as a percentage of total assets, i.e. to what extent will our long term debt be covered by total assets	Current and non-current loans divided by total assets	Less than or equal to 10%	1.63%	✓
Operating performance	This ratio provides an indication of Council's cash flow capabilities	Net cash from operations plus interest revenue and expense, divided by cash operating revenue, plus interest revenue	Greater than or equal to 20%	22.81%	✓
Interest coverage ratio*	This ratio demonstrates the extent to which operating revenues are being used to meet the financing charges	Net interest expense on debt service divided by total operating revenue	Between 0% and 5%	-0.50%	✓

\* This is calculated using net interest expense, i.e. interest expense minus interest revenue. The negative number indicates that Council has earned more interest than it has spent on borrowings. Therefore, Council has exceeded this target.

Council includes the above elective key performance indicators in the budget and reports on these on a monthly basis, as they do not feature in the annual report.

## Measures of sustainability (Group)

Ratio	Description	Formula	Target	2016-17 Actual	
Operating surplus ratio	This is an indicator of the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.	Net operating surplus divided by total operating revenue	Between 0% and 10%	-4.25%	✗
Net financial liabilities ratio*	This is an indicator of the extent to which the net financial liabilities of Council can be serviced by its operating revenues.	Total liabilities less current assets, divided by total operating revenue	Below 60%	-33.12%	✓
Asset sustainability ratio	This is an approximation of the extent to which the infrastructure assets managed by Council are being replaced as they reach the end of their useful lives.	The capital expenditure on the replacement of infrastructure assets, divided by depreciation on infrastructure assets	Greater than 90%	53.22%	✗

\* This is calculated using net financial liabilities, i.e. total liabilities minus current assets. The negative number indicates that Council's current assets exceed the total liabilities. Therefore, Council has exceeded this target.

The operating surplus ratio, net financial liabilities ratio and asset sustainability ratios have targets to be achieved on average over the long-term (a period of at least 10 years), and are not necessarily expected to be met on a monthly or annual basis.

The operating surplus ratio is below the target range, mainly due to the provision for the refund of unspent money quarantined for canal maintenance and repairs related to the financial years 2011-12 through to 2016-17.

Achieving the target for the asset sustainability ratio continues to be a focus area and Council has committed to a long-term financial strategy that works towards meeting this goal. Council also approved a comprehensive asset management project, which will consider the broader principles of asset management and the renewal program, and support the capital works prioritisation policy.

## Overview of consolidated financial results

Below are the Group's key financial performance highlights:

Information at a glance	2016-17 Actual \$millions	2015-16 Actual (CPI adjusted) \$millions*	Change %**	2015-16 Actual (audited) \$millions
Operating income	\$259.87m	\$249.48m	4%	\$245.35m
Operating expenditure	\$(270.91)m	\$(249.45)m	9%	\$(245.32)m
<b>Net operating surplus/(deficit)</b>	<b>\$(11.04)m</b>	<b>\$0.03m</b>	<b>(36,900%)</b>	<b>\$0.03m</b>
Capital grants, subsidies and contributions	\$58.51m	\$69.45m	(16%)	\$68.30m
Other capital income/(expenditure)	\$(7.94)m	\$(3.21)m	148%	\$(3.15)m
<b>Net result</b>	<b>\$39.53m</b>	<b>\$66.27m</b>	<b>(40%)</b>	<b>\$65.18m</b>

\* CPI adjustment for comparability purposes

\*\* Change between 2016-17 actual and 2015-16 actual (CPI adjusted)

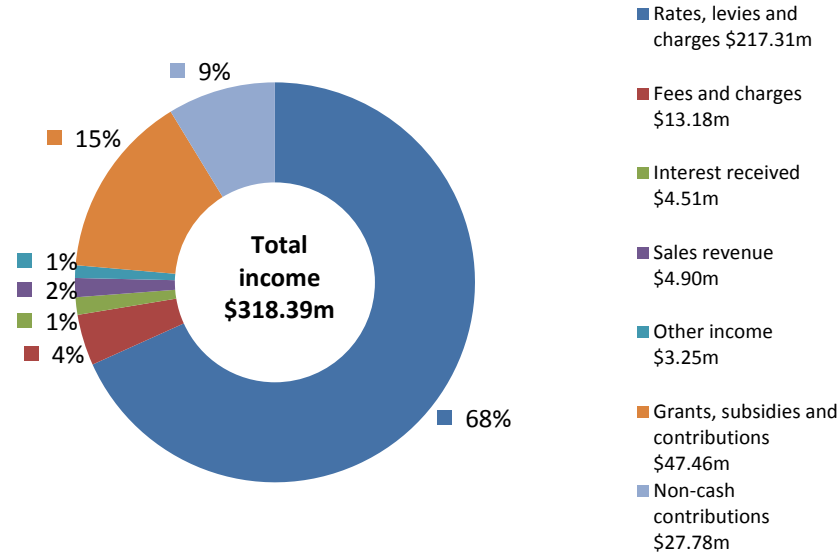
See Consolidated Statement of Comprehensive Income for more information



## Financial performance summary

### Revenue - What were our major sources of income? (Consolidated Statement of Comprehensive Income)

#### Sources of income 2016-17



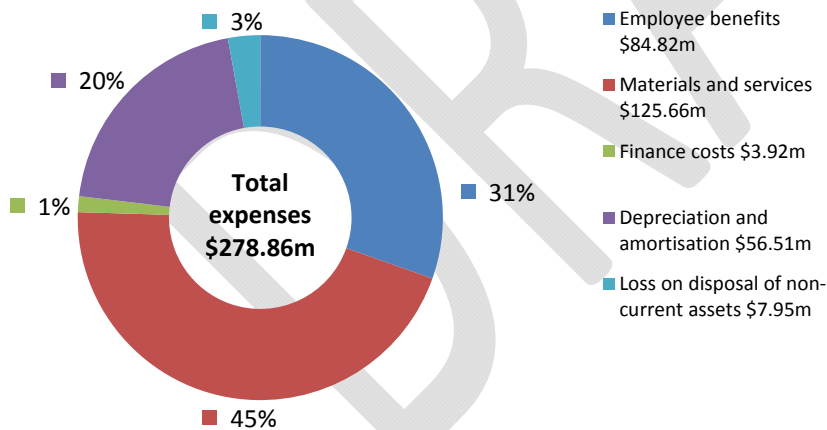
This year, the Group received \$318.39m in income, which was a \$0.54m decrease (CPI adjusted), or 0.2% lower compared to the previous financial year.

Movements in income was driven by:

- growth in rates, levies and charges due to property numbers growth and bulk water charges increase
- building activity moderating leading to a reduction in developer's non-cash contributions.

### Expenditure - Where was the money spent? (Consolidated Statement of Comprehensive Income)

#### Total expenditure 2016-17



The Group spent \$278.86m during the financial year, which is an increase of \$26.20m (CPI adjusted) or 10.4% higher than last year.

This increase was driven by:

- materials and services, canal and lake charges refund and increase in bulk water charges
- depreciation, increase of \$4.79m, mainly due to revaluation of assets in 2015-16
- loss on disposal of water and wastewater and road assets.

### What is the value of the net community assets in our care? (Consolidated Statement of Financial Position)

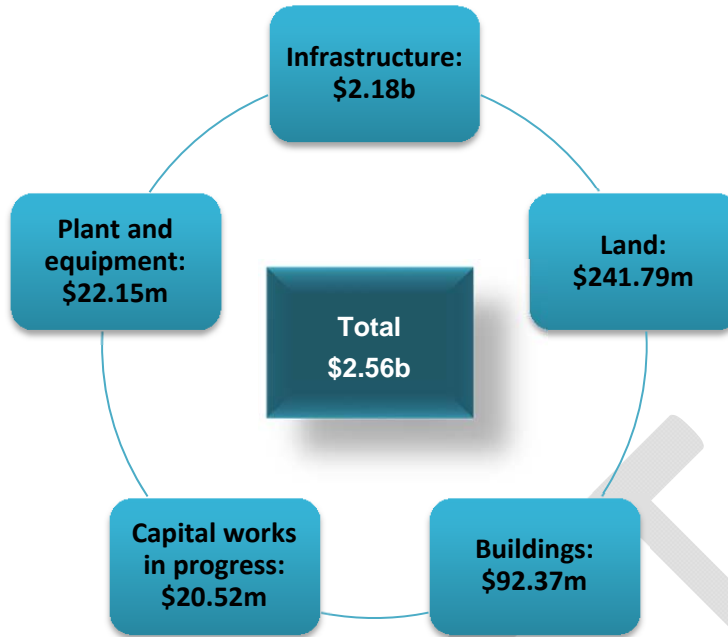
Information at a glance	2016-17 Actual \$millions	2015-16 Actual (CPI adjusted) \$millions*	Change %**	2015-16 Actual (audited) \$millions
Total assets	\$2,766.04m	\$2,653.80m	4%	\$2,609.91m
Total liability	\$(110.47)m	\$(103.06)m	7%	\$(101.36)m
<b>Total community equity</b>	<b>\$2,655.57m</b>	<b>\$2,550.74m</b>	<b>4%</b>	<b>\$2,508.55m</b>

\* CPI adjustment for comparability purposes

\*\* Change between 2016-17 actual and 2015-16 actual (CPI adjusted)

See Consolidated Statement of Financial Position for more information

## Property, plant and equipment 2016-17



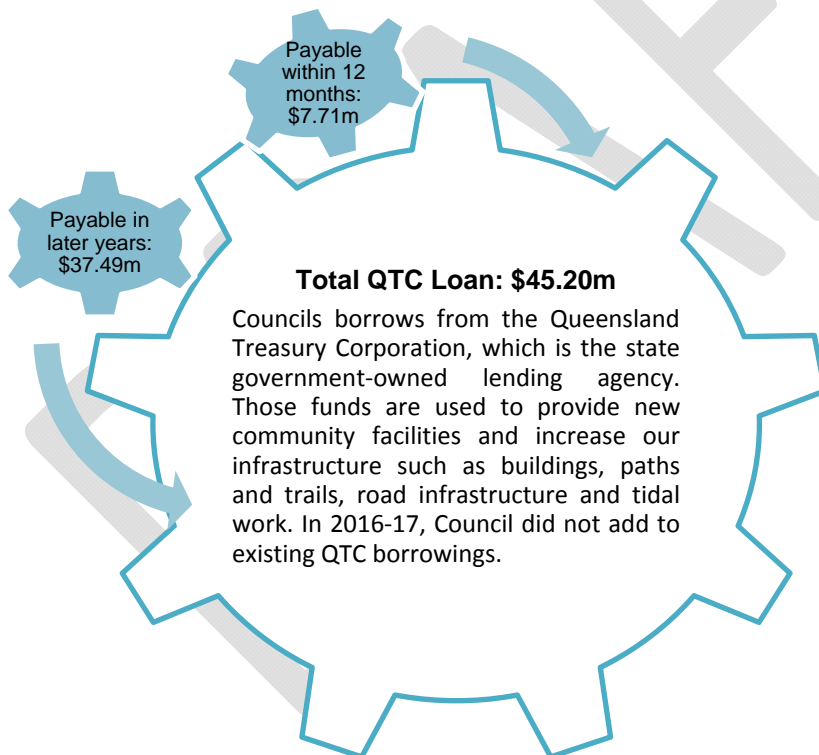
The total value of all assets at 30 June 2017 was \$2.77b, of which \$2.56b (92.4%) relates to property, plant and equipment.

During 2016-17, water and wastewater asset classes had a comprehensive independent valuation.

Indexations were applied to: buildings, plant and equipment, roads, stormwater drains and other infrastructure assets.

The overall impact of the revaluation was an increase of \$107.49m in net asset value.

## Liabilities - Why did we borrow when we have cash in the bank?



The annual investment of Council in infrastructure is substantial and is a major component of capital expenditure.

The concept of intergenerational equity guides Council in infrastructure planning for sustainable development. This concept flows through to Council's long-term financing strategy, where borrowed funds are used to partially finance infrastructure renewals that will benefit present and future communities.



## What were the major sources of cash in and cash out? (Consolidated Statement of Cash Flows)

The table below compares the main sources of cash receipts and cash paid during the financial years ended 30 June 2016 and 30 June 2017.

Main sources of cash in and out	2016-17 \$ millions	2015-16 (CPI adjusted) \$ millions*	Change %**	2015-16 (Audited) \$ millions
Net cash received from operations (excluding interest and borrowing costs)	\$54.32m	\$49.64m	9%	\$48.82m
Purchases and construction of assets	\$(68.13)m	\$(62.36)m	9%	\$(61.32)m
Capital grants, subsidies and contributions	\$30.70m	\$34.00m	(10%)	\$33.44m
Repayment of debt	\$(6.78)m	\$(4.68)m	45%	\$(4.60)m

\* CPI adjustment for comparability purposes

\*\* Change between 2016-17 actual and 2015-16 actual (CPI adjusted)

See Consolidated Statement of Cash Flows for more information

Major cash flow sources are explained below:

- **Net cash received from operations:** Council's normal day-to-day functions. Includes receipts of rates, fees and charges and operating grants, offset by payments for employee costs and materials and services.
- **Purchases and construction of assets:** Includes payments for the purchase and construction of property, plant and equipment. The major purchases are for land, sewerage, roads and park assets.
- **Capital grants, subsidies and contributions:** Includes cash contributions from developers to pay for infrastructure Council needs to build to provide services to new developments.
- **Repayment of debt:** Repayments of principal on Council's loans with Queensland Treasury Corporation.

The Group started the 2016-17 financial year with \$142.93m cash in the bank and ended the year with \$157.40m.

## Community future vision

1-Healthy natural environment

2-Green living

3-Embracing the bay

4-Quandamooka Country

5-Wise planning and design

6-Supportive and vibrant economy

7-Strong and connected communities

8-Inclusive and ethical governance

In May 2015, Council adopted its revised Corporate Plan for the five year period 2015-2020. The Corporate Plan contains the themes or 'vision outcomes' as communicated by the Redlands community in the 2010-2030 Community Plan.

Other than the day-to-day operational needs to keep Council's services running, there have been improvements to help expand services, bringing Council closer to the 'vision outcomes' goals outlined in its 2010-2030 Community Plan, such as:

- delivering a new Customer Service Centre at Victoria Point Library
- completing Point Lookout Wastewater Treatment Plant
- continuing to reduce debt level with Queensland Treasury Corporation.



## Strategic priorities

During the 2016-17 financial year, Council identified six strategic priorities that form the guiding principles to shape and achieve the strategic vision for the current local government term. The following strategic priorities are considered the main drivers of Redlands growth and development:

**1-Transport and connectivity:** getting our residents where they need to go faster and safer

**2-Sport, education and the arts:** giving our residents the foundations for a strong future, be it in the classroom, on the stage or on the sporting field

**3-Economic development:** giving businesses a reason to invest in our city and the confidence to employ locals

**4-Planning:** adopting a clearer city plan that gives both our community and the industry confidence

**5-Branding identity;** setting our city apart from the rest, creating civic pride and putting us on the national and international tourism map

**6-Smart cities and digital connectivity:** investing in digital pathways, recognising that today's businesses can be home and cloud-based and we can no longer rely on the NBN being the only solution to our digital connectivity

## Summary

Council continues to report a strong financial position, improving processes and challenging our officers to be better tomorrow than we are today. We are embracing innovation and collaboration to continue to deliver projects and provide services while maintaining the community assets and financial capital.

Council undertook a number of initiatives and the key highlights are listed below:

- In 2016-17, Council delivered the largest capital program to date at \$69m.
- The shift to fixed rate loans for the generic debt pool facility offered by the Queensland Treasury Corporation resulted to cost efficiency in terms of interest expense savings on long term borrowings. Existing borrowings will be paid out 12 months earlier than the original term of the loans.
- There was a strong focus on sourcing operating and capital grants to boost Council's revenue generation.
- Lean process improvement projects continued to be initiated across Council to encourage effective use of available resources and cut out non-value adding activity. Lean Methodology training continues and is supported Council wide.



**11.1.2 ANNUAL FINANCIAL STATEMENTS 2016-17**

**Objective Reference:** A2662416  
Reports and Attachments (Archives)

**Attachment:** [QAO Certified Financial Statements for the year ended 30 June 2017](#)

**Authorising/Responsible Officer:** Deborah Corbett-Hall  
Chief Financial Officer

**Report Author:** Joy Manalo  
Finance Manager Corporate Finance

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**PURPOSE**

The purpose of this report is to present the final (Queensland Audit Office certified) 2016-17 annual financial statements and accompanying notes to Council for noting prior to adoption of the 2016-17 annual report.

**BACKGROUND**

Council prepared consolidated financial statements for Redland City Council and its subsidiary Redland Investment Corporation Pty Ltd (RIC) which set out the financial performance, financial position, cash flows, changes in community equity, as well as explanatory notes for the financial year ended 30 June 2017.

The consolidated financial statements are audited by the Queensland Audit Office (QAO) to confirm the results presented are true and fair, and in accordance with the *Local Government Act 2009*, *Local Government Regulation 2012* and the relevant Australian Accounting Standards. The QAO audit was conducted in two phases – an interim visit in March and a final visit in September.

The consolidated financial statements were presented to and reviewed by the Audit Committee before certification by the Mayor and the CEO and submission to the Queensland Audit Office (QAO).

The attached 2016-17 consolidated financial statements are final and have been certified by the QAO as at 19 October 2017. An unqualified audit opinion was issued confirming that the financial statements are materially correct and present a true and fair view as at 30 June 2017.

In addition to the consolidated financial statements, QAO audited the current-year financial sustainability statement. Consistent with other councils and prior years, QAO included an ‘emphasis of matter’ in the auditor’s report to the current-year financial sustainability statement to highlight that the statement is constructed for a particular (special) purpose. As such, it may not be suitable for another purpose. The long-term financial sustainability statement is not audited.

**ISSUES***Consolidated financial statements*

The financial statements presented are for Redland City Council as a group, i.e. includes the financial results of Council, as well as that of Redland Investment Corporation (RIC).

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The 2016-17 financial year is the third operating year for RIC where new business opportunities are identified and evaluated to boost commercial activity in the Redlands. AVA Terraces Pty Ltd was established as a wholly-owned subsidiary of RIC and was formed to develop and deal with land at 9-11 Oaklands Street, Alexandra Hills.

Furthermore, Council officers streamlined the information presented and disclosed in the consolidated financial statements and removed immaterial disclosures or disclosures that do not add value to the users of the financial statements.

#### *Operating result*

The operating deficit for 2016-17 is mainly due to the provision for the refund of unspent money quarantined for canal maintenance and repairs related to the financial years 2011-12 through to 2016-17.

Cost efficiencies in 2016-17 were achieved through continued focus on innovation and lean process improvement projects.

#### *Fixed asset valuations*

The comprehensive valuation for water and wastewater assets in 2016-17 identified a significant movement resulting from the assessment of asset condition and change in estimated useful lives. Desktop valuations were conducted for the other asset classes such as land and buildings, stormwater assets, roads and other infrastructure assets.

The overall impact of the asset valuations was an increase of \$107M in property, plant and equipment.

#### *Considerations around disclosure of transactions with related parties*

AASB 124 *Related Party Disclosures* now extends to not-for-profit public sector entities for reporting periods beginning on or after 1 July 2016. Redland City Council, as a not-for-profit public sector entity, falls into the scope of this accounting standard and disclosed related party transactions and compensation to 'key management personnel' in its financial statements for the 2016-17 financial year.

## **STRATEGIC IMPLICATIONS**

### **Legislative Requirements**

Section 176 of the *Local Government Regulation 2012* requires a local government to prepare the following for each financial year:

- a general purpose financial statement;
- a current-year financial sustainability statement; and
- a long-term financial sustainability statement.

All three requirements were met by the statutory timeframe.

### **Risk Management**

Risk management is undertaken during the year with respect to the financials – Council reviews its actual performance against budget on a monthly basis and formally reviews its budget on a regular basis throughout the year. At the conclusion of the financial statement audit, the QAO provides feedback to Council on the general appropriateness of key internal controls that ensure financial information is reasonably complete and accurate.

**Financial**

There are no additional financial implications arising from this report; the purpose of the report is to present the 2016-17 annual financial statements.

**People**

No impact as the purpose of the report is to present the 2016-17 annual financial statements.

**Environmental**

No impact as the purpose of the report is to present the 2016-17 annual financial statements.

**Social**

No impact as the purpose of the report is to present the 2016-17 annual financial statements.

**Alignment with Council's Policy and Plans**

This report has a relationship with the following items of the Corporate Plan:

**8. Inclusive and ethical governance**

Deep engagement, quality leadership at all levels, transparent and accountable democratic processes and a spirit of partnership between the community and Council will enrich residents' participation in local decision making to achieve the community's Redlands 2030 vision and goals.

- 8.2 Council produces and delivers against sustainable financial forecasts as a result of best practice Capital and Asset Management Plans that guide project planning and service delivery across the city;
- 8.3 Implementation of the Corporate Plan is well coordinated across Council and through a delivery mechanism that provides clear line of sight, accountability and performance measurement for all employees; and
- 8.5 Council uses meaningful tools to engage with the community on diverse issues so that the community is well informed and can contribute to decision making.

**CONSULTATION**

The Corporate Finance Unit and other internal stakeholders discussed the financial results, report layout and accounting treatment of various transactions with QAO during the interim and final audit visits.

The financial statements were presented to the Audit Committee on the 12 October 2017 before sign-off was obtained from the Mayor and the Chief Executive Officer.

**OPTIONS**

1. That Council resolves to note the Audited Financial Statements for inclusion in the 2016-17 Annual Report.
2. That Council requests further information.

**OFFICER'S RECOMMENDATION**

**That Council resolves to note the Audited Financial Statements for inclusion in the 2016-17 Annual Report.**



**Redland**  
CITY COUNCIL

**CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2017**

REDLAND CITY COUNCIL  
**CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

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REDLAND CITY COUNCIL  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 30 June 2017

	Note	Consolidated		Council	
		2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Income</b>					
<b>Recurrent revenue</b>					
Rates, levies and charges	4(a)	217,308	209,926	217,308	209,926
Fees and charges	4(b)	13,178	13,744	13,014	13,675
Interest received		4,510	4,623	4,470	4,584
Sales revenue		4,896	4,154	3,903	4,154
Other income		3,216	1,733	2,041	2,008
Grants, subsidies and contributions	5(a)	16,769	11,170	16,769	11,170
<b>Total recurrent revenue</b>		<b>259,877</b>	<b>245,350</b>	<b>257,505</b>	<b>245,517</b>
<b>Capital revenue</b>					
Grants, subsidies and contributions	5(b)	30,696	33,438	30,696	33,438
Non-cash contributions	5(b)	27,776	34,769	27,776	34,769
Increase in investment property		37	98	37	98
<b>Total capital revenue</b>		<b>58,509</b>	<b>68,305</b>	<b>58,509</b>	<b>68,305</b>
<b>Total income</b>		<b>318,386</b>	<b>313,655</b>	<b>316,014</b>	<b>313,822</b>
<b>Expenses</b>					
<b>Recurrent expenses</b>					
Employee benefits	6	(84,823)	(80,173)	(83,836)	(79,712)
Materials and services	7	(125,656)	(108,166)	(125,105)	(108,215)
Finance costs		(3,923)	(3,980)	(3,922)	(3,979)
Depreciation and amortisation	8	(56,511)	(51,717)	(56,504)	(51,717)
Impairment loss on non-current assets held-for-sale		-	(1,289)	-	-
<b>Total recurrent expenses</b>		<b>(270,913)</b>	<b>(245,325)</b>	<b>(269,367)</b>	<b>(243,623)</b>
<b>Capital expenses</b>					
Loss on disposal of non-current assets		(7,943)	(3,152)	(7,943)	(3,152)
Impairment loss on non-current assets held-for-sale		-	-	-	(1,289)
<b>Total capital expenses</b>		<b>(7,943)</b>	<b>(3,152)</b>	<b>(7,943)</b>	<b>(4,441)</b>
<b>Total expenses</b>		<b>(278,856)</b>	<b>(248,477)</b>	<b>(277,310)</b>	<b>(248,064)</b>
<b>Net result</b>		<b>39,530</b>	<b>65,178</b>	<b>38,704</b>	<b>65,758</b>
<b>Other comprehensive income/(loss)</b>					
<b>Items that will not be reclassified to net result</b>					
Revaluation of property, plant and equipment	12	107,489	135,939	107,489	135,939
<b>Total comprehensive income/(loss) for the year</b>		<b>147,019</b>	<b>201,117</b>	<b>146,193</b>	<b>201,697</b>

The above statement should be read in conjunction with the accompanying notes and significant accounting policies.

REDLAND CITY COUNCIL  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2017

	Note	Consolidated		Council	
		2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Current assets</b>					
Cash and cash equivalents	9	157,399	142,929	156,415	141,212
Trade and other receivables	10	27,697	25,795	27,273	25,805
Inventories	11	9,112	9,295	552	676
Non-current assets held-for-sale		262	462	262	4,278
Other current assets		2,073	2,122	2,073	2,122
<b>Total current assets</b>		<b>196,543</b>	<b>180,603</b>	<b>186,575</b>	<b>174,093</b>
<b>Non-current assets</b>					
Investment property		7,149	1,054	1,091	1,054
Property, plant and equipment	12	2,559,337	2,424,908	2,559,417	2,424,916
Intangible assets		2,938	3,277	2,938	3,277
Other financial assets		73	73	14,785	6,034
<b>Total non-current assets</b>		<b>2,569,497</b>	<b>2,429,312</b>	<b>2,578,231</b>	<b>2,435,281</b>
<b>Total assets</b>		<b>2,766,040</b>	<b>2,609,915</b>	<b>2,764,806</b>	<b>2,609,374</b>
<b>Current liabilities</b>					
Trade and other payables	13	39,000	22,355	39,144	22,359
Borrowings	14(a)	7,713	7,702	7,713	7,702
Provisions	15(a)	12,440	13,324	12,429	13,316
Other current liabilities		1,697	3,390	1,697	3,390
<b>Total current liabilities</b>		<b>60,850</b>	<b>46,771</b>	<b>60,983</b>	<b>46,767</b>
<b>Non-current liabilities</b>					
Borrowings	14(b)	37,486	42,155	37,486	42,155
Provisions	15(b)	12,130	12,434	12,108	12,416
<b>Total non-current liabilities</b>		<b>49,616</b>	<b>54,589</b>	<b>49,594</b>	<b>54,571</b>
<b>Total liabilities</b>		<b>110,466</b>	<b>101,360</b>	<b>110,577</b>	<b>101,338</b>
<b>Net community assets</b>		<b>2,655,574</b>	<b>2,508,555</b>	<b>2,654,229</b>	<b>2,508,036</b>
<b>Community equity</b>					
Asset revaluation surplus	16	1,070,839	963,350	1,070,839	963,350
Retained surplus		1,584,735	1,545,205	1,583,390	1,544,686
<b>Total community equity</b>		<b>2,655,574</b>	<b>2,508,555</b>	<b>2,654,229</b>	<b>2,508,036</b>

*The above statement should be read in conjunction with the accompanying notes and significant accounting policies.*

REDLAND CITY COUNCIL  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 30 June 2017

	Asset Revaluation Surplus \$000	Retained Surplus \$000	Total Community Equity \$000
Note	12, 16		
<b>Consolidated</b>			
<b>Balance as at 1 July 2016</b>	<b>963,350</b>	<b>1,545,205</b>	<b>2,508,555</b>
Net result	-	39,530	39,530
Other comprehensive income for the year:			
Increase/(decrease) in asset revaluation surplus	107,489	-	107,489
<b>Total comprehensive income for the year</b>	<b>107,489</b>	<b>39,530</b>	<b>147,019</b>
<b>Balance as at 30 June 2017</b>	<b>1,070,839</b>	<b>1,584,735</b>	<b>2,655,574</b>
<b>Balance as at 1 July 2015</b>			
<b>Balance as at 1 July 2015</b>	<b>827,411</b>	<b>1,473,553</b>	<b>2,300,964</b>
Assets not previously recognised	-	6,474	6,474
Net result	-	65,178	65,178
Other comprehensive income for the year:			
Increase/(decrease) in asset revaluation surplus	135,939	-	135,939
<b>Total comprehensive income for the year</b>	<b>135,939</b>	<b>71,652</b>	<b>207,591</b>
<b>Balance as at 30 June 2016</b>	<b>963,350</b>	<b>1,545,205</b>	<b>2,508,555</b>
<b>Council</b>			
<b>Balance as at 1 July 2016</b>	<b>963,350</b>	<b>1,544,686</b>	<b>2,508,036</b>
Net result	-	38,704	38,704
Other comprehensive income for the year:			
Increase/(decrease) in asset revaluation surplus	107,489	-	107,489
<b>Total comprehensive income for the year</b>	<b>107,489</b>	<b>38,704</b>	<b>146,193</b>
<b>Balance as at 30 June 2017</b>	<b>1,070,839</b>	<b>1,583,390</b>	<b>2,654,229</b>
<b>Balance as at 1 July 2015</b>			
<b>Balance as at 1 July 2015</b>	<b>827,411</b>	<b>1,472,454</b>	<b>2,299,865</b>
Assets not previously recognised	-	6,474	6,474
Net result	-	65,758	65,758
Other comprehensive income for the year:			
Increase/(decrease) in asset revaluation surplus	135,939	-	135,939
<b>Total comprehensive income for the year</b>	<b>135,939</b>	<b>72,232</b>	<b>208,171</b>
<b>Balance as at 30 June 2016</b>	<b>963,350</b>	<b>1,544,686</b>	<b>2,508,036</b>

*The above statement should be read in conjunction with the accompanying notes and significant accounting policies.*



REDLAND CITY COUNCIL  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 30 June 2017

	Note	Consolidated		Council	
		2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Cash flows from operating activities</b>					
Receipts from customers		238,565	230,728	236,624	230,272
Payments to suppliers and employees		(199,279)	(193,941)	(196,636)	(192,533)
Interest received		4,510	4,624	4,470	4,584
Non-capital grants and contributions		15,036	12,035	15,036	12,035
Borrowing costs	14	(1,066)	(3,354)	(1,066)	(3,354)
<b>Net cash inflow/(outflow) from operating activities</b>	21	<b>57,766</b>	<b>50,092</b>	<b>58,428</b>	<b>51,004</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(67,296)	(60,678)	(67,225)	(60,678)
Payments for intangible assets		(830)	(646)	(830)	(646)
Proceeds from sale of property, plant and equipment		912	1,365	912	1,365
Capital grants, subsidies and contributions		30,696	33,438	30,696	33,438
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(36,518)</b>	<b>(26,521)</b>	<b>(36,447)</b>	<b>(26,521)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		-	-	-	-
Repayment of borrowings	14	(6,778)	(4,598)	(6,778)	(4,598)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(6,778)</b>	<b>(4,598)</b>	<b>(6,778)</b>	<b>(4,598)</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>14,470</b>	<b>18,973</b>	<b>15,203</b>	<b>19,885</b>
Cash and cash equivalents at beginning of the financial year		142,929	123,956	141,212	121,327
<b>Cash and cash equivalents at end of the financial year</b>	9	<b>157,399</b>	<b>142,929</b>	<b>156,415</b>	<b>141,212</b>

*The above statement should be read in conjunction with the accompanying notes and significant accounting policies.*

**1 Basis of preparation and compliance**

**1(a) Basis of preparation and statement of compliance**

These consolidated general purpose financial statements are for the period 1 July 2016 to 30 June 2017 in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, they have been prepared in accordance with all Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

The consolidated entity is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS). Therefore in some instances these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation gains and losses within a class of assets and the timing of recognition of non-reciprocal grant revenue.

These financial statements are for the group consisting of Redland City Council (RCC) and its subsidiaries (refer to Note 1(b)) and have been prepared under the historical cost convention except for the revaluation of certain non-current assets, financial assets and financial liabilities.

**1(b) Principles of consolidation**

Council and its controlled entities together form the economic entity which is referred to in these financial statements as the group. The financial statements of controlled entities are included in the consolidated financial statements where material by size or nature, from the date when control commences until the date when control ceases.

Transactions with entities controlled by Council have been eliminated when preparing consolidated financial statements and accounting policies of controlled entities adjusted where necessary to ensure consistency with the policies adopted by the group.

Redland Investment Corporation Pty Ltd (consolidated)

Council has 100% ownership of Redland Investment Corporation Pty Ltd (RIC) which is limited by shares. RIC was formed to enhance the commercial activities of Council and oversees a diverse range of projects across the city.

RIC Toondah Pty Ltd (not consolidated as transactions in this entity are not material)

RIC has 100% ownership of RIC Toondah Pty Ltd (RICT) which is limited by shares. RICT was formed to provide the administration services for the day-to-day management of the joint operation between the Minister of Economic Development Queensland (MEDQ), Council and the developer for the project in the Toondah Harbour Priority Development Area. Council's interest in the joint operation is 50%. The project is pending a transfer of State land to MEDQ as well as an environmental assessment, as such nominal transactions have occurred in this entity during the current financial year.

Redheart Pty Ltd (not consolidated as transactions in this entity are not material)

Council has 100% ownership of Redheart Pty Ltd (Redheart) which is limited by shares. Redheart was formed to conduct a beneficial enterprise by holding a mining lease and environmental authority and sell quarry material from Council's German Church Road quarry operations, so as to manage risks and increase commercial flexibility. As at 30 June 2017, the company had net assets of \$2 and remained dormant throughout the financial year.

AVA Terraces Pty Ltd (not consolidated as transactions in this entity are not material)

AVA Terraces Pty Ltd (AVA) was incorporated on 27 February 2017 and is limited by shares. RIC has 100% ownership of AVA. AVA was formed to develop and deal with land at 9-11 Oaklands Street, Alexandra Hills. As at 30 June 2017, the company had nil net assets and remained dormant throughout the financial year.

Separate financial statements for the RIC have been prepared for the financial year ended 30 June 2017 and are audited by the Auditor-General of Queensland.

**1(c) Constitution**

Redland City Council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia. Council's subsidiaries are constituted under the *Corporations Act 2001* and are domiciled in Australia.

**1(d) Date of authorisation**

The consolidated financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate was signed.

**1(e) Currency**

Council uses the Australian dollar (AUD) as its functional currency and its presentation currency.

**1(f) Rounding and comparatives**

Amounts included in the consolidated financial statements have been rounded to the nearest \$1,000. Rounding adjustments are included in Inventories in the Consolidated Statement of Financial Position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

## 1 Basis of preparation and compliance - continued

## 1(g) New and amended standards adopted by Council

In the current year, the consolidated entity adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

This year Council applied AASB 124 *Related Party Disclosures* for the first time. As a result Council has disclosed information about related parties and transactions with those related parties in Note 24. As permitted by the transitional provisions, no comparative figures are required in the first year of application.

Council has not adopted new or revised Standards and Interpretations issued by the AASB that are not yet effective.

Other relevant new Standards and Interpretations that have been issued but are not mandatory for 30 June 2017 reporting periods, as well as the assessment of the impact of these new Standards and Interpretations is set out below:

Standard	Nature of change	Impact	Effective dates
AASB 9 <i>Financial Instruments</i> and related amendments to Australian Accounting Standards arising from AASB 9	AASB 9 addresses the classification, measurement and de-recognition of financial assets and liabilities, introduces a new impairment model for financial assets.	Council does not expect the new standard to have a significant impact on the classification and measurement of its financial assets. The group's only "available-for-sale" financial asset is its investment in SEQ Recreational Facility Pty Ltd. The exemption to measure these unlisted securities at cost rather than at fair value has been eliminated. Therefore, under AASB 9, these unlisted securities must be measured at fair value.	1 January 2018
AASB 15 <i>Revenue from contracts with customers</i> , AASB 1058 <i>Income of Not-for-Profit Entities</i> and AASB 2016-8 <i>Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities</i>	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services. The new standard is based on the principle that revenue is recognised as each performance obligation as stipulated in the contract with customers is satisfied.  Not-for-profit (NFP) entities will need to consider both AASB 1058 and AASB 15 together. AASB 1058 will apply to recognise income for NFP entities where there is no enforceable contract and sufficiently specific performance obligations.	Council is currently assessing the effects of the new standard and analysing revenue streams to determine whether they represent contracts with customers and therefore fall under AASB 15. If AASB 15 does not apply, AASB 1058 will apply. Council will continue to recognise income on receipt where there is no performance obligation under a contract with a customer.  The most significant change for Council will likely be to defer income from grants and donations where the delivery of goods and services are enforceable and the performance obligations are sufficiently specific. The majority of grants and donations received by Council is currently recognised on receipt under AASB 1004 <i>Contributions</i> .  AASB 1058 will most likely also require Council to defer prepaid rates to the period they relate where currently they are being recognised upfront.	1 January 2019
AASB 16 <i>Leases</i>	The new standard clarifies the distinction between a lease and a service arrangement and is based on the right to control the use of an identified asset during the lease term. The new standard no longer distinguishes between an operating and a finance lease, therefore the main impact on lessees is that almost all leases go on balance sheet. Exemptions are available for short-term and low-value leases.	The standard will affect the accounting for Council's operating leases. As at the reporting date, Council has non-cancellable operating lease commitments of \$12,210,937, refer Note 17. However, Council is considering to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect Council's profit and classification of cash flows.  Some of the commitments may be covered by the exception for short-term and low-value leases.	1 January 2019
AASB 2016-4 <i>Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	The amendments made to AASB 136 <i>Impairment of Assets</i> remove references to depreciated replacement cost as a measure of value in use for NFP entities. They also clarify that the recoverable amount of specialised assets of NFP entities that are held for the continuing use of their service capacity is expected to be materially the same as the fair value determined under AASB 13 <i>Fair Value Measurement</i> .	These amendments make changes to AASB 136 to simplify the impairment testing requirements for NFP entities measuring specialised, non-cash-generating assets under the fair value model ('cost approach'). Council is currently in the process of investigating the impact.	1 January 2017

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**1 Basis of preparation and compliance – continued**

**1(h) Critical accounting judgements and key sources of estimation**

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Judgements, estimates and assumptions that have a potential significant effect are outlined in the following financial statements notes:

Valuation and depreciation of property, plant and equipment (Note 2(e) and Note 22)

Long-term employee benefit obligations (Note 2(h), Note 13 and Note 15)

Landfill rehabilitation provision (Note 2(i) and Note 15)

Contingent liabilities and contingent assets (Note 18)

Transactions with related parties (Note 24)

Events after the reporting period (Note 25)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**2 Significant accounting policies**

**2(a) Revenue**

Rates, levies, grants and other revenue are recognised as revenue on receipt of funds or earlier unconditional entitlement to the funds. Revenue is recognised for the major business activities as follows:

Rates and levies

Where rate monies are received prior to the commencement of the rating/levying period, the amount is recognised as revenue in the period in which they are received, otherwise rates are recognised at the commencement of the rating period. Utility charges are recognised based on consumption.

Fees and charges

Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

Grants and subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue upon receipt. Unspent, non-reciprocal grants are held in reserves (restricted funds).

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled.

Non-cash contributions

Physical assets contributed to Council by developers in the form of water, wastewater, road works, stormwater and park equipment are recognised as revenue when it is probable that the assets will be received by Council. Generally this is when the development becomes 'on-maintenance', i.e. Council becomes responsible for the maintenance of the asset. The revenue is recognised when there is sufficient data in the form of drawings and plans to determine the specifications and value of such assets. At year end, where plans are not yet available, an accrual is recognised based on an average rate per lot. All non-cash contributions are recognised at the fair value of the assets received on the date of acquisition.

Cash contributions

Council receives cash contributions from property developers to construct assets such as roads and footpaths for new property developments in accordance with Council's planning scheme policies. These cash contributions are recognised as income when received or upon unconditional entitlement to the funds, whichever occurs earlier.

Recurrent/capital classification

Grants and contributions are to be classified as operating or capital depending on the purpose for which they were received. Capital revenue includes grants and contributions received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers as well as gains associated with fixed assets. All other revenue is classified as recurrent.

**2(b) Financial assets and financial liabilities**

Council recognises a financial asset or financial liability in its Consolidated Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument, i.e. the trade date.

Council's financial assets and financial liabilities are limited to:

Financial assets

Cash and cash equivalents (Note 2(c) and Note 9)

Trade and other receivables - measured at amortised cost (Note 2(d) and Note 10)

Other financial assets such as investments in other companies

Financial liabilities

Trade and other payables - measured at amortised cost (Note 2(g) and Note 13)

Borrowings - measured at amortised cost (Note 14)

Financial assets and financial liabilities are presented separately from each other and offsetting has not been applied, except for Goods and Services Tax (GST), refer to Note 2(j). Refer to Note 22 for fair value measurement considerations in relation to financial assets and financial liabilities.

Redland City Council is exposed to various financial risks including credit risk, interest rate risk and liquidity risk. Exposure to financial risks is managed in accordance with Council's approved Enterprise Risk Management Framework and related policies, guidelines and procedures.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**2 Significant accounting policies – continued****2(c) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, all cash and cheques received but not banked at the year end, and deposits held at call with financial institutions.

Council's cash and cash equivalents are subject to a number of internal restrictions that limit amounts available for discretionary or future use. Council accounts for these restrictions internally using a system of reserves as follows:

Constrained works reserve

This reserve includes all contributions of monetary revenue received during the reported and previous periods which are constrained for the purpose of funding specific expenditure. The closing balance reported at the year end represents amounts not yet expended and must be retained until expended in the manner specified by the contributor or relevant legislation.

Special projects reserve

This reserve holds funds identified for various projects and for funding specific expenditure.

Utilities reserve

This reserve holds funds set aside to meet future specific expenditure for the Redland Water commercial business unit.

Separate charge reserve - Environment

This reserve was established to hold funds levied for the Environment Separate Charge for ongoing maintenance and future capital expenditure for conservation maintenance and environmental land acquisitions.

Special charge reserve - Other

This reserve was established to hold funds collected for the Rural Fire Brigade Levy Special Charge and these funds are distributed to the respective Rural Fire Service Southern Moreton Bay Islands Local Area Finance Committee. This reserve also holds funds levied for Southern Moreton Bay Islands Translink Special Charge and these funds are distributed to the State Government to assist with transport service on the Bay Islands.

Special charge reserve - Canals

This reserve was established to hold funds levied for the Canal Special Charges and the Sovereign Waters Lake Special Charge for ongoing and future maintenance.

**2(d) Trade and other receivables**

Trade receivables are recognised at the amounts due at the time of sale or service delivery, i.e. the agreed purchase price/contract price, at trade date. Settlement of these amounts is generally within 30 days from the invoice date.

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment.

All known bad debts were written-off or provided for at 30 June 2017.

Council is empowered under the provisions of the *Local Government Regulation 2012* to sell an owner's property to recover outstanding rate debts, therefore Council generally does not impair rate receivables.

**2(e) Fixed and intangible assets**

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, accumulated depreciation and accumulated impairment losses. Non-current asset thresholds for recognition purposes are as follows:

Land	\$1	Water & wastewater	\$5,000
Buildings	\$1	Parks	\$500
Plant & equipment (vehicles; plant)	\$500	Other infrastructure	\$5,000
Plant & equipment (office equipment; furniture)	\$200	Waste	\$1,000
Plant & equipment (computer hardware)	\$1,000	Work in progress	\$1
Plant & equipment (heritage & arts; library books)	\$1	Intangibles	\$1,000
Roads	\$5,000	Investment property	\$1
Stormwater drainage	\$5,000		

Acquisition and/or construction of assets

Acquisitions of assets are initially recorded at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Wages and material costs incurred in the acquisition or construction of assets are treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of non-current assets are expensed as incurred. Expenditure that relates to the replacement of a major component of an asset to maintain its service potential is capitalised.

Assets received in the form of contributions are recognised as assets and revenue at fair value (by Council valuation) where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**2 Significant accounting policies - continued**

**2(e) Fixed and intangible assets - continued**

Valuation

All asset categories are measured on the revaluation basis, at fair value, except for plant and equipment and work in progress which are measured at historical cost. The valuation methodology maximises observable inputs where available.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by comprehensively revaluing these assets at least once every five years by engaging either independent external valuers or suitably qualified internal staff. In interim years, valuations are performed using a suitable index where there has been a material variation in the index.

Any revaluation increment arising on the revaluation of an asset is credited to the appropriate class of the asset revaluation surplus, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus of that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

Details of valuers and methods of valuations are disclosed in Note 22.

Depreciation and amortisation

Land, artwork and heritage assets are not depreciated as they have an unlimited useful life. Depreciation on other fixed assets is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to Council. Management believes that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

Assets are depreciated from the date of acquisition, or in respect of internally constructed assets, from the date an asset is completed and commissioned ready for use.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the Council.

Major spares purchased specifically for particular assets that are above the asset recognition threshold are capitalised and depreciated on the same basis as the asset to which they relate.

Depreciation methods and estimated useful lives of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted, where necessary, to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. Details of the range of estimated useful lives for each class of asset are shown in Note 12.

Software has a finite life between 3 and 10 years. Straight line amortisation is used with no residual value.

All physical and intangible assets are assessed for indicators of impairment annually.

Land under roads

Land under the road network within the Council area that has been dedicated and opened for public use under the *Land Act 1994* or the *Land Title Act 1994* is not controlled by Council but is controlled by the State pursuant to the relevant legislation. Therefore this land is not recognised in these financial statements.

**2(f) Leases**

All Council leases are of an operating nature where substantially all the risks and benefits remain with the lessor. Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term.

**2(g) Trade and other payables**

Trade and other payables are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price. Amounts owing are unsecured and are generally settled on 30 day terms.

**2 Significant accounting policies - continued**

**2(h) Employee benefits obligations**

Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, and is therefore measured as a long-term benefit. The liabilities represent the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to projected future increases in the current pay rates including oncosts, the probability of the employee remaining in Council's employment or other associated employment as well as the timing of leave payouts. The payments are discounted using market yields of government bonds at the end of the reporting period with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Where council does not have an unconditional right to defer this liability beyond 12 months, i.e. the employee has become entitled to annual leave or long service leave, the liability is presented as a current liability.

The liability for long service leave is reported in Note 15 as a provision and re-measurements as a result of changes in assumptions are recognised in profit or loss. The liability for annual leave is reported in Note 13 as a payable.

**2(i) Rehabilitation provisions**

A provision is made for the cost of restoration in respect of landfills and represents the present value of the anticipated future costs associated with the closure of the landfill, decontamination and monitoring of historical residues and leaching on these sites.

A provision is also raised for the closure of the German Church Road quarry and represents the present value of costs associated with the closure of the quarry and the rehabilitation of this site.

The calculation of these provisions require assumptions such as application of environmental legislation, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Due to the long-term nature of the liabilities, the most significant uncertainty in estimating the provision is the cost that will be incurred. The provisions recognised for landfill and quarry sites are reviewed at least annually and updated based on the facts and circumstances available at the time.

**2(j) Taxation**

Income of local authorities and public authorities is exempt from Commonwealth taxation except for Fringe Benefits Tax and GST. The net amount of GST recoverable from the Australian Taxation Office (ATO) or payable to the ATO is shown as an asset or liability respectively. Council pays Payroll Tax to the Queensland Government on certain activities.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO, are classified as operating cash flows.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**3 Statement of functions and activities**

**(a) Functions of the consolidated entity**

Council's functions and activities have been determined based on service delivery. The activities of Council are categorised into the following broad functions:

**Community and Customer Services**

Community and Customer Services provides operational support and manages the city's community services through the following functions:

**Community and Cultural Services**

- Community and Cultural Services which supports the health and wellbeing of our community, promotes strong community spirit and extends to people of all ages, cultures, abilities and needs.

**Planning, Development and Environment**

- City Planning and Assessment which delivers strategic planning and development assessment and the management of infrastructure charging and planning.
- Economic Sustainability and Major Projects which supports Council's commitment to increasing the city's economic capacity through business growth, and retention, employment generation and sustained economic growth as articulated in the Economic Development Framework 2014-2041.
- Environment and Regulation which is focused on the protection, management, promotion and enhancement of biodiversity.

**Infrastructure and Operations**

**Infrastructure, Recreation and Facilities Services**

- This function is responsible for the sustainable management, maintenance and operation of Council's infrastructure assets. It includes the identification, planning and delivery of infrastructure to support the community by way of roads, parks and conservation, community halls and swimming pools; and ensure a high standard of infrastructure in the Redlands.

**Water and Wastewater Services**

- Council's water and wastewater services business unit is a commercially focussed business unit with the principal goals of providing safe drinking water and the collection of wastewater, including the treatment thereof and refuse disposal.

**Waste Services**

- The waste function is responsible for the collection and disposal of waste within the city through its kerbside collection service, household hazardous waste services, disposals at landfills and the operation and maintenance of its transfer stations. It also includes maintenance of closed landfill and environmental monitoring of current and former waste disposal facilities.

**Organisational Services**

Organisational Services provides an internal support function to Council from a compliance and provision of service perspective. It includes:

- Internal Audit and Risk with a focus on a strong control environment, risk management, insurances, business continuity, compliance and governance practices.
- Corporate Services manage a diverse range of organisational functions, such as Corporate Governance, Indigenous Partnerships, Office of the Mayor and Councillors, Disaster Management and Fleet Management.
- Communication, Engagement and Tourism is responsible for a broad range of communication, community engagement, events, graphic design, web management, social media services and tourism development for Redland City Council.
- Information Management enables productivity through technology solutions, and enhancing efficiency and effectiveness across the organisation.
- Portfolio Management has two responsibilities, to provide methodology, governance, training, advice and support to assist project management teams to plan and deliver successful initiatives; and secondly, for providing organisational oversight, analysis, and reporting to assist Council to make informed decisions about projects and programs.
- Corporate Planning and Transformation supports Council in strategic and operational planning. It ensures that Council efficiently and effectively delivers these strategic objectives through organisational performance management, and business process improvement. The team supports staff to deliver what our customers need faster, better and, where possible, cheaper.

**Corporate Administration**

These functions provide support to all of Council and include administrative services, Redland WorkCover, legal, procurement, budget support, financial and human resources services. The goal of these functions is to provide accurate, timely and appropriate information to support sound decision making and meet statutory requirements.

**Redland Investment Corporation Pty Ltd**

RIC's business objective is to investigate alternative revenue streams and investment opportunities for the Redlands Community. The Corporation also manages some of Council's underutilised assets with an objective to improve their use or value. RIC also has in place a Service Level Agreement with Council to act as the preferred commercial consultants for the Priority Development Areas.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

## 3 Statement of functions and activities - continued

## (b) Analysis of results by function

Income, expenses and assets defined between recurring and capital are attributed to the following functions:

## Year ended 30 June 2017

Functions	Gross income				Total Income	Gross expenses		Total Expenses	Net result from recurrent operations	Net Result	Total Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	\$000	\$000	\$000	\$000		\$000	\$000				
Community and Cultural Services	192	727	649	-	1,568	(18,308)	(1)	(18,309)	(17,389)	(16,741)	15,621
Planning, Development and Environment	1,682	9,610	33	14,063	25,388	(27,885)	8	(27,877)	(16,593)	(2,489)	7,123
Infrastructure, Recreation and Facilities Services	6,142	12,962	2,296	24,733	46,133	(94,030)	(3,256)	(97,286)	(74,926)	(51,153)	1,452,628
Water and Wastewater Services	-	106,225	3,088	13,253	122,566	(71,026)	(4,647)	(75,673)	35,199	46,893	835,872
Waste Services	-	22,207	-	-	22,207	(17,650)	-	(17,650)	4,557	4,557	17,054
Organisational Services	146	635	-	78	859	(15,505)	(43)	(15,548)	(14,724)	(14,689)	22,045
Corporate Administration	7,781	89,196	-	316	97,293	(24,963)	(4)	(24,967)	72,014	72,326	414,463
<b>Total Council</b>	<b>15,943</b>	<b>241,862</b>	<b>6,066</b>	<b>52,443</b>	<b>316,014</b>	<b>(269,367)</b>	<b>(7,943)</b>	<b>(277,310)</b>	<b>(11,862)</b>	<b>38,704</b>	<b>2,764,806</b>
Redland Investment Corporation Pty Ltd (net of eliminations)	-	2,372	-	-	2,372	(1,546)	-	(1,546)	826	826	1,234
<b>Total Consolidated</b>	<b>15,943</b>	<b>243,934</b>	<b>6,066</b>	<b>52,443</b>	<b>318,386</b>	<b>(270,913)</b>	<b>(7,943)</b>	<b>(278,856)</b>	<b>(11,036)</b>	<b>39,530</b>	<b>2,786,040</b>

## Year ended 30 June 2016

Functions	Gross income				Total Income	Gross expenses		Total Expenses	Net result from recurrent operations	Net Result	Total Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	\$000	\$000	\$000	\$000		\$000	\$000				
Community and Cultural Services	1,800	717	635	12	3,164	(20,598)	(8)	(20,606)	(18,081)	(17,442)	15,934
Planning, Development and Environment	5	10,828	-	814	11,647	(24,126)	322	(23,804)	(13,293)	(12,157)	5,472
Infrastructure, Recreation and Facilities Services	3,448	12,539	3,880	42,682	62,549	(84,418)	(2,128)	(86,546)	(68,431)	(23,997)	1,422,761
Water and Wastewater Services	3	101,139	2,446	17,788	121,376	(69,720)	(331)	(70,051)	31,422	51,325	745,160
Waste Services	-	21,661	-	-	21,661	(16,118)	(204)	(16,322)	5,543	5,339	14,946
Organisational Services	203	333	-	-	536	(15,295)	(89)	(15,384)	(14,759)	(14,848)	21,956
Corporate Administration	5,179	87,662	-	48	92,889	(13,348)	(2,003)	(15,351)	79,493	77,538	383,145
<b>Total Council</b>	<b>10,638</b>	<b>234,879</b>	<b>6,961</b>	<b>61,344</b>	<b>313,822</b>	<b>(243,623)</b>	<b>(4,441)</b>	<b>(248,064)</b>	<b>1,894</b>	<b>65,758</b>	<b>2,609,374</b>
Redland Investment Corporation Pty Ltd (net of eliminations)	-	(167)	-	-	(167)	(1,702)	1,289	(413)	(1,869)	(580)	541
<b>Total Consolidated</b>	<b>10,638</b>	<b>234,712</b>	<b>6,961</b>	<b>61,344</b>	<b>313,655</b>	<b>(245,325)</b>	<b>(3,152)</b>	<b>(248,477)</b>	<b>25</b>	<b>65,178</b>	<b>2,609,915</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note	Consolidated		Council	
		2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>4 Revenue analysis</b>					
<b>(a) Rates, levies and charges</b>					
General rates		86,789	85,151	86,789	85,151
Special charges		3,616	3,945	3,616	3,945
Environment and landfill remediation charges		8,983	8,675	8,983	8,675
Water access		18,218	17,990	18,218	17,990
Water consumption		39,184	35,435	39,184	35,435
Wastewater		41,183	40,406	41,183	40,406
Trade waste		1,823	1,625	1,823	1,625
Waste disposal		20,809	19,896	20,809	19,896
Total rates and utility charges		<u>220,605</u>	<u>213,123</u>	<u>220,605</u>	<u>213,123</u>
Less: Pensioner remissions and rebates		(3,297)	(3,197)	(3,297)	(3,197)
		<u>217,308</u>	<u>209,926</u>	<u>217,308</u>	<u>209,926</u>
<b>(b) Fees and charges</b>					
Fines and penalties		700	851	700	851
Mooring and parking fees		697	393	697	393
Search fees		810	877	810	877
Development and related application fees		5,247	5,967	5,247	5,967
License fees		2,187	2,047	2,187	2,047
Commercial collection fees		236	212	236	212
Operational works application fees		619	960	619	960
Other fees and charges		2,682	2,437	2,518	2,368
		<u>13,178</u>	<u>13,744</u>	<u>13,014</u>	<u>13,675</u>
<b>5 Grants, subsidies and contributions</b>					
<b>(a) Recurrent</b>					
General purpose government grants		7,781	5,143	7,781	5,143
Government grants and subsidies		8,161	5,495	8,161	5,495
Contributions		827	532	827	532
		<u>16,769</u>	<u>11,170</u>	<u>16,769</u>	<u>11,170</u>
<b>(b) Capital</b>					
Government grants and subsidies		6,065	6,961	6,065	6,961
Contributions		24,631	26,477	24,631	26,477
		<u>30,696</u>	<u>33,438</u>	<u>30,696</u>	<u>33,438</u>
Non-cash contributions	12	<u>27,776</u>	<u>34,769</u>	<u>27,776</u>	<u>34,769</u>

**Conditions over contributions**

Contributions and non-reciprocal grants recognised as income which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:

Unexpended grants and contributions held in reserve 1 July	63,580	47,702	63,580	47,702
Prior period grants and contributions spent in year	(13,269)	(12,336)	(13,269)	(12,336)
Grants and contributions recognised as revenue in year	47,465	44,609	47,465	44,609
Current period grants and contributions spent in year	(20,984)	(16,395)	(20,984)	(16,395)
Unexpended grants and contributions held in reserve 30 June	<u>76,792</u>	<u>63,580</u>	<u>76,792</u>	<u>63,580</u>

REDLAND CITY COUNCIL  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

	Note	Consolidated		Council	
		2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>6 Employee benefits</b>					
Total staff wages and salaries		66,310	63,337	65,546	62,876
Councillors' remuneration		1,419	1,378	1,419	1,378
Annual leave and long service leave entitlements		7,708	7,674	7,608	7,674
Superannuation		8,034	7,735	7,943	7,735
		<b>83,471</b>	<b>80,124</b>	<b>82,516</b>	<b>79,663</b>
Other employee related expenses		6,688	5,322	6,656	5,322
		<b>90,159</b>	<b>85,446</b>	<b>89,172</b>	<b>84,985</b>
Less: Capitalised employee expenses		(5,336)	(5,273)	(5,336)	(5,273)
		<b>84,823</b>	<b>80,173</b>	<b>83,836</b>	<b>79,712</b>

Councillor remuneration represents salary and superannuation expenses incurred in respect of carrying out their duties.

**7 Materials and services**

Contractors		33,431	30,672	33,572	31,297
Consultants		2,728	2,908	2,260	2,725
Other Council outsourcing costs		17,745	16,090	17,572	15,888
Purchase of materials		40,142	37,620	40,142	37,620
Office administration costs		8,127	7,309	8,095	7,135
Electricity charges		5,575	5,368	5,575	5,368
Plant operations		4,791	4,480	4,788	4,476
Information technology resources		2,045	2,024	2,045	2,019
General insurance premiums		1,080	1,216	1,080	1,216
Community assistance		1,572	1,670	1,572	1,670
Audit of annual financial statements by Queensland Audit Office		143	139	134	133
Other material and service expenses		2,564	718	2,557	716
Canal and lake charges refund		8,130	-	8,130	-
Remediation costs for landfill		(2,417)	(2,048)	(2,417)	(2,048)
		<b>125,656</b>	<b>108,166</b>	<b>125,105</b>	<b>108,215</b>

**8 Depreciation and amortisation**

Depreciation of non-current assets	12	55,451	50,786	55,444	50,786
Amortisation of intangible assets		1,060	931	1,060	931
		<b>56,511</b>	<b>51,717</b>	<b>56,504</b>	<b>51,717</b>

**9 Cash and cash equivalents**

Cash at bank and on hand		1,488	2,853	504	2,336
Deposits at call		155,911	140,076	155,911	138,876
Balance as per Consolidated Statement of Cash Flows		<b>157,399</b>	<b>142,929</b>	<b>156,415</b>	<b>141,212</b>

Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:

Restricted funds:

Special projects reserve		3,079	2,408	3,079	2,408
Utilities reserve		-	9,900	-	9,900
Constrained works reserve		76,792	63,580	76,792	63,580
Separate charge reserve - environment		2,005	8,036	2,005	8,036
Special charge reserve - other		(7)	13	(7)	13
Special charge reserve - canals*		7,774	8,237	7,774	8,237
		<b>89,643</b>	<b>92,174</b>	<b>89,643</b>	<b>92,174</b>
Unrestricted funds		67,756	50,755	66,772	49,038
Total cash and cash equivalents		<b>157,399</b>	<b>142,929</b>	<b>156,415</b>	<b>141,212</b>

\* Council decided to temporarily cease the special charges levied on canal and lake-front homeowners for the period 31 March to 30 June 2017 while it developed a new strategy and will refund unspent money quarantined for canal maintenance and repairs since 1 July 2011. An expense and corresponding liability was recognised for \$8,130,088 based on the estimated refund advised by the independent accountant (refer Note 7). The process for issuing refunds is being worked through with independent accountants, with the number of refunds, final amounts and methods of refunds to be determined.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

Note	Consolidated		Council	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000

## 9 Cash and cash equivalents - continued

Cash is held with the Australia and New Zealand Banking Group in a normal business cheque account. The bank currently has a short-term credit rating of A-1+ and a long-term credit rating of AA-. Deposits at call are held with Queensland Treasury Corporation which has a short-term credit rating of A-1+ and a long-term credit rating of AA+.

Cash is held at a floating interest rate. The weighted average interest rate is 2.57% (2016: 2.96%).

Council holds three facilities with the Australia and New Zealand Banking Group to facilitate its operational monetary requirements. Unrestricted access was available at balance date to these facilities and their associated values are:

Commercial Card	\$385,000
Electronic Payaway	\$5,000,000
Varied Facility	\$5,050,000

## 10 Trade and other receivables

Rates and utility charges	21,990	21,048	21,990	21,048
Trade and other debtors	3,626	3,306	3,202	3,316
GST recoverable	2,786	1,995	2,786	1,995
Less: Allowance for impairment	(705)	(554)	(705)	(554)
	<u>27,697</u>	<u>25,795</u>	<u>27,273</u>	<u>25,805</u>

Interest is charged on outstanding rates at a fixed rate of 11% (2016: 11%) per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other receivables. Credit risk is measured and managed using an ageing analysis.

Trade and other receivables ageing analysis:

Fully performing	19,584	18,012	19,160	18,022
Past due but not impaired:				
31 - 60 days	43	3,392	43	3,392
61 - 90 days	3,134	81	3,134	81
> 90 days	5,641	4,864	5,641	4,864
Impaired	(705)	(554)	(705)	(554)
	<u>27,697</u>	<u>25,795</u>	<u>27,273</u>	<u>25,805</u>

## 11 Inventories

Inventories held for distribution - measured at cost	552	676	552	676
Land held for development and resale:				
Opening balance	8,619	10,155	-	-
Acquisition and related costs	537	-	-	-
Transfer (to)/from other non-current asset class	141	(1,536)	-	-
Disposals	(737)	-	-	-
	<u>8,560</u>	<u>8,619</u>	<u>-</u>	<u>-</u>
	<u>9,112</u>	<u>9,295</u>	<u>552</u>	<u>676</u>

Inventories are valued at the lower of cost and net realisable value. Costs are assigned on the basis of weighted average cost.

Net realisable value is determined on the basis of the market value or list price of similar assets available for sale, less the estimated selling expenses.

For the year ended 30 June 2016 (prior year), Council resolved to transfer properties to RIC at book value of \$3,817,561. These properties were reflected in Council's financial statements as non-current assets held-for-sale. For purposes of the consolidated financial statements, these properties are disclosed as part of inventories to reflect the change in intention of the group. There were no properties held for transfer to RIC as at 30 June 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

## 12 (a) Property, plant and equipment

Asset class	Note	Land	Buildings	Plant and equipment	Roads	Stormwater drainage	Water and wastewater	Parks	Other infrastructure	Waste	Work in progress	Total
Basis of measurement		Fair value	Fair value	Cost	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Cost	
Range of estimated useful life in years		n/a	10-75	3-10	10-100	20-150	10-134	16-60	15-100	5-70	n/a	

Council - 30 June 2017												
Asset values		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
<b>Opening gross value as at 1 July 2016</b>		<b>228,544</b>	<b>137,133</b>	<b>46,717</b>	<b>830,719</b>	<b>585,068</b>	<b>1,166,584</b>	<b>84,578</b>	<b>291,493</b>	<b>13,465</b>	<b>32,402</b>	<b>3,405,703</b>
Assets not previously recognised or disposed		-	298	156	(83)	146	(111)	262	(894)	45	-	(181)
Work in progress expenditure		-	-	-	-	-	-	-	-	-	67,908	67,908
Transfers from work in progress		-	-	-	-	-	-	-	-	-	(79,676)	(79,676)
Additions		10,077	1,546	5,028	22,615	1,443	28,452	7,563	2,459	772	-	79,955
Contributed assets at fair value	5(b)	317	50	78	7,043	12,991	7,038	259	-	-	-	27,776
Disposals		(2)	(613)	(7,297)	(6,368)	(195)	(16,926)	(1,667)	-	-	-	(33,068)
Revaluation adjustments		7,787	4,040	-	10,534	(9,148)	133,924	-	5,592	-	-	152,729
Transfers between asset classes		(4,934)	439	(645)	7,978	255	166	739	(9,701)	(7)	-	(5,710)
<b>Closing gross value at 30 June 2017</b>		<b>241,789</b>	<b>142,893</b>	<b>43,037</b>	<b>872,438</b>	<b>590,560</b>	<b>1,309,127</b>	<b>91,734</b>	<b>288,949</b>	<b>14,275</b>	<b>20,634</b>	<b>3,615,436</b>
<b>Accumulated depreciation</b>												
<b>Opening balance as at 1 July 2016</b>		<b>-</b>	<b>45,988</b>	<b>23,599</b>	<b>228,956</b>	<b>143,527</b>	<b>452,430</b>	<b>40,299</b>	<b>43,378</b>	<b>2,610</b>	<b>-</b>	<b>980,787</b>
Depreciation adjustments		-	229	111	(101)	17	(5)	101	(175)	(334)	-	(157)
Depreciation for the year	8	-	4,273	4,598	15,900	6,148	18,470	3,737	2,169	149	-	55,444
Depreciation on disposals		-	(482)	(6,755)	(3,936)	(33)	(12,279)	(1,128)	-	-	-	(24,613)
Depreciation on revaluation adjustments		-	380	-	4,010	(2,606)	42,641	-	815	-	-	45,240
Depreciation on transfers between asset classes		-	138	(630)	3,823	12	155	267	(4,447)	-	-	(682)
<b>Accumulated depreciation at 30 June 2017</b>		<b>-</b>	<b>50,526</b>	<b>20,923</b>	<b>248,852</b>	<b>147,065</b>	<b>501,412</b>	<b>43,276</b>	<b>41,740</b>	<b>2,425</b>	<b>-</b>	<b>1,056,019</b>
<b>Council book value as at 30 June 2017</b>		<b>241,789</b>	<b>92,367</b>	<b>22,114</b>	<b>623,786</b>	<b>443,495</b>	<b>807,715</b>	<b>48,458</b>	<b>247,209</b>	<b>11,850</b>	<b>20,634</b>	<b>2,559,417</b>
<b>Consolidated book value as at 30 June 2017</b>		<b>241,789</b>	<b>92,367</b>	<b>22,153</b>	<b>623,786</b>	<b>443,495</b>	<b>807,715</b>	<b>48,458</b>	<b>247,209</b>	<b>11,850</b>	<b>20,515</b>	<b>2,559,337</b>

RIC held no material property, plant and equipment as at 30 June 2017. As such, the consolidated results are presented in aggregate.

Land with a carrying value of \$13,312,434 has restricted use as a result of a development management agreement entered into with the Walker Group for development of the Toondah Harbour Priority Development Area (refer Note 17).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

## 12 (b) Property, plant and equipment - prior year comparative

Asset class	Note	Land	Buildings	Plant and equipment	Roads	Stormwater drainage	Water and wastewater	Parks	Other infrastructure	Waste	Work in progress	Total
Basis of measurement		Fair value	Fair value	Cost	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Cost	
Range of estimated useful life in years		n/a	10-75	3-10	10-100	20-150	10-134	16-60	15-100	5-70	n/a	

Council - 30 June 2016												
Asset values		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Opening gross value at 1 July 2015</b>		<b>228,227</b>	<b>123,283</b>	<b>46,016</b>	<b>790,544</b>	<b>529,254</b>	<b>1,014,791</b>	<b>80,015</b>	<b>275,854</b>	<b>14,333</b>	<b>31,113</b>	<b>3,133,430</b>
Assets not previously recognised		-	-	-	-	-	-	-	-	6,474	-	6,474
Replacement cost adjustments		-	-	41	(50)	(9)	(8)	146	-	(1,043)	-	(923)
Work in progress expenditure		-	-	-	-	-	-	-	-	-	60,913	60,913
Transfers from work in progress		-	-	-	-	-	-	-	-	-	(59,624)	(59,624)
Additions		1,076	2,923	6,202	22,501	742	9,836	5,093	10,788	231	-	59,392
Contributed assets at fair value	5(b)	80	-	12	6,925	16,998	10,462	292	-	-	-	34,769
Disposals		(754)	(57)	(5,286)	(4,774)	(123)	(771)	(968)	(600)	(359)	-	(13,692)
Revaluation adjustments		(429)	10,991	-	15,428	38,395	122,274	-	5,451	(6,170)	-	185,940
Transfers between asset classes		344	(7)	(1,268)	145	(189)	-	-	-	(1)	-	(976)
<b>Closing gross value at 30 June 2016</b>		<b>228,544</b>	<b>137,133</b>	<b>45,717</b>	<b>830,719</b>	<b>585,068</b>	<b>1,156,584</b>	<b>84,578</b>	<b>291,493</b>	<b>13,465</b>	<b>32,402</b>	<b>3,405,703</b>
<b>Accumulated depreciation</b>												
<b>Opening balance at 1 July 2015</b>		<b>-</b>	<b>58,762</b>	<b>24,139</b>	<b>210,526</b>	<b>127,878</b>	<b>387,461</b>	<b>37,507</b>	<b>40,708</b>	<b>5,184</b>	<b>-</b>	<b>892,165</b>
Depreciation adjustments		-	-	3	-	(6)	-	111	-	(2,280)	-	(2,172)
Depreciation for the year	8	-	3,114	4,469	14,178	5,714	16,956	3,516	2,352	487	-	50,786
Depreciation on disposals		-	(53)	(4,200)	(3,008)	(24)	(439)	(835)	(517)	(154)	-	(9,230)
Depreciation on revaluation adjustments		-	(15,851)	-	7,224	9,965	48,452	-	835	(624)	-	50,001
Depreciation on transfers between asset classes		-	16	(812)	36	-	-	-	-	(3)	-	(763)
<b>Accumulated depreciation at 30 June 2016</b>		<b>-</b>	<b>45,988</b>	<b>23,599</b>	<b>228,956</b>	<b>143,527</b>	<b>452,430</b>	<b>40,299</b>	<b>43,378</b>	<b>2,610</b>	<b>-</b>	<b>980,787</b>
<b>Council book value as at 30 June 2016</b>		<b>228,544</b>	<b>91,145</b>	<b>22,118</b>	<b>601,763</b>	<b>441,541</b>	<b>704,154</b>	<b>44,279</b>	<b>248,115</b>	<b>10,855</b>	<b>32,402</b>	<b>2,424,916</b>
<b>Consolidated book value as at 30 June 2016</b>		<b>228,544</b>	<b>91,145</b>	<b>22,121</b>	<b>601,763</b>	<b>441,541</b>	<b>704,154</b>	<b>44,279</b>	<b>248,115</b>	<b>10,855</b>	<b>32,391</b>	<b>2,424,908</b>

RIC held no material property, plant and equipment as at 30 June 2016. As such, the consolidated results are presented in aggregate.

Land with a carrying value of \$12,558,900 has restricted use as a result of a development management agreement entered into with the Walker Group for development of the Toondah Harbour Priority Development Area (refer Note 17).

REDLAND CITY COUNCIL  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

Note	Consolidated		Council	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>13 Trade and other payables</b>				
Creditors and accruals	32,306	16,013	32,527	16,052
Annual leave	6,694	6,342	6,617	6,307
	<u>39,000</u>	<u>22,355</u>	<u>39,144</u>	<u>22,359</u>

Creditors and accruals are expected to be settled within 12 months. Of the consolidated annual leave balance, \$5,025,126 (2016: \$4,927,840) is expected to be settled within 12 months from balance date and \$1,669,440 (2016: \$1,414,885) is expected to be settled after 12 months.

**14 Borrowings**

**(a) Current**

Loans - Queensland Treasury Corporation (QTC)	7,713	7,702	7,713	7,702
	<u>7,713</u>	<u>7,702</u>	<u>7,713</u>	<u>7,702</u>

**(b) Non-current**

Loans - Queensland Treasury Corporation (QTC)	37,486	42,155	37,486	42,155
	<u>37,486</u>	<u>42,155</u>	<u>37,486</u>	<u>42,155</u>

**Movement in loans:**

Opening balance at 1 July	49,857	54,455	49,857	54,455
Loan repayment - principal*	(6,778)	(4,598)	(6,778)	(4,598)
Loan repayment - interest	(1,066)	(3,354)	(1,066)	(3,354)
Accrued interest expense	3,186	3,354	3,186	3,354
Closing balance at 30 June	<u>45,199</u>	<u>49,857</u>	<u>45,199</u>	<u>49,857</u>

\* When Council borrows, it borrows from the QTC. Council's borrowing capacity is constrained by the provisions of the *Statutory Bodies Financial Arrangements Act 1982*. Following QTC's restructure of loans, the existing loan accounts were converted to fixed rate loans on 1 April 2016 in line with QTC policies. Council's annual payment in July 2016 settled a substantial portion of the principal debt.

The market value of QTC loans at the reporting date was \$51,470,349 (2016: \$58,751,489). This represents the debt value at the current market interest rate if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts. No assets have been pledged as security by the Council for any liabilities, however all loans are ultimately guaranteed by the Queensland Government. Expected final repayment dates vary from 15 July 2021 to 15 July 2026. There have been no defaults or breaches of the loan agreement during the year.

Borrowings are in AUD denominated amounts and carried at amortised cost, interest is expensed as it is incurred. This is at a weighted average borrowing rate of 7.55%. No borrowing costs were capitalised on qualifying assets.

Council measures and manages its exposure to liquidity risk through a maturity analysis. The remaining contractual cash flows of financial liabilities at the end of the reporting period were:

Less than 1 year	7,844	7,844	7,844	7,844
1 to 5 years	31,374	31,374	31,374	31,374
Over 5 years	16,949	24,793	16,949	24,793
Total contractual cash flows	56,167	64,011	56,167	64,011
Carrying amount	45,199	49,857	45,199	49,857

**15 Provisions**

**(a) Current**

Landfill rehabilitation	2,137	3,554	2,137	3,554
Workers compensation	603	444	603	444
Long service leave	9,700	9,326	9,689	9,318
	<u>12,440</u>	<u>13,324</u>	<u>12,429</u>	<u>13,316</u>

**(b) Non-current**

Quarry rehabilitation	339	-	339	-
Landfill rehabilitation	8,984	10,177	8,984	10,177
Workers compensation	967	462	967	462
Long service leave	1,840	1,795	1,818	1,777
	<u>12,130</u>	<u>12,434</u>	<u>12,108</u>	<u>12,416</u>

**(c) Long service leave**

Of the consolidated current long service leave balance, \$1,105,233 (2016: \$934,000) is expected to be settled within 12 months from balance date and \$8,595,192 (2016: \$8,391,807) is expected to be settled after 12 months. The non-current portion, \$1,840,128 (2016: \$1,795,297) relates to employees who have not yet reached the required years of service to be entitled to take long service leave.

Current long service leave (expected settlement within 12 months)	1,105	934	1,104	934
Current long service leave (expected settlement after 12 months)	8,595	8,392	8,585	8,384
Non-current long service leave	1,840	1,795	1,818	1,777
Total long service leave	<u>11,540</u>	<u>11,121</u>	<u>11,507</u>	<u>11,095</u>



REDLAND CITY COUNCIL  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

Note	Consolidated		Council	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>15 Provisions - continued</b>				
<b>Movements in provisions:</b>				
<u>Quarry rehabilitation</u>				
Opening balance at 1 July	-	-	-	-
Increase in provision	339	-	339	-
Closing balance at 30 June	339	-	339	-
This is the estimated present value cost of restoring the quarry site to as near its original condition as possible at the end of its useful life.				
<u>Landfill rehabilitation</u>				
Opening balance at 1 July	13,731	15,940	13,731	15,940
Increase/(decrease) in provision due to change in discount rate and costs	(922)	1,669	(922)	1,669
Provision utilised during the period	(1,896)	(4,081)	(1,896)	(4,081)
Increase in provision due to passage of time - borrowing costs	208	203	208	203
Closing balance at 30 June	11,121	13,731	11,121	13,731
This is the estimated present value cost of restoring closed landfill sites across the city and is based on Council's 10 year program. The program is funded by a separate charge.				
<u>Workers compensation</u>				
Opening balance at 1 July	906	795	906	795
Adjustment for period	664	111	664	111
Closing balance at 30 June	1,570	906	1,570	906
<u>Long service leave</u>				
Opening balance at 1 July	11,121	10,157	11,095	10,142
Long service leave entitlement raised	1,720	2,070	1,701	2,059
Long service entitlement used/extinguished	(693)	(703)	(681)	(703)
Long service entitlement paid	(608)	(403)	(608)	(403)
Closing balance at 30 June	11,540	11,121	11,507	11,095

**16 Asset revaluation surplus**

The closing balance of the asset revaluation surplus comprises the following asset categories. Increases and decreases on revaluation are offset within a class of assets.

Land	71,412	63,625	71,412	63,625
Buildings	62,016	58,356	62,016	58,356
Roads	291,927	285,403	291,927	285,403
Stormwater drainage	224,901	231,443	224,901	231,443
Water and wastewater	165,105	73,822	165,105	73,822
Parks	43,190	43,190	43,190	43,190
Other infrastructure	211,137	206,360	211,137	206,360
Waste	1,151	1,151	1,151	1,151
	<b>1,070,839</b>	<b>963,350</b>	<b>1,070,839</b>	<b>963,350</b>

**17 Commitments**

**Operating leases**

Future minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	1,178	1,150	1,178	1,150
1 to 5 years	4,882	4,788	4,882	4,788
Greater than 5 years	6,151	7,362	6,151	7,362
	<b>12,211</b>	<b>13,300</b>	<b>12,211</b>	<b>13,300</b>

**Operating contractual commitments**

Contractual commitments at end of financial year but not recognised in the financial statements are as follows:

Roadworks	1,365	728	1,365	728
Water and wastewater	1,352	2,461	1,352	2,461
Waste	17,531	32,880	17,531	32,880
Other	13,821	25,327	13,821	25,327
	<b>34,069</b>	<b>61,396</b>	<b>34,069</b>	<b>61,396</b>

These expenditures are payable:

Within 1 year	26,438	40,881	26,438	40,881
1 to 5 years	7,451	20,515	7,451	20,515
Greater than 5 years	180	-	180	-
	<b>34,069</b>	<b>61,396</b>	<b>34,069</b>	<b>61,396</b>

**Capital contractual commitments**

Commitments for the construction of the following assets contracted for at year end but not recognised as liabilities are as follows and are payable within 1 year:

Roadworks	45	16	45	16
Water and wastewater	3,408	8,869	3,408	8,869
Waste	88	1,117	88	1,117
Other	7,841	10,603	7,841	10,603
	<b>11,382</b>	<b>20,605</b>	<b>11,382</b>	<b>20,605</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**17 Commitments – continued**

Redland City Council has conditionally entered into a Development Management Agreement (DMA) with the Minister of Economic Development Queensland (MEDQ) and Walker Group (Walker) to develop certain land owned by Council and the State as part of the Toondah Harbour project. The DMA was executed in February 2016 and is currently conditional on meeting of a number of requirements such as Native Title, Land Tenure, and an Environmental Impact Statement. In accordance with the DMA, Council land to be developed by Walker as part of this project, which is included in property, plant and equipment and has a carrying value of \$13,312,434 (2016: \$12,558,900), will be leased/licenced to Walker during the development period and is restricted in its use to this purpose only. A portion of the land will be developed and sold to third parties (through Walker). The remaining land, together with community infrastructure assets, will be transferred (where not already owned) to Council.

**18 Contingent liabilities and contingent assets****Contingent liabilities:**

Details and estimates of contingent liabilities as at 30 June 2017 are as follows:

WorkCover self-insurer liability

The estimated claims liability for Council as a self-insurer under the *Workers Compensation and Rehabilitation Act 2003* ('the Act') as at 30 June 2017 is \$1,396,000 (2016: \$944,000) where estimated claims liability is defined in Section 84 of the Act. The Actuary has recommended that a provision be recognised for \$1,570,000 (2016: \$906,000) for the total estimated claims liability. Council has in place a bank guarantee with the ANZ Banking Group Ltd for \$5,000,000 (2016: \$5,000,000).

Other claims

The Quandamooka-Redland City Council Indigenous Land Use Agreement (ILUA) sets out broad principles and mechanisms for how parties will work together and meet their respective responsibilities for mutual benefits in accordance with the *Native Title Act 1994*. The ILUA establishes native title validation and consultation for Council's projects and a framework for other policies, programmes and initiatives for the mutual benefit of parties and local community.

Based on advice from Council's solicitors, there are a number of claims and legal proceedings that may result in financial settlement being made by Council to resolve the litigation. The total of these contingent liabilities, liability for which is not admitted, is estimated at \$330,000.

Landfill remediation

Council has historically recognised, and continues to recognise, a provision for the remediation of former landfill sites throughout the city to ensure compliance with legal obligations. The legal obligation is broad and covered in a range of legislation such as the *Environmental Protection Act 1994*, *Petroleum and Gas (Production and Safety) Act 2004*, *Sustainable Planning Act 2009* and *Work Health and Safety Act 2011*, plus subordinate legislation (such as various regulations and codes of practice) and other industry guidelines.

Council is taking a risk-based approach to justify and prioritise expenditure for managing these landfills with aftercare management plans under development for each site. Risks will continue to be reviewed and updated in line with relevant information from site inspections, detailed investigations, environmental monitoring results, asset owner feedback, site master plans and other service standards. Costs may change over time and at least annually, this program will be reviewed to reflect the dynamic circumstances against Council prudence and efficiency measures.

**Contingent assets:**

Council has no contingent assets at the date of this report.

**19 Superannuation**

Redland City Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a multi-employer plan as defined in the Australian Accounting Standard AASB 119 *Employee Benefits*.

The Local Government Investment Australia Super (LGIA Super), the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has three elements, referred to as:

- Accumulation Benefits Fund (ABF);
- City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund; and
- Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments.

The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in, the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

Council does not have any employees who are members of the CDBF and, therefore is not exposed to the obligations, assets or costs associated with this fund.

The Regional DBF is a defined benefit plan as defined in AASB 119. Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB 119 because the scheme is unable to account to Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

Note	Consolidated		Council	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000

**19 Superannuation - continued**

Any amount by which the fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date".

In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Under the *Local Government Act 2009* the trustee of the scheme has the power to levy additional contributions on councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

There are currently 65 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 65 entities. Redland City Council made less than 4% of the total contributions to the plan in the financial year ended 30 June 2017.

The next actuarial valuation will be conducted as at 1 July 2018.

The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:

8,037	7,634	7,946	7,634
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The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of councillors was:

142	139	142	139
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**20 Trust funds**

Monies collected or held on behalf of other entities

7,668	7,343	7,668	7,343
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These funds relate to monies yet to be paid out to or on behalf of those entities and Council performs only a custodial role in respect of these monies. Council separately accounts for all trust funds through a dedicated trust ledger and within a separate account whereby balances are excluded from the Consolidated Statement of Financial Position.

**21 Reconciliation of net result for the year to net cash flows from operating activities**

<b>Net result</b>		<b>39,530</b>	<b>65,178</b>	<b>38,704</b>	<b>65,758</b>
<u>Non-cash items</u>					
Depreciation and amortisation	8	56,511	51,717	56,504	51,717
Prior years errors corrected in-year		22	(1,363)	22	(1,363)
Net accrued interest	14	2,120	-	2,120	-
Non-cash contributions	5(b)	(27,776)	(34,769)	(27,776)	(34,769)
Bad and doubtful debts		151	(25)	151	(25)
Cost of land sold - acquired as contributed equity		737	-	-	-
Land acquired in lieu of rates		(2)	(2)	(2)	(2)
Impairment of assets classified as held-for-sale		-	1,289	-	1,289
Fair value adjustment - investment property		(1,303)	(98)	(37)	(98)
		<u>30,460</u>	<u>16,749</u>	<u>30,982</u>	<u>16,749</u>
<u>Investing and development activities</u>					
Net loss on disposal of non-current assets		7,943	3,152	7,943	3,152
Capital grants and contributions	5(b)	(30,696)	(33,438)	(30,696)	(33,438)
		<u>(22,753)</u>	<u>(30,286)</u>	<u>(22,753)</u>	<u>(30,286)</u>
<u>Changes in operating assets and liabilities</u>					
(Increase)/decrease in trade and other receivables		(1,558)	(830)	(1,619)	(762)
(Increase)/decrease in other current assets and inventories		(364)	(918)	174	(918)
Increase/(decrease) in trade and other payables		15,333	661	15,829	912
Increase/(decrease) in provisions		(1,189)	(1,158)	(1,196)	(1,145)
Increase/(decrease) in other current liabilities		(1,693)	696	(1,693)	696
		<u>10,529</u>	<u>(1,549)</u>	<u>11,495</u>	<u>(1,217)</u>
<b>Net cash inflow/(outflow) from operating activities</b>		<b><u>57,766</u></b>	<b><u>50,092</u></b>	<b><u>58,428</u></b>	<b><u>51,004</u></b>

REDLAND CITY COUNCIL  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**22 Fair value measurements**

The carrying amount of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment where relevant. The carrying value of cash and cash equivalents is a reasonable approximation of fair value and therefore separate disclosures of the fair values are not required.

Investments in 100% controlled entities and investments in other entities do not have a quoted market price in an active market and are valued at cost less any impairment. Shares in controlled entities have been eliminated on consolidation.

Redland City Council measures land, buildings, infrastructure assets and investment property at fair value on a recurring basis.

In accordance with AASB 13, fair value measurements are categorised on the following basis:

- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Fair value based on inputs that are directly or indirectly observable for the asset or liability (Level 2)
- Fair value based on unobservable inputs for the asset and liability (Level 3)

All fair value measurements are recurrent and categorised as either Level 2 or Level 3. Council does not hold any assets valued using Level 1 inputs. Where all significant inputs used to value the asset are observable, the asset is valued at Level 2. However, if one or more of the significant inputs are unobservable, the asset is valued as Level 3.

The following table represents the material asset classes measured and recognised at fair value at 30 June 2017.

2017	Gross value	Written down value	Level 2	Level 3
	\$000	\$000	\$000	\$000
Land	241,789	241,789	20,587	221,202
Buildings	142,893	92,367	-	92,367
Roads	872,438	623,786	-	623,786
Stormwater drainage	590,560	443,495	-	443,495
Water and wastewater	1,309,127	807,715	-	807,715
Parks	91,734	48,458	-	48,458
Other infrastructure	288,949	247,209	-	247,209
Waste	14,275	11,850	-	11,850
	<b>3,551,765</b>	<b>2,516,669</b>	<b>20,587</b>	<b>2,496,082</b>

2016	Gross value	Written down value	Level 2	Level 3
	\$000	\$000	\$000	\$000
Land	228,544	228,544	11,948	216,596
Buildings	137,133	91,145	-	91,145
Roads	830,719	601,763	-	601,763
Stormwater drainage	585,068	441,541	-	441,541
Water and wastewater	1,156,584	704,154	-	704,154
Parks	84,578	44,279	-	44,279
Other infrastructure	291,493	248,115	-	248,115
Waste	13,465	10,855	-	10,855
	<b>3,327,584</b>	<b>2,370,396</b>	<b>11,948</b>	<b>2,358,448</b>

Council's policy is to recognise transfers in and out of the fair value hierarchy levels (if any) at the end of the reporting period and is consistent with the previous year. Details of valuation movements are shown in Note 12. The additional in year movements for land assets held at level 2 and level 3 are reflected in the table below.

2017 Land	Level 2	Level 3	Total
	\$000	\$000	\$000
Opening balance 1 July 2016	11,948	216,596	228,544
Additions and contributions	8,310	2,084	10,394
Disposals	(2)	-	(2)
Transfer level 3 to level 2	-	-	-
Transfer level 2 to level 3	-	-	-
Internal transfer	-	(4,934)	(4,934)
Revaluation	331	7,456	7,787
Closing balance 30 June 2017	<b>20,587</b>	<b>221,202</b>	<b>241,789</b>

2016 Land	Level 2	Level 3	Total
	\$000	\$000	\$000
Opening balance 1 July 2015	12,506	215,721	228,227
Additions and contributions	19	1,137	1,156
Disposals	(21)	(733)	(754)
Transfer level 3 to level 2	12,014	(12,014)	-
Transfer level 2 to level 3	(11,829)	11,829	-
Internal transfer	-	344	344
Revaluation	(741)	312	(429)
Closing balance 30 June 2016	<b>11,948</b>	<b>216,596</b>	<b>228,544</b>

## 22 Fair value measurements - continued

### Valuation techniques used to derive fair values

The specific valuation techniques used to value Council's assets are documented below. Fair value represents the highest and best use of the assets having regard to the optimal financial, physical and legal use of the asset. Residual values have not been applied to any asset category.

### Land

All council freehold land was comprehensively valued as at 30 June 2016 by qualified independent external valuer, AssetVal Pty Ltd.

The valuations were based on publicly available data on sales of similar land in nearby localities applying a direct comparison method. Where an active market exists and there are no unreasonable restrictions as to use and/or sale, the land was deemed to be valued as Level 2.

Where no active market existed, or there were restrictions on the use and/or sale, the land was assessed as Level 3. Land carrying a parkland zone, or land utilised for footpath or access restriction purposes, or due to its general characteristics, land that has no observable active market, has been assessed as Level 3. The most significant input to the determination of fair value is the value per square metre.

Qualified external valuer AssetVal was commissioned to undertake an independent indexation analysis at 30 June 2017. Recent land sales trends and other market evidence were considered to derive a suitable indexation rate.

### Buildings

All buildings were comprehensively valued as at 30 April 2016 by independently qualified external valuer Cardno (Qld) Pty Ltd. The valuation was applied to the accounts as at 30 June 2016 as no material movement since valuation was identified. Due to the specialist nature of these assets and the absence of an active market, fair value was assessed by using the depreciated replacement cost methodology, however has been informed by property sales data where relevant and available.

Replacement cost was determined with reference to construction costing data contained in Rawlinsons Australia Construction Handbook and databases built from research by external valuer Cardno. Major buildings have been split into components, and these components were valued separately to reflect differing expectations of condition and useful life. Assessment of economic and remaining life was based on historical assessment of similar assets and drawing on experience of the valuer, and this was the basis for determining the depreciated value. Residual values have not been applied to the building assets.

Physical site inspections were carried out by Cardno on a sample of buildings. The purpose was to confirm the existence and assess the condition of the buildings. The condition assessment was used as an indication of how the assets are contributing to the current performance and to determine fair value accordingly. For buildings not assessed as part of the revaluation exercise, Cardno utilised the recent condition assessment data prepared by the FCT Management Group as a basis to derive fair values.

Although some inputs would be considered as Level 2 (replacement cost valuation), significant assumptions were applied in the assessment of condition, expected useful life and remaining life and therefore these assets are considered to be valued as Level 3.

Qualified external valuer Cardno was commissioned to undertake an independent indexation analysis at 30 June 2017. Various published indices were used to identify cost trends and the valuation took into consideration the effects of price, technological change, asset types and asset location to derive a suitable indexation rate.

### Road infrastructure assets

Road assets were comprehensively valued as at 1 July 2013 by Cardno. As these are specialist public service assets that are rarely independently sold, depreciated replacement cost was determined as the most appropriate valuation method. These assets were considered to have been valued using Level 3 inputs.

Unit rates were determined with reference to recent Council construction data, Cardno developed databases and cost curves, Rawlinsons Australia Construction Handbook, and other published building indexes. These rates were applied to the asset specifications including depth, length and width. Unit rates take into consideration material, labour, service and overhead costs (Survey 6%, Design 5%, Engineering supervision 3%, Project Management 6%). All roads are divided into segments and componentised into earthworks, base, sub-base and surface to reflect different lives to each component.

Useful lives were developed by Cardno with reference to common engineering and industry practice standards and Council's historical evidence. The expected lives of major culvert assets were reduced by 20% if located within 50m of the coast and 40% if located in poor soils. A review of the pavement rehabilitation history suggested longer base course useful lives for low traffic roads less than 20 years old and as a result longer lives were adopted for these assets.

Pavement condition was determined by Council officers assessing the following criteria: cracks, ravelling, potholes, roughness, rutting and SMEC Pavement Condition Index. Correlation between condition data and age could not be determined and therefore an age based model was adopted to determine remaining useful life and accumulated depreciation. Remaining life and therefore accumulated depreciation was determined on an age basis for all other roads assets.

The significant unobservable inputs used in the valuation of road infrastructure assets were: expected useful life, remaining life and condition.

Qualified external valuer Cardno was commissioned to undertake an independent indexation analysis at 30 June 2016 and again at 30 June 2017. Various published indices were used to identify cost trends and the valuation took into consideration the effects of price, technological change, asset types and asset location to derive a suitable indexation rate.

## 22 Fair value measurements - continued

### **Stormwater drainage infrastructure assets**

Stormwater drainage assets were independently valued as at 1 July 2013 by qualified external valuer Cardno. As these are specialist public service assets that are rarely independently sold, depreciated replacement cost was determined as the most appropriate valuation method. These assets were considered to have been valued using Level 3 inputs. Unit rates and replacement costs were determined with reference to recent Council construction data, Cardno developed databases and cost curves, Rawlinsons Australia Construction Handbook, and other building indexes. These rates were applied to the asset specifications including depth, length and width. Unit rates take into consideration material, labour, service and overhead costs (Survey 6%, Design 5%, Engineering Supervision 3%, Project Management 6%).

Other cost factors considered when developing replacement costs for passive assets were soil and development type, economies of scale and asset depth. These factors together with the asset condition, expected useful life and remaining life are considered the significant unobservable inputs used in the valuation.

Useful lives were developed by Cardno with reference to common engineering and industry practice standards and Council's historical evidence. The lives of assets located within 50m of the coast or in poor soils were adjusted to reflect a varied life expectancy.

Condition assessments of Gross Pollutant Traps - Simple and Complex were conducted by Council officers with reference to predetermined condition criteria and remaining life was derived by application of a predetermined scale.

The remaining useful life of all other Stormwater assets was determined on an aged basis with reference to the total expected life of the asset and as a result the accumulated depreciation was calculated on a straight line basis. Assets are componentised to reflect varying expected lives and consumption patterns.

Qualified external valuer Cardno was commissioned to undertake an independent indexation analysis at 30 June 2016 and again at 30 June 2017. Various published indices were used to identify cost trends and the valuation took into consideration the effects of price, technological change, asset types and asset location to derive a suitable indexation rate.

### **Water and wastewater infrastructure assets**

Water and Wastewater assets were comprehensively valued as at 30 June 2017 by registered valuer Cardno. Depreciated replacement cost was determined as the most appropriate valuation method as these are specialist public service assets that are rarely independently sold and as such were classified as being valued using Level 3 inputs. Significant components with differing expected useful lives and replacement costs were valued separately.

Replacement costs were based on the replacement of the assets with a modern, engineering equivalent with cost factor adjustments applied to reflect the location and site conditions likely on replacement. The costs have been resourced with reference to researched cost data for recent Redland City Council projects and industry costing data and include 20% oncosts (Survey 6%, Design 5%, Construction Supervision 3%, and Project Management 6%).

Cost factors taken into consideration when determining replacement cost of underground assets were soil and development type. An additional cost factor was applied to all assets located in island locations.

Remaining life of the assets was determined with consideration to the age and condition where assessed, with reference to useful lives developed by Cardno using common engineering and industry practice standards and assessed against Redland City Council data.

The condition of passive assets was determined with reference to the age of the assets, while the condition of active assets was determined by Cardno through sampled visual inspection against predetermined condition criteria.

Condition assessments were assessed against expected useful life to determine indicative remaining useful lives and determine accumulated depreciation and fair value.

The significant unobservable inputs used in the valuation were soil, development and island factors; asset condition (active assets); and total expected life and remaining life.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2017

**22 Fair value measurements - continued****Parks infrastructure assets**

Parks infrastructure assets were independently valued as at 30 April 2015 by qualified external valuer Cardno. The valuation was applied to the accounts as at 30 June 2015 as no material movement since valuation was identified. Depreciated replacement cost was determined as the most appropriate valuation method as these are specialist public service assets that are rarely independently sold and as a result were considered to have been valued using Level 3 valuation inputs.

Replacement cost was determined with reference to Council's historical construction records, Cardno's own database of construction costs and other published cost guides. Transportation and other costs unique to work completed on the Islands has been taken into consideration through the application of an island factor to these assets.

Asset condition was assessed by RCC internal experts and a sample confirmed as part of the valuation process by the valuer. Condition ratings were assigned based on the International Management Manual Condition Ratings (1 as new to 5 poor). Remaining lives were derived based on the condition of the assets including factors such as the age of the asset, overall condition as noted during inspection, economic and/or functional obsolescence.

The assets were depreciated with reference to expected useful lives determined through application of industry standard ranges (including Institute of Public Works Engineering Australia (IPWEA)), historic assessment of similar assets, and experience gained from similar valuations by Cardno. The condition assessment directly translates to the level of the depreciation applied.

Although some inputs would be considered as Level 2 (replacement cost valuation), significant assumptions were applied in the assessment of condition and remaining life and therefore these assets are considered to be valued as Level 3. The significant unobservable inputs used in the valuation were asset condition, total expected life and remaining life.

**Other infrastructure assets**

These assets include marine, jetty facilities and seawalls and were comprehensively valued as at 30 April 2015 by independent qualified external valuer Cardno. The valuation was applied to the accounts as at 30 June 2015 as no material movement since valuation was identified. Depreciated replacement cost was determined as the most appropriate valuation method as these are specialist public service assets that are rarely independently sold.

Replacement cost was determined with reference to Council's historical construction records, Cardno's own database of construction costs and other published cost guides. Transportation and other costs unique to work completed on the islands has been taken into consideration by applying an island factor to these assets.

Remaining lives were assigned based on physical assessment of the condition of the assets as noted by the valuer during inspection including factors such as the age of the asset, overall condition, economic and/or functional obsolescence. The assets were depreciated with reference to expected useful lives determined through application of industry standards (including IPWEA), historic assessment of similar assets, and experience gained from similar valuations by Cardno.

Although some inputs would be considered as Level 2 (replacement cost valuation), significant assumptions were applied in the assessment of condition and remaining life and therefore these assets are considered to be valued as Level 3.

The significant unobservable inputs used in the valuation were asset condition, total expected life and remaining life.

Qualified external valuer Cardno were commissioned to undertake an independent indexation analysis at 30 June 2016 and again at 30 June 2017. Various published indices were used to identify cost trends and the valuation took into consideration the effects of price, technological change, asset types and asset location to derive a suitable indexation rate.

**Waste infrastructure assets**

All waste assets were independently valued as at 30 April 2016 by qualified external valuer AssetVal. The valuation was applied to the accounts as at 30 June 2016 as no material movement since valuation was identified. Depreciated replacement cost was determined as the most appropriate valuation method as these are specialist public service assets that are rarely independently sold.

Replacement cost was derived through the application of unit rates through summation of the cost components of the assets. Costs components were determined with reference to direct price quotes obtained from suppliers, reference to costs guides including Rawlinsons Australia Construction Handbook and review of Council's historic costs. A mobilisation factor was also applied for assets located in island locations.

Remaining lives were assigned based on physical assessment of the condition and age of the assets by the valuer. The assets were depreciated on a straight line basis with reference to expected useful lives determined through application of industry standard ranges (including IPWEA), historic assessment of similar assets, and experience gained from similar valuations by AssetVal.

Although some inputs would be considered as Level 2 (replacement cost valuation), significant assumptions were applied in the assessment of condition and remaining life and therefore these assets are considered to be valued as Level 3. The significant unobservable inputs used in the valuation were asset condition, total expected life and remaining life.

REDLAND CITY COUNCIL  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**23 National Competition Policy**

**Business activities to which the Code of Competitive Conduct (CCC) is applied**

A government business activity is one which competes with private businesses and exceeds thresholds set by the Department of Infrastructure, Local Government and Planning. In order to remove any advantages or disadvantages, the competitive neutrality principle must be applied.

Council resolved to apply the CCC to the following business activities during the financial year ended 30 June 2017:

Significant Business Activities: Water and wastewater; Waste Management  
Prescribed Business Activity: Building Certification

**Financial performance of activities subject to the CCC:**

Business Activities - 2017	Significant Businesses		Prescribed Business
	Water and Wastewater	Waste Management	Building Certification
	\$000	\$000	\$000
Revenue for services provided to Council	2,610	619	11
Revenue for services provided to external clients	103,296	22,207	70
Community service obligations	372	1,475	20
	106,278	24,301	101
Less: Expenditure	93,371	18,751	500
Operating surplus/(deficit)	<b>12,907</b>	<b>5,550</b>	<b>(399)</b>

**Description of Community Service Obligations (CSOs):**

Activities	CSO Description	Actual \$000
Water and Wastewater	CSOs	
	Water not-for-profit	89
	Wastewater not-for-profit	283
		<b>372</b>
Waste Management	CSOs	
	Birkdale Sanitary Landfill - Gate Waiver Fees	50
	Redland Bay Transfer Station	3
	North Stradbroke Island Transfer Station	347
	Kerbside Recycling	17
	Kerbside Waste Collection	28
	Kerbside Greenwaste Collection	1
	Bulky Item Collection for HAS clients	22
	Russell Island Transfer Station	338
	Macleay Island Transfer Station	344
	Lamb Island Transfer Station	102
Karragarra Island Transfer Station	85	
Coochlemudlo Island Transfer Station	138	
		<b>1,475</b>
Building Certification Services	CSOs	
	Delivery of professional advice to customers	20
		<b>20</b>

**Anticipated changes to business activities**

It is expected that there will be no new business activities to which the CCC will be applied for the financial year ending 30 June 2018. Building Certification will no longer be a business activity to which the CCC will be applied for the financial year ending 30 June 2018. Roads activity continues to not meet the definition to which the CCC will be applied as it does not involve itself in competitive bids.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

## 24 Transactions with related parties

## (a) Subsidiaries

The group consists of the parent entity Redland City Council and four subsidiaries (Note 1(b)).

The following transactions occurred between Council and its subsidiaries for year ended 30 June 2017:

## Redland Investment Corporation Pty Ltd (RIC)

Details of transaction	\$000
Asset contribution by Council*	8,751
Services provided by Council to RIC**	157
Services provided by RIC to Council***	583
GST paid by Council and subsequently received from RIC	147
GST refunds claimed by Council and subsequently paid to RIC	63

## RIC Toondah Pty Ltd

RIC Toondah Pty Ltd manage the RIC Toondah joint operation (refer Note 1(b)). Transactions with RIC Toondah include an accrual of \$11,238 in relation to joint operation costs.

- \* Asset contribution consists of transfer of land at book value by Council resolution. Based on current valuation methodology the book value is reflecting of the fair value of the property. Rates charges on properties transferred to RIC is waived according to Council resolution.
- \*\* Recovery of overheads and other costs in the provision of facilities, admin and organisational services, which include renting of office space, legal services, financial services, information management services and fleet services. Cost of these services are based on the Service Level Agreement (SLA).
- \*\*\* RIC is conducting work in certain priority development areas on Council behalf. RIC's invoice to Council for the work undertaken are based on Service Level Agreement (SLA).

## (b) Transactions with key management personnel (KMP)

Key management personnel include the Mayor, Councillors and Executive Leadership Team. The compensation earned by key management personnel for year ended 30 June 2017 comprises:

Details of transaction	\$000
Short-term employee benefits*	3,251
Post-employment benefits**	412
Long-term employee benefits***	215
Termination benefits	208
Total	4,086

- \* Short-term employee benefits include salaries, paid sick leave, allowances and any non-monetary benefits provided such as Council vehicles.
- \*\* Post-employment benefits include employer superannuation contributions.
- \*\*\* Long-term employee benefits include annual leave and long service leave accrued during the year.

Detailed remuneration disclosures are provided in the annual report.

## (c) Transactions with other related parties

Other related parties include the KMP, close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members.

Details of transactions between Council and other related parties are disclosed below:

Details of transaction	\$000
Employee expenses for close family members of key management personnel*	288

- \* All close family members of KMP were employed through an arm's length process and are paid in accordance with the Award for the job they perform.

Council employs 1000 staff of which only 4 are close family members of key management personnel.

**24 Transactions with related parties - continued**

**(d) Outstanding balances**

The following balances are outstanding at the reporting date in relation to transactions with related parties:

**Current receivables**

Name of the person/entity	\$000
Redland Investment Corporation Pty Ltd	99

**Current payables**

Name of the person/entity	\$000
Redland Investment Corporation Pty Ltd	272

**(e) Loans and guarantees to/from related parties**

Council did not make loans to or receive loans from related parties in the financial year ended 30 June 2017. No guarantees were provided.

**(f) Commitments to / from related parties**

Refer PPE note for the restricted land (Note 12 and Note 17).

**(g) Transactions with LGIA super**

Refer Note 19 for the transactions with LGIA Super.

**(h) Transactions with related parties that have not been disclosed**

Most of the entities and people that are related parties of Council live and operate within the Redland City area. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- payment of rates
- use of Council owned facilities such as swimming pool
- animal registration
- borrowing books from a Council library

Council has not included these types of transaction in its disclosure where they are made on the same terms and conditions available to the general public.

**25 Events after the reporting period**

Council entered into a loan agreement with Redland Investment Corporation Pty Ltd on 25 July 2017 for Council to provide a \$3.5M loan to fund the development undertaken by AVA Terraces Pty Ltd. This is a short term loan, expected to be repaid by 30 June 2018.

Cleveland Plaza Pty Ltd (Cleveland Plaza) was incorporated on 27 July 2017 and is limited by shares. RIC has 100% ownership of Cleveland Plaza. Cleveland Plaza was formed to purchase and hold 48 Bloomfield Street, Cleveland.

On 29 September 2017, RIC declared a dividend to Council in the amount of \$500,000, payable on 1 November 2017.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected the consolidated entity's operations.

REDLAND CITY COUNCIL  
**CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**MANAGEMENT CERTIFICATE**  
For the year ended 30 June 2017

These general purpose financial statements have been prepared pursuant to Sections 176 and 177 of the *Local Government Regulation 2012* (the Regulation) and other prescribed requirements.

In accordance with Section 212(5) of the Regulation we certify that:

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements present a true and fair view, in accordance with Australian Accounting Standards, of Council and consolidated entity transactions for the financial year and financial position at the end of the year



**Mayor**  
Karen Williams

Date: 12 / 10 / 17



**Chief Executive Officer**  
Andrew Chesterman

Date: 12 / 10 / 2017

## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Redland City Council

### Report on the Audit of the Financial Report

#### Opinion

I have audited the accompanying financial report of Redland City Council (the council) and its controlled entities (the group).

In my opinion, the financial report:

- a) gives a true and fair view of the council's and group's financial position as at 30 June 2017, and of their financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the *Local Government Regulation 2012* and Australian Accounting Standards.

The financial report comprises the statements of financial position as at 30 June 2017, the statements of comprehensive income, statements of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

#### Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the council and group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Other information

Other information comprises the information included in Redland City Council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the *Local Government Regulation 2012*, I have expressed a separate opinion on the current year financial sustainability statement.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

### **Responsibilities of the council for the financial report**

The council is responsible for the preparation of the financial report that gives a true and fair view in accordance with *the Local Government Act 2009*, the *Local Government Regulation 2012* and Australian Accounting Standards, and for such internal control as the council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The council is also responsible for assessing the council's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the council or to otherwise cease operations of the group.

### **Auditor's responsibilities for the audit of the financial report**

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the council's and the group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's or group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council or group to cease to continue as a going concern.

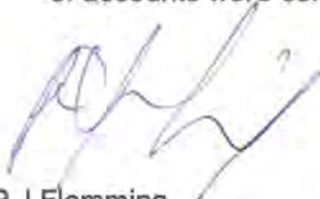
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Report on other legal and regulatory requirements**

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



P J Flemming  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane

REDLAND CITY COUNCIL  
**MEASURES OF FINANCIAL SUSTAINABILITY**  
For the year ended 30 June 2017

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REDLAND CITY COUNCIL  
**CURRENT-YEAR FINANCIAL SUSTAINABILITY STATEMENT**  
 For the year ended 30 June 2017

Measures of Financial Sustainability

	How the measure is calculated	Actual	Target
Council's consolidated performance at 30 June 2017 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-4.25%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on replacement of infrastructure assets (renewals) divided by depreciation expense on infrastructure assets	53.22%	Greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-33.12%	Below 60%
Council's performance at 30 June 2017 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-4.61%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on replacement of infrastructure assets (renewals) divided by depreciation expense on infrastructure assets	53.17%	Greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-29.51%	Below 60%

**Note 1 - Basis of Preparation**


The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited consolidated general purpose financial statements for the year ended 30 June 2017. The asset sustainability ratio is calculated based on capital expenditure on replacement/renewal of infrastructure assets.

**Certificate of Accuracy**

For the year ended 30 June 2017

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the Regulation).

In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.

  
**Mayor**  
 Karen Williams

Date: 12 / 10 / 17

  
**Chief Executive Officer**  
 Andrew Chesterman

Date: 12 / 10 / 2017



## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Redland City Council

### Report on the Audit of the Current Year Financial Sustainability Statement

#### Opinion

I have audited the accompanying current year financial sustainability statement of Redland City Council for the year ended 30 June 2017, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Redland City Council for the year ended 30 June 2017 has been accurately calculated.

#### Basis of opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the current year financial sustainability statement* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matter – basis of accounting

I draw attention to Note 1 which describes the basis of accounting. The current year financial sustainability statement has been prepared in accordance with the Financial Management (Sustainability) Guideline 2013 for the purpose of fulfilling the council's reporting responsibilities under the Local Government Regulation 2012. As a result, the statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

#### Other Information

Other information comprises the information included in Redland City Council's annual report for the year ended 30 June 2017, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and the long-term financial sustainability statement.

My opinion on the current year financial sustainability statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the general purpose financial report.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

### **Responsibilities of the council for the current year financial sustainability statement**

The council is responsible for the preparation and fair presentation of the current year financial sustainability statement in accordance with the Local Government Regulation 2012. The council's responsibility also includes such internal control as the council determines is necessary to enable the preparation and fair presentation of the statement that is accurately calculated and is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibilities for the audit of the current year financial sustainability statement**

My objectives are to obtain reasonable assurance about whether the current year financial sustainability statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the council's future sustainability.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



P J Flemming  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane

REDLAND CITY COUNCIL  
**LONG-TERM FINANCIAL SUSTAINABILITY STATEMENT**  
 Prepared as at 30 June 2017

Measures of Financial Sustainability

Measure	Target	Actuals	Projected for the years ended								
		30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026

**Council**

The long-term measures of financial sustainability are presented for Council only. The latest Financial Strategy was adopted exclusive of Redland Investment Corporation Pty Ltd and therefore consolidated measures are not available.

Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	-4.61%	-4.26%	0.71%	0.56%	0.55%	1.41%	2.32%	2.84%	3.93%	4.26%
Asset sustainability ratio	Capital expenditure on replacement of infrastructure assets (renewals) divided by depreciation expense on infrastructure assets	Greater than 90%	53.17%	59.25%	80.19%	71.10%	49.63%	52.80%	52.69%	53.68%	43.20%	40.40%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	Below 60%	-29.51%	-29.32%	-24.64%	-23.30%	-30.40%	-37.79%	-46.79%	-61.57%	-79.16%	-98.50%

**Council's Financial Management Strategy**

Council's Financial Strategy is underpinned by the Long-term Financial Forecast which is a ten year financial model. The model is reviewed following revised budget forecasts and is used to support resource allocation decision making. The financial forecast contains details of the assumptions used to estimate growth rates, price increases, general rates and charges increases, and also provides the financial outputs and financial sustainability measures for each of the ten years.

The ten year focus allows us to assess our financial sustainability over the period and to guide corporate decision-making. It is a living and breathing document, guiding our financial planning, revenue-raising and spending activities, while adapting to changing needs and requirements.

The Long-term Financial Forecast provides transparency into our financial performance and planning, giving the Community a view of how its services are being funded and where the money goes. It is a tool for validating and maintaining alignment with corporate plans and with legislative requirements. It reflects the efforts we are making to meet current and future community expectations and serves to signal the decisions and actions needed to ensure our future financial sustainability.

The projected results are per the adopted 2017-18 budget which is underpinned by the Financial Strategy. It does not include any revisions based on actual results as at 30 June 2017.

**Certificate of Accuracy**

For the long-term financial sustainability statement prepared as at 30 June 2017

This long-term financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the Regulation).

In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.



**Mayor**  
 Karen Williams

Date: 12 / 10 / 17



**Chief Executive Officer**  
 Andrew Chesterman

Date: 12 / 10 / 2017

**11.1.3 QLD AUDIT OFFICE FINANCIAL MANAGEMENT REPORT 2016-17**

**Objective Reference:** A2664579  
Reports and Attachments (Archives)

**Attachment:** [QAO Final Management Report](#)

**Authorising/Responsible Officer:** Deborah Corbett-Hall  
Chief Financial Officer

**Report Author:** Joy Manalo  
Finance Manager Corporate Finance

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**PURPOSE**

The purpose of this report is to present the Queensland Audit Office (QAO) final management report for 2016-17 to Council. Section 213 of the *Local Government Regulation 2012* requires the Mayor to present a copy of the auditor-general's observation report at the next ordinary meeting of Local Government following receipt of the auditor-general's report.

As defined in the *Local Government Regulation 2012*:

“An **auditor-general's observation report**, about an audit of a local government's financial statements, is a report about the audit prepared under section 54 of the *Auditor-General Act 2009* that includes observations and suggestions made by the auditor-general about anything arising out of the audit.”

The audit referred to in the extract above is the independent financial statement audit conducted by the QAO.

**BACKGROUND**

The auditor-general report was received on 24 October 2017 after the 2016-17 financial statements were certified by QAO on 19 October 2017. Actions and implementation dates are agreed to by the business areas so the necessary corrective action is known prior to receipt of the final management report.

The audit observations and corresponding recommendations indicated in the report were presented to the Audit Committee on 12 October 2017.

**ISSUES**

The audit recommendations mainly focus on assets particularly the timely asset capitalisation, recognition of contributed assets, the review of the methodology to calculate the asset sustainability ratio and asset threshold limits. The implementation of these recommendations is aligned with the asset management project. The Internal Audit Group will monitor and update the Audit Committee on the status of recommended actions.

**STRATEGIC IMPLICATIONS****Legislative Requirements**

Section 213 of the *Local Government Regulation 2012* requires the Mayor to present a copy of the auditor-general's observation report at the next ordinary meeting of Local Government following receipt of the auditor-general's report.

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Financial Services has offered to table the report to ensure compliance with legislation, noting coordination of the corrective actions and improvements will be undertaken by Council's Internal Audit Group.

### **Risk Management**

Risk management is undertaken during the year with respect to the financials – Council reviews its actual performance against budget on a monthly basis and formally reviews its budget on a regular basis throughout the year. At the conclusion of the financial statement audit, QAO provided feedback to Council on the general appropriateness of key internal controls to ensure financial information is reasonably complete and accurate.

### **Financial**

There are no additional financial implications arising from this final management letter.

### **People**

No impact as the purpose of the report is to present the 2016-17 QAO final management report.

### **Environmental**

No impact as the purpose of the report is to present the 2016-17 QAO final management report.

### **Social**

No impact as the purpose of the report is to present the 2016-17 QAO final management report.

### **Alignment with Council's Policy and Plans**

This report has a relationship with the following items of the Corporate Plan:

#### **8. Inclusive and ethical governance**

Deep engagement, quality leadership at all levels, transparent and accountable democratic processes and a spirit of partnership between the community and Council will enrich residents' participation in local decision making to achieve the community's Redlands 2030 vision and goals.

8.3 Implementation of the Corporate Plan is well coordinated across Council and through a delivery mechanism that provides clear line of sight, accountability and performance measurement for all employees; and

8.5 Council uses meaningful tools to engage with the community on diverse issues so that the community is well informed and can contribute to decision making.

### **CONSULTATION**

Council's Audit Committee received a presentation from the external auditors on 12 October 2017 which outlined the key points for inclusion in the auditor-general's observation report. The management responses from the responsible business areas were coordinated by the Financial Services Group during the development of the auditor-general's observation report.

On 19 October 2017, the Chief Financial Officer discussed with the Operational Leadership Group the relevant audit observations, corresponding implications and alignment with the asset management project.

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The Internal Audit Group will coordinate the action items agreed to in the observation report and provide a progress report to the Executive Leadership Team on a monthly basis.

### **OPTIONS**

1. That Council resolves to note the findings from the Queensland Audit Office Final Management Report (referred to as the auditor-general's observation report in the *Local Government Regulation 2012*) for 2016-17; or
2. That Council requests further information.

### **OFFICER'S RECOMMENDATION**

**That Council resolves to note the findings from the Queensland Audit Office Final Management Report (referred to as the auditor-general's observation report in the *Local Government Regulation 2012*) for 2016-17.**

Our ref: 2130857/PXP1

24 October 2017

Ms Karen Williams  
Mayor  
Redland City Council  
PO Box 21  
Cleveland QLD 4163

Dear Councillor Williams

### **Final Management Report for Redland City Council**

The 2016-17 audit for Redland City Council has now been completed.

We issued an unmodified audit opinion on your financial statements. We also issued an unmodified audit opinion on your current year financial sustainability statement. Consistent with prior years and all other councils, we included an emphasis of matter paragraph in our audit report on your current year financial sustainability statement to highlight the use of the special purpose basis of accounting. These reports were returned to you by letter dated 20 October 2017.

The purpose of this letter is to provide the council with details of significant audit matters and other important information related to the audited financial statements

Our closing report was presented to the audit committee on 12 October 2017 and provided the status of the audit as at that date. Since the presentation of the closing report, there have been no significant matters that have come to our attention.

For your information, Appendix A provides you with details of all audit issues we have raised with management.

### **Report to parliament**

Each year we report the results of all financial audits and significant issues to parliament. In this report, we will comment on the results of the audit of your financial report, financial performance and position and sustainability matters, and any significant control issues we identified, together with our audit recommendations.

You and the chief executive officer will be given an opportunity to comment and those comments will be reflected in the report.

**Audit fees**

The final audit fee for this year is \$136,500 (prior year \$134,500).

We would like to thank you and your staff for the assistance provided to us during the audit.

If you would like to discuss these issues or any matters regarding the audit process, please feel free to contact me on (07) 3222 9670.

Yours sincerely



Martin Power

As delegate of the Auditor-General of Queensland

Enc.

cc: Mr Andrew Chesterman, Chief Executive Officer, Redland City Council  
cc: Mrs Deborah Corbett-Hall, Chief Financial Officer, Redland City Council



## Appendix A

### Issues formally reported to management

This table provides you with a summary of issues that we have formally reported to management related to internal control deficiencies, financial reporting issues, and other matters we identified through our audit process. Refer to Appendix B for further information on our rating categories.

#### Internal control deficiencies

Area	Issue	Rating	Our recommendation	Management Response and Status
Property, Plant and Equipment	<p><i>Control Type:</i> Control Environment</p> <p><i>Issue: Inadequate Finalisation of Capital Work in Progress Projects</i></p> <p>There were projects that have been completed more than 12 months before year end, but the technical data had not been provided for these assets to be capitalised in the fixed asset register.</p> <p><i>Implication:</i> Failure to finalise and clear projects on a timely basis increases the risk of the capital works in progress register being inaccurate.</p>	Deficiency - Medium	We recommend that Project Managers finalise capital works in progress in a timely manner following completion of the project.	<p><b>Unresolved.</b></p> <p><u>Management Comment:</u> Monthly KPIs regarding WIP clearance (timing and quality) are to be implemented in scorecards by the end of November 2017 to provide further visibility of WIP movements. Finance also included WIP movements in the published monthly financial reports from July 2017.</p> <p>Further, Corporate Finance will liaise with the General Managers and the responsible Project Managers to determine an agreed action and responsibility for the implementation of the audit recommendation.</p>

Area	Issue	Rating	Our recommendation	Management Response and Status
Property, Plant and Equipment	<p><i>Control Type:</i> Control Activities</p> <p><i>Issue: Completeness of Developer Contributed Assets</i></p> <p>Our work noted there were assets contributed by developers to Council during FY17, which failed to be recognised and recorded.</p> <p>From further investigation, it was identified that this error resulted from a breakdown in the communication and reporting from Engineering Environment to Finance. Engineering and Environment are required to communicate to Finance when a decision is made to put contributed assets "on-maintenance". It is this point in time that developer assets are capitalised by Council.</p> <p><i>Implication:</i></p> <p>Without an effective system and process in place to communicate when developer assets go "on-maintenance", there is a heightened risk that both Revenue and Property, Plant and Equipment is understated.</p>	Deficiency - Medium	We recommend that Engineering and Environment put appropriate systems and processes in place that ensures Finance is made aware on a timely basis of all developer assets that go "on-maintenance".	<p><b>Unresolved.</b></p> <p><u><a href="#">Management Comment:</a></u> <i>Engineering and Environment will investigate options for automating the notification process to Finance by February 2018.</i></p>

Area	Issue	Rating	Our recommendation	Management Response and Status
Property, Plant and Equipment	<p><i>Date issue raised:</i> 8 November 2016</p> <p><i>Control type:</i> Control Environment</p> <p><i>Issue: Insufficient Responses to Capital Works Confirmations Provided by Project Managers</i></p> <p>We noted that "Work in Progress Audit Confirmations" were incomplete and in some instances the response provided was inadequate. For many of the projects we noted that should have been capitalised, the comments on this "Work in Progress Audit Confirmation" for these projects stated the project was 'on-going', or no comment had been provided for that project.</p> <p><i>Implication:</i> Without sufficient information provided by Project Managers to Finance, there is a risk that capital works are not capitalised when they meet the definition of an asset, and consequently will not commence depreciating.</p>	Deficiency - Medium	We recommend that all Responsible Project Managers are reminded of the importance of the completion of this confirmation, and any other internal confirmations requested. It is recommended that Council considers implementing a process to ensure greater accountability for their responses.	<p><b>Unresolved.</b></p> <p>It was noted that this issue continues to exist in FY17, with responses not provided by Project Managers to Finance on 12 projects, and instances noted where the responses were inadequate for Finance to determine the status of the projects.</p> <p>Further, the allocation of this issue in the prior year to Corporate Finance as the responsible owner was not appropriate. We recommend this issue be allocated to Project Managers for action and resolution.</p> <p><u>Management Comment:</u> Corporate Finance will continue to liaise with the Project Managers to reiterate their responsibility to complete the capital work confirmations with relevant and adequate responses in a timely manner. Notification will also be provided to inform that accountability for the implementation of the audit recommendation is now appropriately allocated to the respective Project Manager.</p>

Area	Issue	Rating	Our recommendation	Management Response and Status
Property, Plant and Equipment	<p><i>Control Type:</i> Information and Communication</p> <p><i>Issue: Backdating "On-Maintenance" Dates of Developer Contributed Assets</i></p> <p>Instances were identified where significant time lags exist between the time Engineering and Environment perform the final inspection of developer contributed assets, to the time Engineering and Environment record the "on-maintenance" of such assets within the Property &amp; Rating System. In these cases, the "on-maintenance" event was back dated to the time of the final inspection, which was prior to financial year end.</p> <p><i>Implication:</i></p> <p>Back dating the "on-maintenance" event to a prior financial period increases the risk that Finance may not identify and recognise the contributed asset and the corresponding revenue for financial reporting.</p>	Deficiency - Low	We recommend that Engineering and Environment record the "on-maintenance" status of contributed assets on a timely basis following the completion of the final inspection.	<p><b>Unresolved.</b></p> <p><u>Management Comment:</u> <i>Engineering and Environment will record "on –maintenance" dates in a timely manner after final inspection.</i></p>

Area	Issue	Rating	Our recommendation	Management Response and Status
Property, Plant and Equipment	<p><i>Date issue raised:</i> 8 November 2016</p> <p><i>Control type:</i> Control Activities</p> <p><i>Issue: Inadequate Clearance of Capital Work in Progress</i></p> <p>During the audit of capital work in progress (WIP) we noted a number of projects that had been finalised but had not been cleared from capital WIP. In total we noted approximately \$2.6 million of projects which had remained in WIP which should have been moved into the fixed asset register as they were completed in May and June 2016.</p> <p><i>Implication:</i></p> <p>Without the appropriate transfer from WIP to the fixed asset register, assets are not subject to normal depreciation and asset management.</p>	Deficiency - Medium	We recommended that Council should ensure that there are procedures in place to ensure completed projects are cleared from WIP on a timely basis.	<p><b>Resolved.</b></p> <p>It should be noted that this was resolved through significant manual processes implemented by the Finance Team.</p> <p>We have raised some additional issues this year to improve the process so these manual processes are not necessary.</p>

Area	Issue	Rating	Our recommendation	Management Response and Status
Property, Plant and Equipment	<p><i>Date issue raised:</i> 8 November 2016</p> <p><i>Control type:</i> Control Activities</p> <p><i>Issue: Errors in the Calculation of the Value of Contributed Assets</i></p> <p>Whilst significant improvement has been noted on the prior year, we noted some errors in the calculation of the value of assets contributed during the year.</p> <p><i>Implication:</i> Errors in the calculation of contributed assets lead to overstatement / understatement assets and revenue.</p>	Deficiency - Medium	We recommended that management review the process in place to record contributed assets, with a view to implementing controls to ensure that these types of mistakes do not recur. To properly address this issue, it may be considered necessary to investigate increasing the number of staff within the spatial team.	<b>Resolved.</b>

Area	Issue	Rating	Our recommendation	Management Response and Status
Payroll Expenditure	<p><i>Date issue raised:</i> 28 April 2017</p> <p><i>Control type:</i> Control Activities</p> <p><i>Issue: Lack of Evidence of Review of Payroll</i></p> <p>We identified one instance where independent approval of a pay run failed to be evidenced. We were advised that the approver was acting in the role and was unaware of the requirement to evidence the review, but that this review occurred.</p> <p><i>Implication:</i></p> <p>Without adequate handover procedures when staff are 'acting up', there is a risk that controls that are in place may not be operating as management expect.</p>	Deficiency - Low	We recommended that all employees acting in a higher duties role are provided with a detailed handover of the position requirements, including the requirement to evidence any controls that the employee is involved in.	<b>Resolved.</b>

## Financial reporting issues

Component	Issue	Rating	Our recommendation	Management Response and Status
Financial Sustainability	<p><i>Issue: Asset Sustainability Ratio Calculation</i></p> <p>The asset sustainability ratio is an approximation of the extent to which the infrastructure assets managed by Council are being replaced as they reach the end of their useful lives. It is calculated by taking Capital Expenditure on Replacement of Assets (Renewals), and dividing this by Depreciation Expenditure.</p> <p>The <i>Financial Management (Sustainability) Guideline</i> 2013 published by the Department of Infrastructure, Local Government and Planning, states that "where the inclusion of non-infrastructure assets is material and / or a local government can clearly substantiate the split between asset classes, the narrower numerator of Capital Expenditure on Replacement / Renewal of <u>infrastructure assets must be used</u>". The guideline continues "<u>Where a local government uses Capital Expenditure on Replacement / Renewal of infrastructure assets as the numerator for the calculation, the Depreciation on those infrastructure assets only must be used as the denominator for the Asset Sustainability Ratio to maintain the focus on infrastructure assets</u>".</p> <p>Council are currently calculating the Asset Sustainability Ratio using the total capital expenditure incurred during the financial year on replacement of <u>all asset types</u>, divided by the total depreciation expenditure on <u>all assets</u> for the financial year.</p>	Moderate	Going forward, we recommend that Council calculate the Asset Sustainability ratio using only infrastructure asset renewals and infrastructure depreciation during the period.	<p><b>Management undertaking for corrective action.</b></p> <p><u>Management Comment:</u></p> <p><i>Noting the limitation of the LGFM, the Asset Sustainability ratio for 2016-2017 and the long term financial forecast was computed using capital expenditure on replacement/renewal of all assets. The split between infrastructure and non-infrastructure assets has been substantiated and beginning 1 July 2017, the Asset Sustainability ratio reported to Council on a monthly basis has been calculated using only the infrastructure asset renewals and infrastructure depreciation. This basis will be used in the calculation of the Asset Sustainability ratio for 2017-2018 financial year and for the Long Term Financial Sustainability Statement.</i></p>



Other matters

Area	Business improvement opportunity	Our recommendation	Management Response and Status
Property, Plant and Equipment	<p><i>Issue: Revaluation of Parks and Waste Asset Classes</i> Parks and Waste asset classes have immaterial balances, yet are recorded at fair value and subject to regular revaluation.</p> <p><i>Implication:</i> Costs are being incurred by Council in revaluing these asset classes. Given the immateriality of these classes, the costs may exceed the benefits of the valuation.</p>	<p>We recommend that Council discontinue revaluing the parks and waste asset classes, and instead record these classes at cost going forward.</p>	<p><b>Unresolved.</b> <u>Management Comment:</u> The Asset Accounting Policy will be updated during FY 2017/2018 to reflect this change in policy position. Compliance with the provisions of AASB 116 and AASB 13 will be considered in the policy update.</p>
Governance	<p><i>Issue: Timing of Audit Committee Meeting Schedule</i> It is the expectation of the Queensland Audit Office that Councils continue to improve on the timely preparation and communication of financial reporting to users. The usefulness of the financial report is increased if it is delivered in a timely manner.</p> <p><i>Implication:</i> As it is, the current Audit Committee meeting schedule would not allow the financial reporting process to be finalised earlier.</p> <p>In addition, the July audit committee meeting is usually a long meeting, and the September meeting short. There may be scope to change the timing of the meetings to spread the content over the financial year.</p>	<p>We recommend that the Audit Committee meeting schedule be revisited to accommodate earlier preparation and communication of the financial report, and spreading the content over the year.</p> <p>Council may like to consider whether there are other operational matters that need to be considered in reviewing the timing of the meetings.</p>	<p><b>Unresolved.</b> <u>Management Comment:</u> A full review of the Audit Committee process, including an Audit Committee Self-Assessment, will be conducted during November/December 2017. The meeting schedule and content of the Audit Committee meetings will be considered during this review.</p> <p>A review of the timeframe for the preparation of the general purpose financial statements will be undertaken. Opportunities will be explored to expedite the process to be able to provide financial reports, as soon as practicable, after the close of the financial year.</p>

Area	Business improvement opportunity	Our recommendation	Management Response and Status
Property, Plant and Equipment	<p><i>Date issue raised:</i> 8 November 2016</p> <p><i>Issue: Capitalisation of Bulk Assets</i> Our work noted that identical individual assets below the capitalisation threshold were grouped and capitalised as bulk assets.</p>	<p>We recommend that if individual assets are below the capitalisation threshold, they should be expensed unless they meet the definition of a network asset. Principally, this is the preferred treatment for kerbside bins, library books and some IT equipment.</p> <p>Whilst the current treatment is in line with accounting standards, our recommendation provides for ease of administration and is also standard practise at other councils. Whilst not mandatory to Councils, this treatment is also in line with Queensland Treasury Corporation Guidelines.</p>	<p><b>Unresolved.</b></p> <p><u>Management Comment:</u> A review of the current process regarding bulk asset capitalisation will be undertaken in FY 2017-2018. Any alternate approach will be considered for implementation after due consideration of the financial and operational implications.</p>
Property, Plant and Equipment	<p><i>Date issue raised:</i> 6 November 2015</p> <p><i>Issue: Low Capitalisation Threshold in Comparison to Other Councils and Operations</i> We noted that Council has capitalisation thresholds set for each asset class, which are low in comparison to other Councils and relative to the size of Council's operations.</p>	<p>We recommend that management review the current capitalisation thresholds. Many Councils use the Queensland Treasury Non-Current Asset Policies as a guide in determining the capitalisation thresholds.</p> <p>Where capitalisation thresholds are higher, Council should consider whether it is necessary to maintain separate registers internally for asset management purposes without these being included in the financial records. In particular, we recommend that all portable and attractive items are tracked, even if they are not capitalised, to minimise any fraud risk.</p>	<p><b>Unresolved.</b></p> <p><u>Management Comment:</u> A review of the existing capitalisation threshold to include benchmarking with other Councils will be undertaken in FY 2017-2018. Any alternate approach will be considered for implementation after due consideration of the financial and operational implications.</p>

Area	Business improvement opportunity	Our recommendation	Management Response and Status
Conflicts of Interest	<p><i>Date issue raised:</i> 6 November 2015</p> <p><i>Issue: Consolidating All Register of Interests Forms into a Single Register for Transparency</i></p> <p>The register of interests for Councillors and senior management are currently separate forms completed by each individual. For Councillors these separate forms are available on Council's webpage, and the forms completed by senior management are on-site at Council.</p>	<p>We recommended that Council consider consolidating the register of interest forms, and presenting the consolidated form on Council's website and available on-site.</p>	<p><b>Resolved.</b></p>
Conflicts of Interest	<p><i>Date issue raised:</i> 6 November 2015</p> <p><i>Issue: Inclusion of ABNs on Register of Interests Forms to Assist in Identifying Related Party Transactions</i></p> <p>The register of interests form currently does not request Australian Business Numbers ("ABNs") to be provided for any interests identified.</p>	<p>We recommended that Council amend the forms slightly to include ABNs.</p>	<p><b>Resolved.</b></p>

## Appendix B

### B1 Our rating of internal control deficiencies

We have assessed all internal control deficiencies in this report based on their potential to cause a material misstatement in the financial statements. The risk assessment categories are as follows:

Assessed category	Definition	Prioritisation of remedial action
Deficiency	A deficiency arises when internal controls are ineffective or missing, and are unable to prevent, or detect and correct, misstatements in the financial statements. A deficiency may also result in non-compliance with policies and applicable laws and regulations and/or inappropriate use of public resources.	We expect management action will be taken in a timely manner to resolve deficiencies.
Significant deficiency	A significant deficiency is a deficiency, or combination of deficiencies, in internal control that requires immediate remedial action. Also, we increase the rating from a deficiency to a significant deficiency based on: <ul style="list-style-type: none"> <li>• the risk of material misstatement in the financial statements</li> <li>• the risk to reputation</li> <li>• the significance of non-compliance with policies and applicable laws and regulations</li> <li>• the potential to cause financial loss including fraud</li> <li>• where management has not taken appropriate timely action to resolve the deficiency.</li> </ul>	This requires immediate management action to resolve.
Other matter	Another matter is expected to improve the efficiency and / or effectiveness of internal controls, but does not constitute a deficiency in internal controls. If another matter is not resolved, we do not consider that it will result in a misstatement in the financial statements or non-compliance with legislative requirements.	Our recommendation may be implemented at management's discretion.

## B2 Our rating of financial reporting issues

We have assessed all financial reporting issues in this report based on their potential to cause a material misstatement in the financial statements. The assessed risk ratings are as follows:

Risk rating	Potential effect on the financial statements	Prioritisation of remedial action
High	We assess that there is a high likelihood of this causing a material misstatement in one or more components (transactions, balances and disclosures) of the financial statements, or there is the potential for financial loss including fraud.	This requires immediate management action to resolve.
Medium	We assess that there is a medium likelihood of this causing a material misstatement in one or more components of the financial statements.	We expect management action will be taken in a timely manner.
Low	We assess that there is a low likelihood of this causing a material misstatement in one or more components of the financial statements.	We recommend management action to resolve; however, a decision on whether any action is taken is at management's discretion.

**11.1.4 ADOPTION OF ANNUAL REPORT 2016-17**

<b>Objective Reference:</b>	<b>A2650318 Reports and Attachments (Archives)</b>
<b>Attachment:</b>	<b>To be released with the minutes</b>
<b>Authorising Officer:</b>	<b>John Oberhardt General Manager Organisational Services</b>
<b>Responsible Officer:</b>	<b>Paul Holtom Group Manager Corporate Services</b>
<b>Report Author:</b>	<b>Joanne Costin Team Leader Governance Services</b>

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**PURPOSE**

The purpose of this report is to recommend to the General Meeting that the Annual Report 2016-17 be adopted. The annual report provides an overview of the financial year, including financial statements, performance data and other statutory information. The final draft of the Annual Report 2016-17 will be distributed to Councillors separately. Council must publish its annual report on its website within two weeks of adoption.

**BACKGROUND**

Each year, Council adopts an annual report, as required by the *Local Government Act 2009*. The annual report must contain information on Council's financial position, an assessment of its performance in implementing its corporate and operational plans as well as a number of other issues of public interest which are specified in the legislation. A copy of the Annual Report 2016-17 must be approved by Council before being published.

The final draft of the Annual Report 2016-17 has been prepared for consideration by Councillors and is currently being graphically designed. A copy of the designed version will be circulated before the meeting. The annual report reviews in detail Council's financial and operational performance for the 2016-17 financial year against the goals set out in the Corporate Plan 2015-2020 and Council's 2016-17 budget.

The report includes Council's audited financial statements and the status of projects budgeted for the 2016-17 financial year, reflecting Council's operational plan. Other content meets Council's reporting obligations under the *Local Government Act 2009* and supporting regulations.

**ISSUES**

The Annual Report 2016-17 has been prepared in accordance with the *Local Government Act 2009* and includes performance information linked to Council's Corporate Plan 2015-2020.

**STRATEGIC IMPLICATIONS****Legislative Requirements**

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Under section 182 of the *Local Government Regulation 2012*, Redland City Council is required to adopt its annual report within one month after the day the Auditor-General gives the audit report regarding Council's financial statements for the financial year to the local government.

### **Risk Management**

The Annual Report 2016-17 includes details of Council's risk management arrangements. There are no direct risk management issues arising from this report.

### **Financial**

Costs relating to the preparation of the annual report have been met from Council's existing budgets.

### **People**

The Annual Report 2016-17 includes details of Council's organisational structure as well as information about our employees and Council's People Strategy. There are no direct implications to Council employees resulting from this report.

### **Environmental**

The Annual Report 2016-17 includes performance indicators about environmental issues, particularly relating to the Healthy Natural Environment and Green Living outcomes within Council's Corporate Plan. The report will be published online, so there will be no environmental impact.

### **Social**

A number of social issues are captured within the annual report, including performance indicators relating to the Strong and Connected Communities outcome in the Corporate Plan.

Publication of the annual report is a statutory requirement, which provides the community with a range of information about Council's activities throughout the 2016-17 financial year. There are no direct social implications resulting from the adoption of the Annual Report 2016-17.

### **Alignment with Council's Policy and Plans**

The annual report aligns with outcome eight in the Corporate Plan 2015-2020: Inclusive and Ethical Governance.

## **CONSULTATION**

The Mayor, Councillors and the Executive Leadership Team were consulted about the content of the Annual Report.

## **OPTIONS**

1. That Council resolves to adopt and publish the Redland City Council Annual Report 2016-2017.
2. That Council resolves to adopt the report with amendments agreed at the General Meeting.

## **OFFICER'S RECOMMENDATION**

**That Council resolves to adopt and publish the Redland City Council Annual Report 2016-17.**

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### 11.1.5 CRIME & CORRUPTION COMMISSION AUDIT – MANAGING CONFLICTS OF INTEREST INVOLVING COUNCIL EMPLOYEES

<b>Objective Reference:</b>	<b>A2666379</b> <b>Reports and Attachments (Archives)</b>
<b>Attachment:</b>	<a href="#"><u>Crime and Corruption Commission Summary Audit Report October 2017</u></a>
<b>Authorising/Responsible Officer:</b>	<b>Andrew Ross</b> <b>General Counsel</b>
<b>Report Author:</b>	<b>Andrew Ross</b> <b>General Counsel</b>

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#### **PURPOSE**

This report informs Council of the Crime and Corruption Commission (CCC) recent Audit Report on Managing Conflicts of Interest Involving Council Employees.

The CCC concluded that Council has a thorough and sufficient process for managing employee conflicts of interests. A copy of the report is published on the CCC website at [www.ccc.qld.gov.au](http://www.ccc.qld.gov.au).

#### **BACKGROUND**

In 2016–17, the CCC conducted an audit of Redland City Council along with 12 other Local Government councils, examining how allegations involving conflicts of interest by council employees are dealt with by councils and the robustness of councils' system of internal controls.

The CCC recommended that 10 (or 77%) of the 13 Councils needed to put into place an overarching conflicts of interest framework (policy and procedures) and associated tools (forms and registers) to allow the councils to apply a coordinated approach in identifying, managing and monitoring conflicts. The CCC identified this as a high-risk issue which must be rectified within the next six months to enhance governance, risk management and internal controls across the relevant councils.

The CCC was pleased to identify Redlands as one of three councils selected for the audit that had already independently audited their conflicts of interest processes, strengthening Council's overall conflicts of interest control framework.

Council officers continue to strengthen the oversight of the conflict of interest process, including reviewing conflict of interest registers for accuracy and completeness, and the ongoing monitoring of current conflicts on the register.

#### **STRATEGIC IMPLICATIONS**

##### **Legislative Requirements**

The CCC is established to reduce corruption in the public sector, including Local Government and conducts a program of audits to assist council in accordance with its functions and powers as set out in the *Crime and Corruption Act 2001*.



**Risk Management**

Managing conflicts and associated risks forms part of the Corporate Governance framework implemented in conjunction with the Fraud and Corruption Prevention Framework Guideline, Public Interest Disclosure Policy, Employee Code of Conduct and the Complaints Management Process Policy.

**Financial**

There are no material financial implications.

**People**

The CCC report finding is consistent with employee values of accountability.

**Environmental**

There are no current environmental implications.

**Social**

The CCC report finding is consistent with the local government principles under section 4 of the *Local Government Act 2009* with good governance.

**Alignment with Council's Policy and Plans**

The Report aligns with the key outcomes of the Corporate Plan 2015, including strong and connected communities and Inclusive and ethical governance.

**CONSULTATION**

Consultation has occurred with the senior management group and key officers.

**OPTIONS**

1. That Council resolves to accept and note the Crime & Corruption Commission Audit Report - Managing Conflicts of Interest Involving Council Employees.
2. That Council resolves not to accept the Crime & Corruption Commission (CCC) Audit Report - Managing Conflicts of Interest.

**OFFICER'S RECOMMENDATION**

**That Council resolves to accept and note the Crime & Corruption Commission Audit Report - Managing Conflicts of Interest Involving Council Employees.**



**Crime and Corruption Commission**  
**QUEENSLAND**

Corruption audit report

October 2017

# **Managing and responding to conflicts of interest involving council employees**

Summary audit report

## Acknowledgments

The CCC acknowledges the cooperation and assistance of participating councils during this audit.

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## Summary

Councils make a significant contribution to the Queensland economy. They control \$100 billion worth of assets, spend around \$13 billion annually and employ over 38,000 people.<sup>1</sup> Councils have a high level of interaction with the general public and engage in a wide variety of commercial activities in order to deliver services within their boundaries. These include, for example, undertaking procurement activities, entering into contracts, inviting tenders, and making a range of property development decisions.

Larger councils, particularly in metropolitan areas, are more likely to have employees with connections to procurement and tendering parties i.e. previous employers and future employment contacts, industry representative contacts, and financial interests. Consequently, there will be times when their private interests will be in conflict with their public duty.

Smaller councils, and particularly those in remote areas, are more likely to have employees with either family or personal connections to local suppliers. This reflects the council area's population size and the limited number of local businesses. These relationships can give rise to issues regarding conflicts of interest. For example, if Council enters into a fuel supply contract with a service station owned by the sister of its chief executive officer, this business contract, viewed in isolation, might suggest that a conflict of interest exists.

Between 1 July 2015 and 30 June 2017 the Crime and Corruption Commission (CCC) received 547 complaints against local governments alleging the misuse of authority.<sup>2</sup> Misuse of authority encompasses allegations of failing to appropriately declare and manage conflicts of interest.<sup>3</sup>

In 2016–17, the CCC conducted an audit examining how allegations involving conflicts of interest by council employees are dealt with by councils and the robustness of councils' system of internal controls.<sup>4</sup>

Having a conflict of interest is not necessarily a problem, it is how it is managed that is important. The perception that conflicts of interest are not being managed appropriately can erode a council's ethical health, reputation and services.

Of the 13 councils selected to participate in the audit, we recommended 10 (or 77%) needed to put into place an overarching conflicts of interest framework (policy and procedures) and associated tools (forms and registers) to allow the council to apply a coordinated approach in identifying, managing and monitoring conflicts. This is a high-risk issue which the CCC recommends must be rectified within the next six months to enhance governance, risk management and internal controls across the relevant councils.

The audit identified that nine of the councils need to develop a procedure, and associated tools, for managing gifts and benefits, noting that such benefits may create a conflict of interest between an employee's official duty and their personal interests.

The CCC was pleased to identify that three of the councils selected for audit had already independently audited their conflicts of interest processes, strengthening their overall conflicts of interest control framework. The CCC recommended the remaining 10 councils periodically audit their conflicts of interest process to ensure it continues to be adequately designed, and operating effectively, and promotes accountability and transparency in council business decisions.

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- 1 Figures cited are from a joint CCC-Local Government Association of Queensland press conference statement, 8 February 2016.
  - 2 Misuse of authority allegations can involve misusing authority to act, or omit to act, to further one's own interests or to favour a family member, friend, associate or benefactor (favouritism), as well as to threaten or cause a detriment (including harassment and bullying) or as a reprisal for making a complaint or public interest disclosure. These allegations do not include matters involving a financial or material inducement for preferential treatment or assault or threat of physical violence.
  - 3 The figure is obtained from the CCC's Corruption allegations data dashboard for the period 1 July 2015 to 30 June 2017.
  - 4 The audit did not include councillors and testing of the key elements of the policies and processes relating to conflicts of interest, to determine whether they are being followed effectively.

The CCC audit showed considerable variation in the adequacy of procedures for handling corrupt conduct complaints across the councils. In this respect we identified that while five of the councils have in place comprehensive procedures to guide staff in handling complaints, four councils do not have an appropriately documented process. The four remaining councils utilise existing procedures relating to administrative actions rather than having in place a specific procedure for dealing with complaints of corrupt conduct. Overall, we concluded that the majority of councils would benefit from developing and implementing complaints handling procedures specific to corrupt conduct matters.

In assessing how effectively the councils dealt with actual complaints, the audit identified a number of areas for improvement including recordkeeping or storage of complaint documentation; conducting inquiries and investigations; and the appropriateness of outcomes to maintain public confidence in the councils' administration.

A conflicts of interest framework, if adequately designed and implemented, should operate in an accountable and transparent manner promoting public confidence in councils' decision-making capabilities.

## Introduction

The *Crime and Corruption Act 2001* (CC Act) recognises the responsibility of an agency's public official<sup>5</sup> to set and maintain proper standards of conduct for their staff and, by so doing, maintain public confidence in their agency. The CCC has a lead role in helping agencies to deal effectively and appropriately with corruption.

Each financial year the CCC conducts a program of audits to examine how agencies have responded to particular types of complaints and how robust their complaints management and corruption prevention frameworks are. The CCC also undertake audits aimed at controlling the risks of corruption within the public sector.

In 2016–17, the CCC conducted an audit examining how allegations involving conflicts of interest by council employees are dealt with by councils, and the robustness of councils' controls.

## What is a conflict of interest?

A conflict of interest will arise when an officer's private interests conflict with their duty to serve the public interest. It can occur when an officer:

- has a friend or family member who will potentially benefit from a purchase or contract either through employment or as an owner or shareholder of the business
- has feelings of ill-will towards, or prejudice against, a particular product or service which could unfairly bias the selection process
- has a second job with a supplier who is about to do, or is already doing, business with the council
- owns property that will be positively or negatively affected by the activities of the council
- has an interest in a sporting or cultural organisation, which could influence their decision-making.

Actual, potential or perceived conflicts of interest can damage an individual and the council's reputation and performance. It is therefore vital that they be identified, declared, managed and monitored transparently and effectively to avoid abuse of office, or the perception of abuse.

## Managing conflicts of interest

Knowing how to identify, manage and monitor conflicts of interest is an effective way to prevent corrupt conduct or dishonest behaviour in the council.<sup>6</sup>

It is important for employees to understand that having a conflict of interest does not automatically result in corrupt or improper conduct—such issues will only arise if the conflict is not dealt with appropriately. Conflicts of interest can usually be effectively managed and resolved in the public interest when councils have in place appropriate systems for managing them.

The CCC promotes a three-step process – encompassing policy, people and process – for implementing mechanisms that will assist a council in preventing corrupt conduct arising from a conflict of interest as illustrated below.



Develop an overarching conflict of interest framework, including policy, procedures and guidelines.

Develop individual procedures for conflicts of interest for high-risk business processes such as procurement and recruitment and selection processes.

Review the policy and procedures regularly.

<sup>5</sup> A public official is defined in Schedule 2 of the CC Act.

<sup>6</sup> The meaning of "corrupt conduct" can be found in section 15 of the CC Act.



Proactively establish a workplace culture and environment that will not tolerate dishonest or corrupt behaviour – lead by example.  
 Provide ongoing training and awareness about the key areas of the Council’s integrity framework.  
 Enforce the policy and procedures.



Implement conflicts of interest policies and procedures.  
 Identify, record, manage and monitor conflicts of interest.  
 Identify conflicts of interest risks via fraud and corruption assessment processes.  
 Regularly audit conflicts of interest processes for effectiveness and adequacy.

The above is not an exhaustive list. Further details concerning the three-step process can be found on pages 23-26 of this report.

## Reasons for doing this audit

As illustrated below, councils are significant contributors to the Queensland economy<sup>7</sup>:

<b>Control assets worth</b> <b>\$100 billion</b>	<b>Employ</b> <b>38,000 people</b>	<b>Spend \$13 billion annually</b> <b>Constitutes one-third of the Queensland economy</b>
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Councils have a high level of interaction with the general public and engage in a wide variety of commercial activities in order to deliver services within their boundaries. These include, for example, undertaking procurement activities, entering into contracts, inviting tenders, and making a range of property development decisions.

Larger councils, particularly in metropolitan areas, are more likely to have employees with connections to procurement and tendering parties. For example, previous employers and future employment contacts, industry representative contacts, and financial interests. Consequently, there will be times when their private interests will be in conflict with their public duty.

Smaller councils, and particularly those in remote areas, are more likely to have employees with either family or personal connections to local suppliers. This reflects the council area’s population size and the limited number of local businesses. These relationships can give rise to issues regarding conflicts of interest. For example, if Council enters into a fuel supply contract with a service station owned by the sister of its chief executive officer, this business contract, viewed in isolation, might suggest that a conflict of interest exists.

Councils are the subject of a disproportionately high rate of allegations involving misuse of authority, when compared to complaints made against other public sector agencies – 37 per cent of total allegations received against the local government sector involve allegations of misuse of authority. In contrast complaints of this nature constitute 28 per cent of complaints made against government departments and 11 per cent of Queensland Police Service complaints.<sup>8</sup> Misuse of authority allegations can involve misusing authority to act, or omit to act, to further one’s own interests or to favour a family member, friend, associate or benefactor (favouritism).

Corrupt behaviour – whether actual or perceived – has the potential to erode public confidence in a council and damage a council’s culture and reputation.

<sup>7</sup> Figures cited are from a joint CCC-Local Government Association of Queensland press conference statement, 8 February 2016.

<sup>8</sup> Figures analysed from the CCC’s Corruption allegations data dashboard for 1 July 2015 to 30 June 2017.



## Audit focus

The audit involved the following steps:

1. Risk assessment – determine whether conflicts of interest are identified as a key risk factor in each council’s fraud and corruption risk assessment.
2. Control environment/activities –
  - a. evaluate whether conflicts of interest are addressed in each council’s Code of Conduct, with specific references in policies and processes for areas where conflicts of interest can arise.
  - b. determine whether each council has a policy regarding acceptance of gifts and benefits.
  - c. assess whether each council has designed and implemented adequate controls to aid in the prevention, or early detection, of potential conflicts of interest.
3. Complaints process –
  - a. determine whether each council’s procedures or manual for handling complaints of corrupt conduct is well designed and complies with the CCC’s *Corruption in focus* guide.<sup>9</sup>
  - b. assess how effectively and appropriately each council has responded to complaints involving conflicts of interest.
4. Audit – determine whether conflicts of interest are periodically audited within council to ensure that the identification process is adequately designed and operating effectively based on council’s specific risk factors.

## Scope of the audit

This audit focused on the way in which the sample of councils dealt with allegations involving conflicts of interest against council employees during the period July 2015 to December 2016. It also focused on the adequacy of councils’ conflicts of interest systems. The audit was conducted in three stages.

### Selection of councils

The first stage involved selecting which of the 77 councils would be included in the audit. We identified a sample of 13 councils by examining factors including:

- information held by the CCC concerning complaints involving conflicts of interest made or notified to the CCC during the relevant period
- selecting a representative sample of councils based on the size, locality, and the number of allegations of suspected corrupt conduct relating to a conflict of interest.

The councils selected for participation are listed in the table below.

Local Government Sector		
• Brisbane City Council	• Gympie Regional Council	• Redland City Council
• Burdekin Shire Council	• Ipswich City Council	• Rockhampton Regional Council
• Charters Towers Regional Council	• Kowanyama Aboriginal Shire Council	• Toowoomba Regional Council
• Douglas Shire Council	• Logan City Council	• Townsville City Council
• Gold Coast City Council		

### Reviewing policy, people and process initiatives

The second stage involved reviewing each council’s policies, procedures, guidelines and practices for managing conflicts of interest, gifts and benefits, and complaints handling, to ensure they are reasonable and linked to relevant legislation and official guidelines.

<sup>9</sup> The CCC’s *Corruption in focus: a guide to dealing with corrupt conduct in the Queensland public sector* is used extensively by public sector agencies.

## Policy, people and process related to managing conflicts of interest

Each of the 13 councils completed the CCC’s questionnaire, which sought information on the controls and processes in place at these councils for maintaining an ethical culture and managing conflicts of interest for employees. We used the results from the questionnaire to form a preliminary view about whether there was a sound system of internal controls present within the council.

The audit also reviewed what communications occurred within the council to maintain a good ethical culture and we obtained materials and information concerning the following:

Prevention documents obtained	
<ul style="list-style-type: none"> <li>• Code of Conduct</li> <li>• Ethical decision-making tree or process</li> <li>• Policies, procedures and guidelines relating to conflicts of interest</li> <li>• Training and awareness initiatives related to conflicts of interest</li> </ul>	<ul style="list-style-type: none"> <li>• Gifts and benefits policy and procedures</li> <li>• Risk register including actions taken in relation to conflict of interest risks</li> <li>• Whether there has been an audit on managing conflicts of interest by an internal auditor or an independent auditor in the last two years</li> </ul>

We reviewed all of the above to help us in determining what procedural or control measures could be recommended to improve council’s investigation of complaints included in this audit.

## Complaints handling procedures

The audit reviewed the systems in place to deal with complaints of corrupt conduct in each of the 13 councils. We did this by reviewing each council’s procedures for dealing with corrupt conduct matters to ensure it achieved its stated outcomes including reducing the incidence of corruption. The CCC’s *Corruption in focus* guide was used to assess the sufficiency of councils’ complaints handling procedures.

We rated the maturity of a council’s procedures using the following measures.

Generally achieved ○○●	• Process is documented. It is thorough and sufficient to ensure consistency across the council.
Partly achieved ○●○	• Process is documented. It is unlikely to be thorough, but may help to ensure that processes are followed.
No evidence of achievement ●○○	• Process is non-existent or undocumented, and tending to be driven in an ad hoc, uncontrolled and reactive manner by case officers or decision events.

## Reviewing how council systems were applied in practice

This final stage was a detailed review of a sample of 43 complaint files (from 49 files in total) to assess how well each complaint had been dealt with by the respective council, with the objectives of:

a) maintaining public confidence in the council; and b) enhancing a deterrent effect organisationally.

We considered matters which fell into the following three categories:

Types of matters		
Referred with No Further Advice (RNFA) outcome matters	Non-reportable matters (less serious)	Not reported (not corrupt conduct)
<i>Matters referred to the CCC, assessed as corrupt conduct and determined appropriate to return to the council to deal with on a “no further advice” basis – that is, the council was not required to update the CCC on how the matter was dealt with or any associated outcomes.</i>	<i>Complaints of corrupt conduct that under section 40 of the CC Act may be dealt with by the council without having to report them to the CCC.</i>	<i>Complaints assessed by the council as not raising a reasonable suspicion<sup>10</sup> of corrupt conduct, under section 38 of the CC Act. This type of complaint is not reported to the CCC.</i>

10 For a suspicion to be “reasonable”, there must be some evidence sufficient for a reasonable person to suspect corrupt conduct (section 38 of the CC Act).

The audit also examined factors that might have given rise to incidents of corrupt conduct related to conflicts of interest as well as systemic issues related to dealing with complaints of this nature and reducing corruption risks.

## Exclusions

This audit did not include:

- Councillors, as stipulated under sections 172 and 173 of the *Local Government Act 2009*, and sections 174 and 175 of *City of Brisbane Act 2010*.<sup>11</sup>
- Testing key elements of the policies and processes relating to conflicts of interest, to determine whether they are being followed effectively.

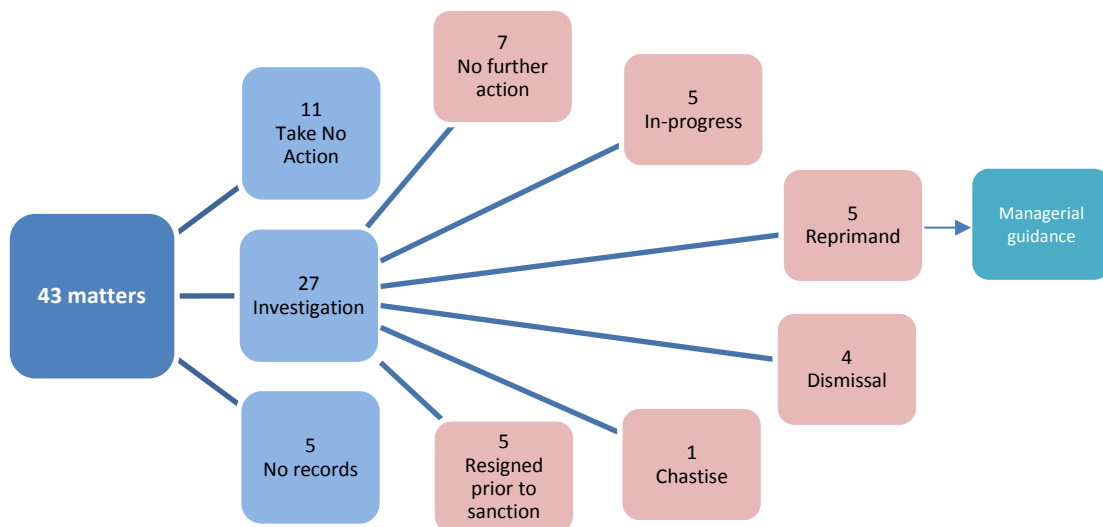
## Findings from the audit

### Statistics from this audit

This audit reviewed 43 complaint files across 13 councils that involve allegations of conflicts of interest.

The figure below shows how councils have dealt with these matters and the resulting outcomes. In summary:

- Councils took no action in relation to 11 complaints that were assessed as being either frivolous, vexatious, lacking in substance or credibility, or where it considered that dealing with the complaint would be an unjustifiable use of resources
- 27 complaints were investigated, with a range of outcomes (further shaded boxes in diagram below)
- 5 matters were unable to be assessed by the CCC due to insufficient or missing records.



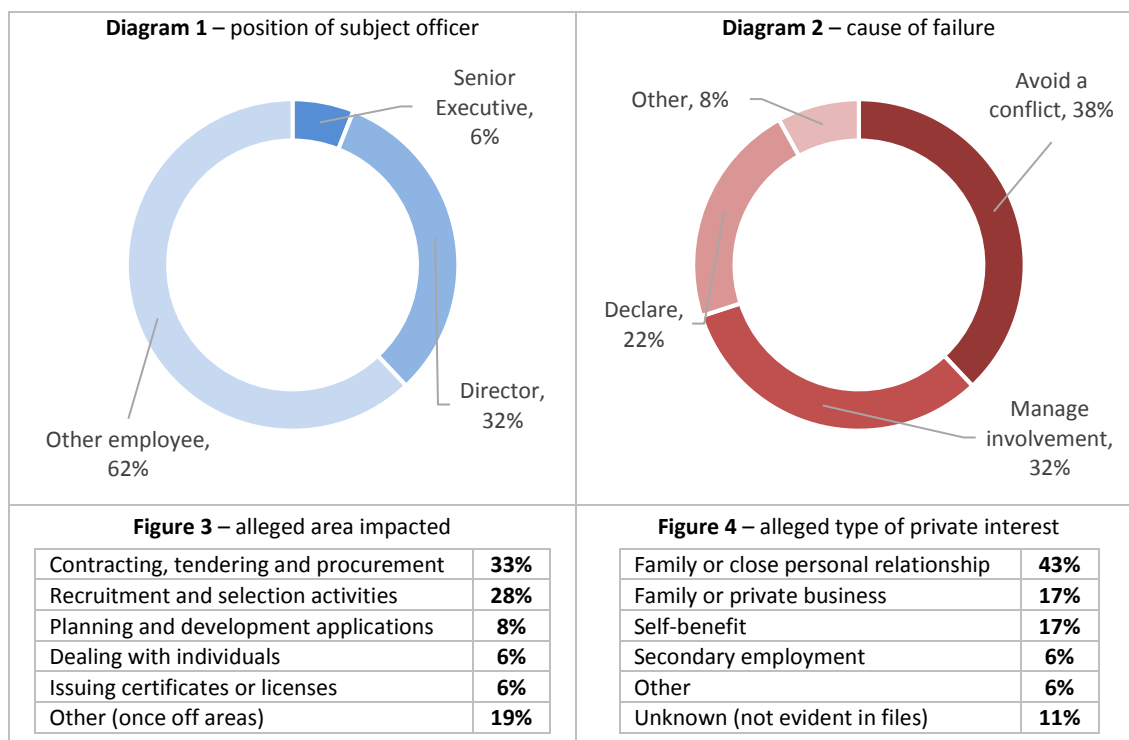
**Source:** Crime and Corruption Commission 2017

The following diagrams and figures graphically indicate the position/level of the subject officers (diagram 1), how the subject officer failed to comply with the conflict of interest process (diagram 2), the activity where the alleged conduct occurred (figure 3), and who benefited from the conduct (figure 4).

<sup>11</sup> The Brisbane City Council has its own legislation, the *City of Brisbane Act 2010*. Compared to other local governments in Queensland, the Brisbane City Council is unique in its nature and the extent of its responsibilities and powers for a number of reasons – Brisbane is the capital of Queensland and is the largest provider of local government services.

In summary:

- Allegations of corrupt conduct concerning a conflict of interest were most commonly made against other employees (62%), followed by directors or managers (32%) and senior executives (6%) (diagram 1).
- Complaints most commonly related to a failure to avoid a conflict (38%), followed by the failure to manage involvement (32%) and the failure to register a conflict (22%) (diagram 2).
- Procurement-related activities were by far the most common area where conflicts occurred (33%), followed by recruitment and selection activities (28%) (figure 3).
- The alleged conflicts usually related to family or close personal relationships (43%), family or private business (17%), and self-benefit (17%) (figure 4).



Source: Crime and Corruption Commission 2017

## Strengths

The following strengths on the part of the councils were identified from the audit:

- All councils have in place a Code of Conduct emphasising the standard of behaviour expected of their employees.
- The majority of complaints were appropriately dealt with.
- Three councils have completed an internal audit of their conflict of interest processes.

## Areas for improvement

Designing and implementing an effective internal control structure for managing conflicts of interest and handling corrupt conduct complaints can be challenging, and applying its provisions effectively and appropriately can also be demanding. However, design and operating effectiveness are crucial to reducing risk in the way a complaint is dealt with, supporting sound decision-making capabilities, and achieving optimal outcomes.

The audit identified 14 areas for improvement for application within the various councils. These areas for improvement are grouped to the four main objectives of this audit.

## 1 Identifying the potential risk of a conflict of interest

The audit identified that seven of the 13 councils do not currently undertake risk assessments for fraud and corruption, specifically conflicts of interest. Some councils indicated this was because of limited resourcing or in some cases councils advised that they are still developing procedures and tools to assist in this risk assessment process.

Councils should conduct fraud and corruption risk assessments on a regular basis, and those assessments should identify factors that could indicate a higher potential for conflicts of interest to exist.

The CCC has recently published an audit into the “Effectiveness of Queensland public sector corruption risk assessments” (September 2017). This report will provide further assistance to councils in this area.

### **Area for improvement 1 – Include conflict of interest risk in fraud and corruption risk assessment**

Councils should conduct fraud and corruption risk assessments on a regular basis, in alignment with the AS/NZS ISO 31000:2009: *Risk management – principles and guidelines*. In particular councils should:

- a) Collaborate with key stakeholders across the many areas of council’s operations, or single business processes and locations, to identify factors that could indicate a higher potential for conflicts of interest to exist, regardless of likelihood or whether internal controls are already in place.

Such factors should include regulatory considerations and the geographical location of operations, analysis of key vendors, customers, and third-party relationships, and evaluation of duties that are more likely to be exposed to potential conflicts of interest.

The risk assessment also should include any known employee relationships that could give rise to a conflict of interest. Additionally, the risk assessment should consider elements such as employees in a position of influence who were previously employed by, or associated with, key vendors or customers of the council, that could lead to various conflicts if not disclosed.

- b) Identify and record the current controls, and assess whether the current level of risk should be mitigated in the context of those controls, or whether those controls should be strengthened – in the context of both reducing corrupt conduct risk to a tolerable level and improving overall processes within the council.
- c) Determine and implement mitigating actions where the current risk level is deemed unacceptable.

**Note.** Councils acknowledged the findings and recommendations.

## 2 Maintaining effective systems for conflicts of interest

Public confidence in the integrity of council employees and the way in which councils deal with conflicts of interest is important. Councils must ensure they promote that confidence, and that conflicts are seen to be appropriately and transparently managed.

### **Conflicts of interest framework**

The audit identified a number of issues/gaps in ten of the 13 councils’ existing policies and processes, which undermine the effectiveness of their conflicts of interest systems. These gaps create a risk that councils are unable to apply a coordinated approach in identifying, managing and monitoring conflicts.

While all councils address conflicts of interest in their Code of Conduct, 10 of the councils audited would benefit considerably from the creation and maintenance of a conflicts of interest framework that outlines the overarching policy regarding all conflict of interest matters, establishes roles and responsibilities and outlines the mandatory steps to follow when dealing with a conflict.

The minimum requirements of such a policy are set out below.

**Minimum requirements to be covered in an overarching conflict of interest policy and procedure**

- Ensure that all employees are aware of the duty to make decisions free of conflicts and carry out their public duties to a high ethical standard.
- Direct employees to avoid a conflict of interest and resolve conflicts appropriately and in the public interest, clarifying which type of management approach may be the most appropriate in the circumstances.
- Clearly define the types of activities that are considered to be conflicts of interest, including identifying business processes prone to a high risk of conflicts of interest.
- Require the maintenance of appropriate records of declared conflicts of interest i.e. forms and a centralised register.
- Clearly define the processes for the identification, management and monitoring of conflicts.
- Identify the position responsible for the oversight of the conflict of interest process, including reviewing conflict of interest registers for accuracy and completeness, and the ongoing monitoring of current conflicts on the register.
- Require a regular training program educating employees about probity and corruption prevention and promoting the need to manage conflicts of interest.
- Clearly define the processes for senior executives to disclose private interests.
- Comply with the Code of Conduct.
- Comply with the Local Government Act or the City of Brisbane Act (as applicable).
- Ensure that public confidence in council is maintained.

**Area for improvement 2 – Create and maintain a conflicts of interest framework**

Establish a conflicts of interest framework that reflects the commitment of senior executives to maintain an effective and transparent system for managing conflicts of interest.

As a starting point, councils should develop and implement an overarching framework that outlines the policy regarding all conflict of interest matters and the mandatory steps to follow when dealing with or managing a conflict. The policy should also cross-reference all relevant documentation, specifically the tools and procedures for high-risk areas which are prone to conflict of interest issues.

**Note.** Councils responding to this audit welcomed the findings. All councils have agreed to create a conflicts of interest framework to ensure conflicts of interest are dealt with effectively and transparently.

**Tools for managing conflicts of interest**

Our review of council responses to the CCC’s questionnaire, and of the materials provided for audit purposes, identified that some councils need to implement tools for managing conflicts of interest. We have divided the tools into two main areas: a) annual disclosure of private interests; and b) declaration of a conflict of interest.

[Annual disclosure of private interests](#)

The audit noted that four of the 13 councils do not have an annual disclosure of private interests form, and two of those councils do not have a central register of interests.

Section 290(1) of the Local Government Regulation 2012 and section 268(1) of the City of Brisbane Regulation 2012 require the chief executive officer of a council to maintain a register of the interests of senior executive employees and any person who is related to a senior executive employee. Both Regulations also require the Mayor to maintain a register of interests of the chief executive officer.

To ensure information is accurately recorded in the register of interests, a form should be developed which collects relevant information identifying the conflicts and explaining how these will be managed, as agreed by the decision-maker. The information can then be transferred into the register.

(Note that the Department of Infrastructure, Local Government and Planning has a form readily available for this purpose.)

Declaration of actual, perceived or potential conflicts of interest

All other council employees, who are not senior executives, must also declare any actual, perceived or potential conflicts of interest prior to making business decisions, especially where they are involved in high-risk business processes such as procurement, approvals or recruitment and selection activities.

The audit identified that nine of the 13 councils have varying gaps in their conflicts of interest form and register processes relating to regular employees.

For these purposes a conflict of interest form (COI form) should be developed and implemented to record:

- information about the conflict
- the agreed strategy for managing the conflict
- arrangements to be put into place to manage the conflict.

The above tools will enable the council to demonstrate in a transparent and accountable manner that a specific conflict of interest has been appropriately identified, managed and monitored.

**Area for improvement 3 – Develop, maintain and monitor declaration forms and registers**

- a) Develop a COI form that records the conflict, and how the conflict will be managed and monitored.
- b) Develop and maintain a central COI register of all declared conflicts of interest, to be centrally managed by council. The register should be reviewed quarterly to ensure it is up-to-date and accurate.
- c) Update procedures to outline requirements for disclosing, monitoring and managing registered actual, perceived or potential conflicts. The procedures are to be linked to the overarching policy and should highlight the steps and responsibilities of all officers involved, in particular:
  - Supervisors/managers to monitor compliance with the agreed management strategy for managing the conflicts.
  - A central responsible officer to update the COI register, follow up on required COI forms, and attend to quarterly reporting of conflicts to the senior executive group.
- d) Update procedures to outline requirements for managing a register of interests i.e. s290, which are to be linked to the overarching policy.

**Note.** Councils have advised they will review and/or enhance declaration forms, associated registers and processes.

**Training and awareness programs**

The CCC's audit identified that two of the 13 councils do not have an ethics training awareness program in place. While a further eight councils do have an ethics training awareness program, it does not include specific training about conflict of interest processes.

We also identified that seven councils do not have information promoting an awareness of conflicts of interest displayed in their workplace (that is, posters or screensavers about identifying, managing and monitoring a conflict).

Section 21 of the *Public Sector Ethics Act 1994* requires a chief executive officer to ensure that employees are given access to appropriate education and training about public sector ethics.

#### **Area for improvement 4 – Enhance training awareness program**

Develop or enhance existing ethics training awareness programs which include:

- a) Education and training on council’s conflict of interest mechanisms (that is, identifying, managing and monitoring) for all managers and staff.
- b) Conflict of interest scenarios/case studies as applicable to the council to provide staff with a better understanding of the issues.
- c) Display of information promoting an awareness about the importance of identifying, managing and monitoring conflicts of interest throughout the workplace, to enhance an ethical culture.

**Note.** Councils acknowledged the recommendation and agreed that training awareness programs will be enhanced once the conflicts of interest framework is established.

#### **Gifts and benefits**

The audit identified that the Code of Conduct in place at 11 of the 13 councils includes a policy about the giving and receiving of gifts and benefits. It does not, however, describe in detail the steps that must be followed, by whom and when, in declaring, managing and monitoring gifts and benefits.

Detailed below are the CCC’s minimum requirements that need to be addressed in any procedure for managing gifts and benefits.

##### **Requirements to include in gifts and benefits procedure**

- a definition of the types of gifts and benefits that are customary in nature e.g. token or memento
- retail value thresholds for
  - token or memento
  - nominal value (reportable) (where the gift or benefit can be kept by the employee with appropriate approval of an authorised officer)
  - significant value (reportable) (where the gift or benefit will remain the property of the council)
- reporting of gifts and benefits
  - a Gift and Benefit Declaration Form must be completed for
    - any gift or benefit accepted, other than a token or memento
    - any reportable gift or benefit that is offered but not accepted
    - any gift of cultural or historical significance
    - if the cumulative value of multiple gifts or benefits (incl. token or memento) received from a single donor, or related donor, is more than the reportable value threshold in a financial year
  - the form is forwarded to a central monitoring officer within a stated number of days, but no more than seven days, of receiving the gift or benefit, or being offered the gift or benefit
- registering and maintaining a centralised gifts and benefits register
  - the register is reviewed quarterly by the central monitoring officer
  - quarterly reporting of gifts and benefits to the senior executive group
- roles and responsibilities of key positions in the managing and monitoring mechanisms.

The absence of clear procedures and tools diminishes the value of declaring, authorising, managing and monitoring gifts and benefits. Accepting a gift, no matter how small, may result in a perception that an employee is taking a bribe or secret commission, or exercising undue influence. For this reason all gifts and benefits, other than those classified as token or memento, must be reported.

#### **Area for improvement 5 – Enhance gifts and benefits mechanisms**

Develop a procedure and associated tools for managing gifts and benefits. The procedure should address the minimum requirements stipulated above.

The CCC has a prevention advisory on gifts and benefits on its website.

**Note.** Councils have indicated that they will work towards developing and implementing a procedure to improve the management of gifts and benefits.



### 3 Dealing with actual complaints

#### Complaints handling procedures

Our assessment of the 13 councils' systems for dealing with corrupt conduct complaints identified that five councils had in place sound and comprehensive complaints handling procedures to guide staff in effectively and appropriately responding to corrupt conduct incidents.

The remaining eight councils showed considerable variation in the adequacy of procedures for complaints handling – from gaps in the processes in place (four councils) to a lack of documented processes (four councils), as further described below.

The audit identified that four councils had three or more gaps in their complaints handling procedures when measured against the requirements of the CCC's *Corruption in Focus* guide. For this reason they were assessed as having partially sound complaints handling procedures. While these councils should be commended for having processes documented, we consider it essential that the missing processes (key controls) are included in councils' existing procedures, as this will increase consistency and decrease risk in handling complaints of corrupt conduct.

We were unable to assess the remaining four councils' procedures either because they are non-existent, or the procedures they supposedly rely on do not relate to complaints involving corrupt conduct. This is a significant deficit given that a fair, transparent and timely complaints process is fundamental to promoting public confidence in a council. We understand, however, that these councils are working towards developing the necessary procedures.

Based on the above findings, the CCC assessed the maturity of councils' procedures for dealing with corrupt conduct complaints, as follows:

Council	Result	Council	Result	Council	Result
UPA 1	●○○	UPA 6	○○●	UPA 10	○○●
UPA 2	●○○	UPA 7	○●○	UPA 11	○●○
UPA 3	●○○	UPA 8	○○●	UPA 12	○●○
UPA 4	●○○	UPA 9	○●○	UPA 13	○○●
UPA 5	○○●				

#### Legend:

- *Generally achieved* – process is documented, thorough and sufficient to ensure consistency across the council.
- *Partly achieved* – process is documented. It is unlikely to be thorough, but may help to ensure that processes are followed.
- *No evidence of achievement* – process is non-existent or undocumented, and tending to be driven in an ad hoc, uncontrolled and reactive manner by case officers or decision events.

#### **Area for improvement 6 – Develop or improve procedures for dealing with corrupt conduct complaints**

Develop or enhance procedures to assist responsible officers in dealing with complaints involving corrupt conduct effectively and appropriately to achieve optimal outcomes. (Refer to the CCC's *Corruption in Focus* guide.)

**Note.** Councils have acknowledged the need to improve their complaints-handling procedures specifically in relation to corrupt conduct. Some of the councils have already started revising their procedures through consultation with the CCC.

#### Complaints management recordkeeping

As part of this audit the CCC reviewed 43 complaint files which had been dealt with by the various councils.

The CCC was unable to complete an audit of four of these complaint files, or make an assessment as to whether they were appropriately dealt with by the two councils involved, due to absence or insufficiency of records.

**Case study – Complaint file could not be located by the council**

The CCC sought to review one council's treatment of a complaint concerning its decision to award a contract to upgrade drainage infrastructure to a company which provided an "alternative tender" to the mandatory requirements set by the Council. The complainant in this matter alleged that council officers had been bribed by the successful tenderer with helicopter rides and boxes of prawns and alcohol. The documentation provided to the CCC by council, supposedly in relation to this matter, in fact concerned a completely different matter.

It is the CCC's understanding that the council is continuing to make efforts to locate the complaint file, however, we note that:

- The Matters Assessed Report was sent on 11 January 2017 to the Council's CEO, who according to our records was the nominated liaison officer for the purposes of the CCC.
- The engagement notification for this audit was sent to the same person on 28 March 2017. Upon receiving no response by the allocated time we conducted inquiries and identified a different person who is now the CEO.

There is a possibility that the complaint was sent to the nominated liaison officer, who no longer had responsibility to deal with the complaint.

The failure to notify the CCC of changes to the Council's CEO position, or the Council's nominated CCC liaison officer, can result in complaints not being dealt with and inadequacies in existing controls not being discovered.

**Area for improvement 7a – Maintain records of investigation**

Councils should implement a system to adequately capture, manage, respond to and report complaints at all stages of the complaint-handling process. Recordkeeping requirements must be communicated to staff. In the event the Council is unable to find the complaint file, the complaint will need to be dealt with.

The Council's CEO should be reminded that any changes to the Council's CEO position, or the Council's nominated CCC liaison officer, must be communicated to the CCC as soon as possible, to avoid issues such as that outlined above.

**Note.** The Council was given an opportunity to respond to this finding and recommendation, however no response has been received to date. Responsibility for the implementation of the recommendation rests with the Council's CEO. The CCC will follow up on progress.

In another matter, the council had no investigative records to provide in relation to a non-reportable complaint. The council has not yet provided an explanation for this absence of documentation. Without any relevant material to consider the CCC has been unable to assess the appropriateness of council's dealing with this complaint.

In the remaining three matters, full records of the investigations were not maintained. For example, for one matter the only documentation provided by council was a record of a conversation between the case manager and relevant officers. There was no information about the nature of the complaint, the conflict involved or the outcome of the matter.

**Area for improvement 7b – Maintain records of investigation**

Councils should maintain full records of inquiries and evidence gathered, including documenting the reason why certain investigation documents or outcomes are not maintained. In particular:

- Design and implement a "running sheet" that can be easily monitored or audited to identify who did what and when.
- Include an outcome report for each matter detailing the findings, conclusions and recommendations of any investigation or other process.

- Design and implement a “file closure sheet”.

**Note.** Councils have advised they are reviewing the recommendation to determine whether it can be applied to their current complaints management system.

### Disciplinary outcomes

The CCC audit identified one matter (see the case study below) in which there was a disconnect between the sanction imposed on the subject officer (the council employee) and on the business which was alleged to have benefited from the subject officer’s actions. While the subject officer was reprimanded, the business in question suffered the more significant consequence of being excluded from a tender process.

#### Case study – Inappropriate access to and use of confidential information by a council employee for gain

Business A, which was owned by a family member of a council employee (the subject officer) was competing to win a council tender. The employee inappropriately accessed information relating to a rival tender submission by Contractor B. Council staff became suspicious when they received a second, significantly lower, quote from Business A which was \$10 lower than the price offered by Contractor B, the only other business to tender.

The council’s decision-maker determined to reprimand the subject officer, taking into account their long service history, the fact that the evidence was circumstantial and that the subject officer was “embarrassed” by their conduct.

The Council rejected the tender by Business A even though the tender price was lower than that of the other competitor.

The CCC considers that the consequences for Business A, who was a party to the corrupt conduct, were appropriate. However, it seems inequitable that, for their involvement in the same situation, the subject officer was given the benefit of the doubt and only reprimanded.

To maintain public confidence in their operation, the council must ensure that the outcome of a complaint process be appropriate to the seriousness of the allegation and consistent in terms of the actions taken in relation to the parties involved.

#### Area for improvement 8 – Ensure disciplinary outcomes are appropriate to the seriousness of the allegation

- Note the purpose and relevance of effective deterrence measures and impose sanctions commensurate to the seriousness of the conduct. Council to document the range of sanctions that may be imposed for any breach of the Code of Conduct and in making a decision take account of the level of the subject officer’s position and seriousness of the conduct. Senior executives are committed to leading and maintaining a good ethical culture within their agency.
- Prevent unauthorised access to confidential information – access and privilege level controls should be considered and implemented, and all employees regularly reminded of their obligations when accessing and using confidential information.
- Be reminded that when a complaint is received, a relevant assessment officer may conduct preliminary inquiries to determine if the complaint raises a reasonable suspicion of corrupt conduct. Once a reasonable suspicion is held, all inquiries must cease and the matter must then be referred to the CCC for assessment. The Council should then wait for further advice from the CCC before proceeding (via Matters Assessed Report).

**Note.** In responding to this audit, the Council acknowledged the recommendation and also will review access requirements/restrictions with respect to its internal document management systems where information breached may be stored.

### Choosing an investigator or case officer

Our review of two matters across two councils found that the investigations were not dealt with impartially, as shown in the following case studies.

#### **Case study – Investigator interviewed themselves and another panel member**

One matter involved allegations against a member of a recruitment and selection panel. The matter was investigated by a council officer who was the Chair of the same recruitment panel. In effect the investigator interviewed themselves and another panel member. The CCC has not received any interview notes in relation to the other panel member, and documentation gathered in the investigation, to determine the factual accuracy of the investigation report, however noted the statutory declaration from the Chair. The CCC considers the investigator in this matter had a clear conflict of interest.

#### **Case study – Investigator investigated an allegation involving themselves**

In another matter, the employee who investigated an allegation about a subject officer hiring a friend into the temporary position was also the subject officer of the complaint. Based on their preliminary inquiries, the investigator/subject officer concluded that the allegation lacked substance and for that reason further investigation was not justified.

There can be no confidence in the outcome of an investigation where the process is tainted by an actual or perceived conflict of interest.

#### **Area for improvement 9 – Deal with allegations impartially**

CCC Liaison Officers have regard to any conflict of interest or perception of bias on the part of the investigator / case officer, prior to appointing them to deal with the matter.

**Note.** One of the Councils advised the CCC that they will implement the recommendation and work towards improving the way matters are managed in the council.

The other Council planned to implement the recommendation.

#### **Investigative practices**

The audit identified numerous issues in the way some councils conduct preliminary inquiries where councils failed to consider relevant factors including:

- the subject officer’s complaint history
- whether a subject officer had undertaken any training in relation to ethics and conflicts of interest.

Prior complaints of a similar nature to the current allegations may be indicative of repeated or ongoing conduct, which in turn may further inform the initial assessment outcome. Previous complaints also provide important intelligence about possible patterns of behaviour, or systemic issues, even when those complaints were unable to be substantiated.

The CCC considers that the failure to consider these factors excludes critical information relevant to complaint assessment, investigation and outcomes. It demonstrates an inclination to treat complaints in isolation, ignoring possible patterns in an individual’s behaviour, and missing opportunities for performance improvement or disciplinary action.

#### **Area for improvement 10 – Check complaints history and training records**

Review and document for every individual complaint:

- a) Whether the subject officer has a relevant complaint history.
- b) Whether the subject officer has attended relevant ethics and conflicts of interest training.

**Note.** Councils have acknowledged the recommendation and indicate that it would assist in effective complaints handling. However, one of the councils thought that only when an allegation is recommended as substantiated, an officer’s complaint history and training history may be relevant to any decision for disciplinary action. Thus, the Council disagreed with the CCC’s statement that “previous complaints provide important intelligence...even when that complaint was unable to be substantiated”.

The CCC has responded to the Council that the pre-investigation process must include checks of relevant complaint histories (also noted in the CCC's *Corruption in Focus* guide). This helps the designated CCC Liaison Officer determine how the allegations should be dealt with – for example, whether by investigation or management action – and how much effort to expend. By highlighting patterns of behaviour, a complaints history may help the investigator develop appropriate remedial strategies or recommendations for the decision-maker.

We also identified 11 matters involving seven councils who did not prepare an investigation plan. Further, the audit identified four complaints where four councils did not prepare an outcome report. While these failures did not have an effect on the appropriateness of the outcomes in these instances, failure to prepare and follow an investigation plan presents a risk that an investigation could be side-tracked, or result in a less than optimal outcome.

#### **Area for improvement 11 – Enhance investigation planning and reporting**

Prepare an investigation plan and outcome report to detail the investigation and its findings, conclusions and recommendations. The scale of the plan should be appropriate to the risk, complexity, nature and timing of the investigation.

**Note.** Councils have acknowledged the recommendation.

#### **Finalise the complaint**

The CCC audit identified a matter that is still ongoing more than 12 months after the complaint was first raised with the council. We considered this matter to be unusual as it involved wrongdoing by a former council employee who is now a Councillor. This limits the actions available to a decision-maker in dealing with the conduct.

##### **Case study – Allegation against a former council employee**

The subject officer was in the Planning and Development area of Council where their responsibilities included, but were not limited to, assessing building development applications for the construction of new buildings and the demolition of old buildings.

The day before the local government elections were held in March 2016, the subject officer received a building demolition application from a member of the public. The purpose of the application was to gain approval to demolish a heritage-listed belltower.

Just prior to being sworn in as councillor, and after resigning as a council officer, the subject officer advised the applicant that they had submitted a private personal objection to the belltower demolition application.

There was evidence that the subject officer only knew to lodge an objection based on the information acquired in his previous role as a council employee.

There was sufficient evidence to substantiate the complaint.

In April 2017, the council sent their investigation report to the Department of Infrastructure, Local Government and Planning. However, their purpose for doing this is unclear as council did not seek advice in their correspondence. The council has indicated to the CCC that as at July 2017 they are still waiting to hear from the Department.

In circumstances where the subject officer is no longer an employee of council, the council has no remedies against the subject officer other than criminal proceedings which may not be considered in the public interest. The CCC considers on this occasion the best action available to the council would be management action. For example, the council's training program on conflicts of interest could be updated to include this matter as a case study, reinforcing a message to all employees about their responsibilities as a public officer when dealing with information.

#### ***Area for improvement 12 – Finalise the matter in a timely way***

Deal with the matter in a timely way, in particular:

- a) Seek independent legal advice and/or finalise the matter as soon as possible.
- b) Communicate it as a case study by email or intranet broadcast to raise awareness, improve workplace culture and accountability, and emphasise the importance of confidential information and avoiding a conflict of interest.
- c) Provide the complainant with outcome advice, explaining why the action taken is appropriate in the circumstances – including a decision to take no further action – and any results of the action known at the time the complainant is responded to, pursuant to section 44(5) of the CC Act.

**Note.** The Council has responded to the CCC with a commitment to enhancing procedural controls to mitigate untimely risk in complaints handling to optimal outcome.

#### **No Further Action outcomes**

The CCC audit identified that insufficient preliminary inquiries were undertaken in two matters investigated by the same council. In both matters the decision-maker determined to “take no action” in relation to a complaint. The CCC considers that the basis on which this decision was made is unclear for both matters, and that in relation to one file it is clear that inquiries that should have been pursued were not.

#### ***Area for improvement 13 – Enhance inquiries to reach No Further Action outcomes***

Make sufficient preliminary inquiries and document both those inquiries as to why a certain resolution process was determined to be appropriate at the time that decision was made.

**Note.** The Council advised the CCC that they will implement the procedural recommendation.

#### **4 Periodically audit system for conflicts of interest**

The audit found that 10 of the 13 councils have not conducted an internal audit of their conflict of interest processes during the last two years. Some of the councils advised the CCC that while their internal audits do not focus on the conflict of interest processes, the audits, by their nature (for example, procurement audits), in part deal with that topic.

Auditing conflict of interest processes can determine whether the process is meeting the council’s objectives, as well as reducing its operational, financial and reputational risks. Similarly, it may also help reduce the prevalence of allegations of corrupt conduct relating to conflicts of interest which in turn can enhance public confidence in the administration of the council.

#### ***Area for improvement 14 – Conduct periodic audits of the conflict of interest process***

Periodically assess the design and operating effectiveness of key controls in place for identifying, managing and monitoring conflicts of interest. This audit should be conducted by an internal auditor or an independent external auditor.

**Note.** Councils will include conflicts of interest identification, management and monitoring in their Internal Audit Program for review and testing once the necessary framework has been established and implemented.

#### **Other observations**

During the audit we also identified opportunities to raise standards of integrity in councils. Given the CCC’s role in building the capacity of councils to deal with corruption, it is useful to draw attention to those areas with a view to helping councils make improvements.

### **Improve the complaint assessment and categorisation process**

A total of 23 non-reportable corrupt conduct matters were communicated to the CCC. We identified two areas where councils could improve their complaint assessment and categorisation processes.

First, the audit identified four matters, involving two councils, in which it was difficult to conduct a preliminary assessment of the allegation(s) based on the précis of information provided to the CCC. This information is critical to us, and to key stakeholders, as it enables a risk-based preliminary assessment and decisions on the CCC's monitoring role. These councils have been asked to provide more specific information of the allegation in their complaints management system.

Second, the CCC identified three matters involving two councils that were incorrectly assessed as being non-reportable corrupt conduct (less serious). Based on the information available to us, the CCC assessed these complaints as constituting Level 1 complaints (serious and/or systemic), which must be reported to the CCC without undue delay. Our assessment decision was made on the basis that the alleged conduct in these matters would involve, at its highest, an offence relating to corruption or abuse of office in Chapter 13 of the *Criminal Code*. The CCC acknowledges there are some learnings for councils and we have communicated to them those learnings for educational purpose.

It is important to notify the CCC of a particular conduct type, at a particular time, to ensure the integrity of a future investigation, and assess other considerations such as the use of CCC powers and the preservation of evidence.

## **Conclusion**

The CCC's audit identified further work needed by 10 of the 13 councils to design and implement a conflicts of interest framework that would ensure that actual, perceived or potential conflicts of interest are managed in a transparent, accountable manner. These areas for improvement require immediate attention and action by senior executives.

While the CCC's audit also identified areas for improvement in how councils dealt with complaints involving conflicts of interest, there is a need for councils to put into place a specific procedure for corrupt conduct complaints and to ensure complaints are dealt to optimal outcomes. Overall, complaints were dealt with satisfactorily.

Following the completion of our audit the relevant councils have had an opportunity to comment on the findings. Their views have been considered in reaching our final report. This report represented the overall responses from the councils. Councils are in the process of implementing the relevant recommendations in consultation with the CCC.

The CCC was unable to obtain a response, or assurance to implement relevant recommendations, from one council, which was disappointing. It demonstrates a lack of commitment from a senior executive that could potentially diminish the ethical climate of the council by opening up an opportunity for staff to engage in corrupt conduct. Council has a shared obligation, with the CCC, to prevent corrupt conduct in the public sector.

It is essential that senior executives and employees understand what constitutes a conflict of interest and what they need to do if they may have one. If staff do not know how to identify a conflict of interest and how to resolve it in the public interest, the likelihood of corrupt conduct increases dramatically. It is considered best practice to implement systems for policy, people and process to help ensure that conflicts of interest are identified, managed and monitored appropriately and transparently.

## Summary guide for councils (including other public sector agencies)

The CCC promotes a three-step process for implementing mechanisms that will assist a council in preventing and reducing corrupt conduct. (Note that the following is not exhaustive and should be considered as a summary guide only.)



### 1 Policy

A council should maintain strong, effective and efficient policies, procedures and guidelines which are clearly based on and linked to relevant legislation, official guidelines, and examples of best practice advice. A policy or procedure must also assign responsibilities for completing key components (e.g. identify, manage and monitor) and assign particular roles to those who are authorised and responsible for carrying out the management and monitoring activities.

#### Conflicts of interest policy

An agency's Code of Conduct contains a series of statements setting out the standards of conduct expected of employees, consistent with the ethics principles outlined in the *Public Sector Ethics Act 1994* (PSEA). It does not, however, outline the processes, roles and responsibilities, and monitoring activities.

An overarching policy should be developed that outlines the obligations of management and employees in relation to a range of matters, including the requirement to manage conflicts of interest in a transparent and accountable manner. That policy also ties together the various procedures, guidelines and templates related to conflicts of interest.

#### Register of interests

In addition to a council's Code of Conduct, section 290(1) of the Local Government Regulation 2012 and section 268(1) of the City of Brisbane Regulation 2012 require a council's chief executive officer to maintain a register of interests for senior executive employees and any person related to a senior executive employee. Both Regulations also require the Mayor to maintain the register of interests of the chief executive officer.

#### Conflicts of interest procedure/guideline

An overarching procedure, or a procedure embedded within the policy, provides a practical reference tool to assist employees and managers when dealing with conflicts of interest. A procedure or policy should address issues including how to identify, disclose, manage and monitor conflicts of interest, and set out the mandatory processes (steps) to be complied with.

#### Business processes prone to conflicts of interest

Individual procedures for conflicts of interest should also be developed for high-risk business processes, such as recruitment and selection, procurement, grants management, rates management, and development applications.

#### Gifts and benefits

A specific procedure should also be established outlining the processes around the giving and receiving of gifts and benefits in relation to an officer's employment, relevant approvals and reporting mechanisms.



## 2 People

The second step involves “People” – council must have zero tolerance for corrupt conduct. To give effect to this position, and to meet its legislative obligations (that is, perform public duties fairly and transparently), councils must proactively establish a culture and workplace environment that will not tolerate corrupt conduct or dishonest behaviour. The perception that conflicts of interest are not being managed properly can undermine confidence in the integrity of senior executives, employees and the council itself.

Managing conflicts of interest effectively will require that managers:

- educate council employees about the policy and procedures
- lead the council through example
- communicate the policy and procedures to internal and external stakeholders
- enforce the policy and procedures.

The educating initiative must reflect the ethics principles set out in the PSEA and reflected in the Code of Conduct, as well as an employee’s obligations pursuant to the relevant *Local Government Act 2009* and the *City of Brisbane Act 2010*. It must also provide staff and managers with relevant and effective strategies to manage conflicts of interest appropriately.

## 3 Process

Once the policy and people steps have been addressed, the next logical step involves designing and implementing internal controls for identifying, managing and monitoring conflicts of interest (discussed below). These processes must:

- reflect the council’s organisational structure including oversight functions and accountabilities
- be a product of a robust risk management process
- be subject to regular testing and monitoring activities
- be understood by those participating in business decisions.

### Identify

Identifying conflicts of interest is an important first step in managing them appropriately and having the conflicts declared in writing, as illustrated below.



The declaration of the conflict of interest should be communicated to the employee’s supervisor or manager, and in turn reported to the relevant decision-maker for consideration and decision-making. Having a form implemented to record the conflict of interest provides a number of benefits (that is, getting the right information, consistency, accuracy and record keeping).

Conflicts of interest should also be formally disclosed for business processes that are susceptible to conflicts of interest, for example, procurement, recruitment and selection, and planning and development applications.

The following case study shows why it is essential to avoid a conflict of interest if possible and, if not, declare it and resolve it in the public interest.

### Case study – Failure to avoid and disclose a conflict of interest

The subject officer's role involved investigating and providing recommendations to Council about insurance claims against it. A significant part of the job involved assessing claims made by residents (claimants) about damage to their driveways caused by trees on Council land.

Council looked up the contact details of a concreting contractor who had been engaged to perform repair work to a claimant's damaged driveway, a matter handled by the subject officer. It turned out that the contractor was a family member of the subject officer. Council noted that the contractor had provided quotes on at least five of the subject officer's matters. The contractor was paid \$37,950 (GST inclusive) for work undertaken on three separate jobs. Council also noted that the subject officer sourced some of the quotes directly from the contractor and engaged them to perform the work for Council, rather than have the claimant source quotes and engage a contractor independently.

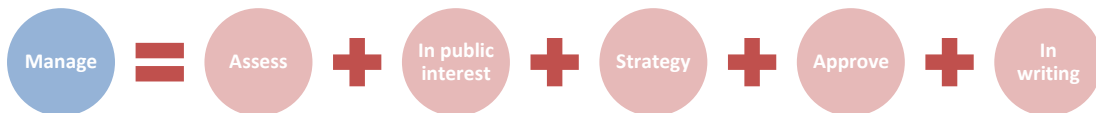
In hindsight, the subject officer had failed to **avoid** a conflict of interest by engaging a family member (the contractor) to: a) provide quotes to Council or claimants for repair work; and b) perform the work either directly for Council or for claimants (which is ultimately reimbursed by Council). The subject officer had also failed to **disclose** to Council the conflict of interest when engaging the contractor to provide quotes for repair work and/or perform work.

Conflict of interest was not the only issue in this case, as the subject officer also failed to comply with Council's policies on procurement and management of insurance claims. The subject officer resigned during the show cause proceedings.

Employees must perform their duties honestly and impartially and avoid situations which may compromise their integrity or lead to a perceived or actual conflict of interest (as per the Code of Conduct and the Local Government Act).

### Manage

The relevant decision-maker should review the written declaration of a conflict and, together with the employee who has the conflict, work out a strategy for managing the conflict, as illustrated below.



While conflicts of interest can be resolved or managed in a variety of ways, the choice of strategy will depend on an assessment of the:

- nature of the conflict
- complexity of the situation
- subtleties and severity of the case.<sup>12</sup>

In essence, the council should have guidelines to assist decision-maker to assess what actions are appropriate in different situations to adequately manage the conflict.

Whichever strategy is chosen, transparent decision-making and detailed record keeping are essential. The management strategy document should, at a minimum, include:

- disclosure of the conflict of interest
- directions given about managing the conflict of interest
- decisions and arrangements made for resolving the conflict of interest
- steps taken in implementing the chosen management strategy
- certification (that is, sign-off) by the employee, manager and decision-maker.

<sup>12</sup> There are six possible options for managing conflicts of interest: Register – Restrict – Recruit – Remove – Relinquish – Resign. See <https://www.icac.nsw.gov.au/docman/preventing-corruption/tip-sheets/3325-identifying-and-managing-conflicts-of-interest-in-the-public-sector-2012/file>

These records will enable the decision-maker and council to demonstrate in an accountable manner, if necessary, that a specific conflict of interest has been appropriately identified and managed. The agreed management strategy should be signed by the decision-maker, manager and employee. It also assists the supervisor/manager to monitor the employee's compliance with the agreed strategy.

A copy of the declared conflict and the agreed management strategy for it should be provided to a central area (e.g. with a governance or compliance function) to ensure that all declared conflicts are entered in the register. The register is used for reporting to the Senior Executive Group and can be used to perform a council-wide risk assessment for mitigating risks associated with conflicts of interest.

### Monitor

It is important to monitor any strategy adopted to manage conflicts of interest. Ongoing monitoring and regular reviews allow changes to be made to the strategy and the way in which it is implemented before problems arise, as illustrated below.



The employee's supervisor/manager should monitor how closely the employee is complying with the agreed management plan. Failure to adhere to the management strategy may constitute corrupt conduct and must be reported to the decision-maker for appropriate action.

In conclusion, identify the areas of risk and describe the kinds of conflicts of interest that are likely to occur – clearly identifying at-risk functions and the positions or business areas that perform them. Then, develop an appropriate management strategy and monitoring arrangements for that conflict.

#### Getting advice about potential risk areas

The CCC has a range of resources that can assist public sector agencies manage their conflicts of interests effectively and transparently. These include corruption prevention advisories on high-risks areas such as:

- Conflicting commitments – managing other employment and volunteering
- Procurement and contract management
- Sponsorship management
- Gifts and benefits.

More information about corruption prevention advisories can be found on the CCC website.<sup>13</sup>

<sup>13</sup> <http://www.ccc.qld.gov.au/corruption-prevention/corruption-prevention-advisories>





# Crime and Corruption Commission

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QUEENSLAND

## Crime and Corruption Commission

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**11.2 COMMUNITY & CUSTOMER SERVICES****11.2.1 DECISIONS MADE UNDER DELEGATED AUTHORITY FOR CATEGORY 1, 2 & 3 DEVELOPMENT APPLICATIONS**

<b>Objective Reference:</b>	<b>A2658140</b> <b>Reports and Attachments (Archives)</b>
<b>Attachment:</b>	<a href="#"><u>Decisions Made Under Delegated Authority 1.10.2017 to 21.10.2017</u></a>
<b>Authorising Officer:</b>	<b>Louise Rusan</b> <b>General Manager Community &amp; Customer Services</b>
<b>Responsible Officer:</b>	<b>David Jeanes</b> <b>Group Manager City Planning &amp; Assessment</b>
<b>Report Author:</b>	<b>Debra Weeks</b> <b>Senior Business Support Officer</b>

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**PURPOSE**

The purpose of this report is for Council to note that the decisions listed below were made under delegated authority for Category 1, 2 and 3 development applications only.

This information is provided for public interest.

**BACKGROUND**

At the General Meeting of 21 June 2017, Council resolved that development assessments be classified into the following four Categories:

- Category 1 – Minor Code and Referral Agency assessments;
- Category 2 – Moderately complex Code and Impact assessments;
- Category 3 – Complex Code and Impact assessments; and
- Category 4 – Major and Significant Assessments (not included in this report)

The applications detailed in this report have been assessed under:-

**Category 1** - Minor Code assessable applications, Concurrence Agency Referral, minor Operational Works and minor Compliance Works; Minor Change requests and extension to currency period where the original application was Category 1. Procedural delegations for Limited and Standard Planning Certificates.

Delegation Level: Chief Executive Officer, General Manager, Group Managers, Service Managers, Team Leaders and Principal Planners as identified in the officer's instrument of delegation.

**Category 2** - In addition to Category 1, moderately complex Code assessable applications, including Operational Works and Compliance Works and Impact assessable applications without objecting submissions; Other Change requests and variation requests where the original application was Category 1, 2, 3 or 4\*. Procedural delegations including approval of works on and off maintenance, release of bonds and Full Planning Certificates.

*\* Provided the requests do not affect the reason(s) for the call in by the Councillor (or that there is agreement from the Councillor that it can be dealt with under delegation).*

Delegation Level: Chief Executive Officer, General Manager, Group Managers and Service Managers as identified in the officer's instrument of delegation.

**Category 3** - In addition to Category 1 and 2, applications for Code or Impact assessment with a higher level of complexity. They may have minor level aspects outside a stated policy position that are subject to discretionary provisions of the planning scheme. Impact applications may involve submissions objecting to the proposal readily addressable by reasonable and relevant conditions. Assessing superseded planning scheme requests and approving a plan of subdivision.

Delegation Level: Chief Executive Officer, General Manager and Group Managers as identified in the officer's instrument of delegation.

### **OFFICER'S RECOMMENDATION**

**That Council resolves to note this report.**

## Decisions Made Under Delegated Authority for 01.10.2017 to 07.10.2017

### CATEGORY1

Application Id	Application Full Details	Applicant	Associated Property Address	Primary Category	Decision Date	Negotiated Decision Date	Decision Description	Division
MCU014027	Dual Occupancy	Philip Impey Architect	10 Sturgeon Street Ormiston QLD 4160	Code Assessment	04/10/2017	NA	Development Permit	1
MCU17/0024	Dwelling House	Development Solutions Qld	56A Main Road Wellington Point QLD 4160	Code Assessment	04/10/2017	NA	Development Permit	1
CAR17/0134	Design and Siting - Additions to existing house	The Certifier Pty Ltd	110 Sunshine Drive Cleveland QLD 4163	Referral Agency Response - Planning	06/10/2017	NA	Approved	2
DBW17/0005	Domestic Additions	Denise Gail HAINES Ian Frederick HAINES	53 Wahine Drive Russell Island QLD 4184	Code Assessment	03/10/2017	NA	Development Permit	5
MCU17/0029	Dwelling House	Jim ROBSON	7 Beelong Street Macleay Island QLD 4184	Code Assessment	06/10/2017	NA	Development Permit	5
CAR17/0142	Design and Siting - Garage addition	The Certifier Pty Ltd	17 Montrose Place Redland Bay QLD 4165	Referral Agency Response - Planning	06/10/2017	NA	Approved	6
CAR17/0126	Design and Siting - Carport	All Approvals Pty Ltd	202 Finucane Road Alexandra Hills QLD 4161	Referral Agency Response - Planning	03/10/2017	NA	Approved	8
DBW17/0006	Domestic Additions, Carport and Water Tank	Mark Neale DEACON	29 Dean Road Alexandra Hills QLD 4161	Code Assessment	05/10/2017	NA	Development Permit	8
MCU17/0037	Dwelling House (incl Secondary Dwelling)	The Certifier Pty Ltd	16 Degen Road Capalaba QLD 4157	Code Assessment	06/10/2017	NA	Development Permit	9



## Decisions Made Under Delegated Authority for 01.10.2017 to 07.10.2017

### CATEGORY1

Application Id	Application Full Details	Applicant	Associated Property Address	Primary Category	Decision Date	Negotiated Decision Date	Decision Description	Division
CAR17/0140	Design and Siting	Bartley Burns Certifiers & Planners	14A Maud Street Birkdale QLD 4159	Referral Agency Response - Planning	05/10/2017	NA	Approved	10
CAR17/0143	Design and Siting - Shed	Strickland	16 Victory Place Birkdale QLD 4159	Referral Agency Response - Planning	05/10/2017	NA	Approved	10
MCU013908	Multiple Dwellings (4 Townhouses)	Gilvear Planning Pty Ltd	207-209 Birkdale Road Birkdale QLD 4159	Code Assessment	03/10/2017	NA	Development Permit	10
BWP004285	Design and Siting - Carport	Lauren Christine ANDREATTA	121 Thorneside Road Thorneside QLD 4158	Concurrence Agency Referral	06/10/2017	NA	Approved	10

## Decisions Made Under Delegated Authority for 01.10.2017 to 07.10.2017

### CATEGORY2

Application Id	Application Full Details	Applicant	Associated Property Address	Primary Category	Decision Date	Negotiated Decision Date	Decision Description	Division
OPW17/0021	Driveway Crossover Works - Second Driveway	Louise Anne GUYAN Mark Bradley REID	5-7 Woodcrest Close Redland Bay QLD 4165	Code Assessment	05/10/2017	NA	Development Permit	6
OPW002185	Service Station and Retail Warehouse	Hutchinson Builders	75 Boundary Street Redland Bay QLD 4165	SPA - 15 Day Compliance Assessment	06/10/2017	NA	Approved	6
RAL17/0015	Change to Development Approval ROL006008	Andiworth Pty Ltd Place Design Group Pty Ltd	78-80 Kinross Road Thorntlands QLD 4164	Minor Change to Approval	04/10/2017	NA	Approved	7
RAL17/0016	Change to Development Approval ROL006009	Andiworth Pty Ltd Place Design Group Pty Ltd	78-80 Kinross Road Thorntlands QLD 4164	Minor Change to Approval	04/10/2017	NA	Approved	7

### CATEGORY 3

Application Id	Application Full Details	Applicant	Associated Property Address	Primary Category	Decision Date	Negotiated Decision Date	Decision Description	Division
MCU013813	Multiple Dwelling x 4	Seaview Unit Trust	23 Moore Street Victoria Point QLD 4165	Impact Assessment	05/10/2017	NA	Development Permit	4

## Decisions Made Under Delegated Authority 08.10.2017 to 14.10.2017

### CATEGORY1

Application Id	Application Full Details	Applicant	Associated Property Address	Primary Category	Decision Date	Negotiated Decision Date	Decision Description	Division
CAR17/0136	Design and Siting - Carport	Fastrack Building Certification	32 Edith Street Wellington Point QLD 4160	Referral Agency Response - Planning	09/10/2017	NA	Approved	1
CAR17/0110	Combined - Design & Siting and Build over or near relevant infrastructure - Dwelling House	Castle Glenn Homes	32A Mergowie Drive Cleveland QLD 4163	Referral Agency Response - Engineering	13/10/2017	NA	Approved	2
CAR17/0132	Design and Siting - Carport	The Certifier Pty Ltd	3 Gotha Street Cleveland QLD 4163	Referral Agency Response - Planning	11/10/2017	NA	Approved	2
DBW17/0018	Domestic Additions - Gazebo	Suzanne Kate HEMBROW	7 Martingale Court Cleveland QLD 4163	Code Assessment	12/10/2017	NA	Development Permit	2
CAR17/0156	Design and Siting - Dwelling House	McDonald Jones Homes Pty Ltd	79 King Street Thornlands QLD 4164	Referral Agency Response - Planning	12/10/2017	NA	Approved	3
CAR17/0131	Amenity and Aesthetics - Dwelling House less than 60m2	Bay Island Designs	59 Hemp Hill Road Russell Island QLD 4184	Referral Agency Response - Planning	09/10/2017	NA	Approved	5
CAR17/0144	Amenity and Aesthetics - Dwelling House less than 60m2	Bay Island Designs	19 Waratah Street Russell Island QLD 4184	Referral Agency Response - Planning	12/10/2017	NA	Approved	5
ROL006176	Rearranging Boundaries - 2 into 2 Lots	Edgarange Pty Ltd	282-302 Serpentine Creek Road Redland Bay QLD 4165	Code Assessment	10/10/2017	13/10/2017	Negotiated Decision	6

## Decisions Made Under Delegated Authority 08.10.2017 to 14.10.2017

### CATEGORY1

Application Id	Application Full Details	Applicant	Associated Property Address	Primary Category	Decision Date	Negotiated Decision Date	Decision Description	Division
CAR17/0162	Design and Siting - Dwelling	Henley Properties Qld Pty Ltd Professional Certification Group Pty Ltd	2 Woodhaven Close Redland Bay QLD 4165	Referral Agency Response - Planning	12/10/2017	NA	Approved	6
DBW17/0009	Domestic Outbuilding	Reliable Certification Services	27 Teviot Road Redland Bay QLD 4165	Code Assessment	10/10/2017	NA	Development Permit	6
CAR17/0135	Design and Siting - Carport	Fluid Approvals	43 Kennedy Drive Capalaba QLD 4157	Referral Agency Response - Planning	09/10/2017	NA	Approved	9
MCU17/0025	Dwelling House	Kathryn Ann HUXLEY Robert Lance HUXLEY	17 David Street Thorneside QLD 4158	Code Assessment	10/10/2017	NA	Development Permit	10
CAR17/0157	Design and Siting- Dwelling Additions	Bartley Burns Certifiers & Planners	6 Creek Road Birkdale QLD 4159	Referral Agency Response - Planning	12/10/2017	NA	Approved	10

## Decisions Made Under Delegated Authority 08.10.2017 to 14.10.2017

### CATEGORY2

Application Id	Application Full Details	Applicant	Associated Property Address	Primary Category	Decision Date	Negotiated Decision Date	Decision Description	Division
CAR17/0163	Build Over or Near Relevant Infrastructure - Dwelling	Total Building Consult Pty Ltd	30A Fiddlewood Street Victoria Point QLD 4165	Referral Agency Response - Engineering	09/10/2017	NA	Approved	6
OPW002185	Combined Operational and Landscaping Works - Service Station and Retail Warehouse	Hutchinson Builders	75 Boundary Street Redland Bay QLD 4165	SPA - 15 Day Compliance Assessment	10/10/2017	NA	Compliance Certificate Approved	6
OPW002005.4	Operational Works For ROL – 34 Lots (The Rise - Stage 4)	Orchard (Thornlands) Developments Pty Ltd	100 Kinross Road Thornlands QLD 4164	Code Assessmnet	13/10/2017	NA	Development Permit	7

## Decisions Made Under Delegated Authority for 15.10.2017 to 21.10.2017

### CATEGORY1

Application Id	Application Full Details	Applicant	Associated Property Address	Primary Category	Decision Date	Negotiated Decision Date	Decision Description	Division
CAR17/0161	Design and Siting - Carport	Bartley Burns Certifiers & Planners	3 Jolliffe Place Ormiston QLD 4160	Referral Agency Response - Planning	17/10/2017	NA	Approved	1
MCU17/0050	Change to Development Approval - MCU013353	Aecom Australia Pty Ltd Amy Siok Yong ANG-OOI	314 Main Road Wellington Point QLD 4160	Minor Change to Approval	16/10/2017	NA	Approved	1
DBW17/0008	Domestic Addition	The Certifier Pty Ltd	16 Compass Court Cleveland QLD 4163	Code Assessment	20/10/2017	NA	Development Permit	2
CAR17/0164	Design and Siting - Build near infrastructure - Shed	All Approvals Pty Ltd	10 Scott Street Cleveland QLD 4163	Referral Agency Response - Planning	20/10/2017	NA	Approved	2
RAL17/0011	Standard Format - Reconfiguration of 1 into 2 Lots	Statewide Survey Group Pty Ltd Consulting Surveyors	35 Mergowie Drive Cleveland QLD 4163	Code Assessment	18/10/2017	NA	End Information Request	2
CAR17/0160	Design and Siting - Carport	All Approvals Pty Ltd	15 Daysland Street Victoria Point QLD 4165	Referral Agency Response - Planning	20/10/2017	NA	Approved	4
CAR17/0152	Design and Siting - Carport	Building Certification Group	48 School Road Victoria Point QLD 4165	Referral Agency Response - Planning	19/10/2017	NA	Approved	4
MCU17/0041	Dwelling House	Consult Planning	29 Base Street Victoria Point QLD 4165	Code Assessment	17/10/2017	NA	Development Permit	4

## Decisions Made Under Delegated Authority for 15.10.2017 to 21.10.2017

### CATEGORY1

Application Id	Application Full Details	Applicant	Associated Property Address	Primary Category	Decision Date	Negotiated Decision Date	Decision Description	Division
CAR17/0109	Amenity and Aesthetics - Shipping Container	Applied Building Approvals	3-5 Vista Street Russell Island QLD 4184	Referral Agency Response - Planning	30/08/2017	NA	Approved	5
CAR17/0150	Design and Siting - Dwelling House	Applied Building Approvals	8 Tenanne Street Russell Island QLD 4184	Referral Agency Response - Planning	26/09/2017	NA	Approved	5
RAL17/0021	Change to Development Approval ROL006075 (Standard Format - 1 into 3)	Michael Edward HALL	37 Stradbroke Street Redland Bay QLD 4165	Minor Change to Approval	20/10/2017	NA	Approved	5
CAR17/0159	Design and Siting - Dwelling House	Building Code Approval Group Pty Ltd	16 Kubler Crescent Redland Bay QLD 4165	Referral Agency Response - Planning	20/10/2017	NA	Approved	6
CAR17/0172	Design and Siting - Dwelling	Professional Certification Group Pty Ltd	10 Valleygreen Close Redland Bay QLD 4165	Referral Agency Response - Planning	17/10/2017	NA	Approved	6
ROL006176	Rearranging Boundaries - 2 into 2 Lots	Edgarange Pty Ltd	282-302 Serpentine Creek Road Redland Bay QLD 4165	Code Assessment	10/10/2017	16/10/17	Development Permit	6
ROL006170	Standard Format - Reconfiguring a Lot 1 into 2	68 Kinross Developments Pty Ltd	68-70 Kinross Road Thornlands QLD 4164	Impact Assessment	18/10/2017	NA	Development Permit	7
CAR17/0155	Design and Siting - Patio	Fastrack Building Certification	14 Mapleton Crescent Capalaba QLD 4157	Referral Agency Response - Planning	27/09/2017	NA	Approved	7

## Decisions Made Under Delegated Authority for 15.10.2017 to 21.10.2017

### CATEGORY1

Application Id	Application Full Details	Applicant	Associated Property Address	Primary Category	Decision Date	Negotiated Decision Date	Decision Description	Division
CAR17/0175	Design and Siting - Additions to existing house	Tracey Ann CONNELL	2 Chipping Drive Alexandra Hills QLD 4161	Referral Agency Response - Planning	06/10/2017	NA	Approved	7
MCU17/0038	Dwelling House (incl Secondary Dwelling)	Future Urban Residential Pty Ltd	140A Allenby Road Wellington Point QLD 4160	Code Assessment	17/10/2017	NA	Development Permit	8
RAL17/0012	Standard Format 1 into 2 lots	The Certifier Pty Ltd	97 Bainbridge Street Ormiston QLD 4160	Code Assessment	18/10/2017	NA	Development Permit	8
OPW002218	Advertising Device x 18	Has Property Holdings Pty Ltd	108 Old Cleveland Road Capalaba QLD 4157	Code Assessment	16/10/2017	NA	Development Permit	9
RAL17/0010	Standard Format - Reconfiguring a Lot 1 into 2 Lots	East Coast Surveys Pty Ltd	21 Beenwerrin Crescent Capalaba QLD 4157	Code Assessment	19/10/2017	NA	Development Permit	9



## Decisions Made Under Delegated Authority for 15.10.2017 to 21.10.2017

### CATEGORY2

Application Id	Application Full Details	Applicant	Associated Property Address	Primary Category	Decision Date	Negotiated Decision Date	Decision Description	Division
MCU012380	Shop, Refreshment Establishment, Education Facility and Reconfiguring a Lot (1 into 3 Lots)	Sumvista Pty Ltd	623-635 Main Road Wellington Point QLD 4160	Impact Assessment	23/12/2011	16/10/17	Development Permit	1
CAR17/0145	Build Over/Near Sewer - Pool	Dean L BELL Kerylee Veronica BELL	4 Darren Close Victoria Point QLD 4165	Referral Agency Response - Engineering	13/10/2017	NA	Approved	4

**11.2.2 PLANNING & ENVIRONMENT COURT MATTERS CURRENT AS AT 25 OCTOBER 2017**

<b>Objective Reference:</b>	<b>A2666644</b> <b>Reports and Attachments (Archives)</b>
<b>Authorising Officer:</b>	<b>Louise Rusan</b> <b>General Manager Community and Customer Services</b>
<b>Responsible Officer:</b>	<b>David Jeanes</b> <b>Group Manager City Planning &amp; Assessment</b>
<b>Report Authors:</b>	<b>Emma Martin</b> <b>Senior Appeals Planner</b>

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**PURPOSE**

The purpose of this report is for Council to note the current development and planning appeals and other related matters/proceedings.

**BACKGROUND**

Information on these matters may be found as follows:

**1. Planning and Environment Court**

- a) Information on current appeals and declarations with the Planning and Environment Court involving Redland City Council can be found at the District Court web site using the "Search civil files (eCourts) Party Search" service: <http://www.courts.qld.gov.au/esearching/party.asp>
- b) Judgments of the Planning and Environment Court can be viewed via the Supreme Court of Queensland Library web site under the Planning and Environment Court link: <http://www.sclqld.org.au/qjudgment/>

**2. Court of Appeal**

Information on the process and how to search for a copy of Court of Appeal documents can be found at the Supreme Court (Court of Appeal) website: <http://www.courts.qld.gov.au/courts/court-of-appeal/the-appeal-process>

**3. Department of Infrastructure, Local Government and Planning (DILGP)**

The DILGP provides a Database of Appeals (<http://www.dlg.qld.gov.au/resources/tools/planning-and-environment-court-appeals-database.html>) that may be searched for past appeals and declarations heard by the Planning and Environment Court.

The database contains:

- A consolidated list of all appeals and declarations lodged in the Planning and Environment Courts across Queensland of which the Chief Executive has been notified.
- Information about the appeal or declaration, including the appeal number, name and year, the site address and local government.

## PLANNING & ENVIRONMENT COURT APPEALS

1.	<b>File Number:</b>	Appeal 3641 of 2015 (MCU012812)
<b>Applicant:</b>		<b>King of Gifts Pty Ltd and HTC Consulting Pty Ltd</b>
<b>Application Details:</b>		Material Change of Use for Combined Service Station (including car wash) and Drive Through Restaurant 604-612 Redland Bay, Road, Alexandra Hills
<b>Appeal Details:</b>		Applicant appeal against refusal.
<b>Current Status:</b>		Appeal filed in Court on 16 September 2015. Without Prejudice meeting held December 2015. Trial held 1-3 August 2017. Final submissions delivered on 11 October 2017. Awaiting Judgment.
2.	<b>File Number:</b>	Appeal 4807 of 2016 (MCU013719)
<b>Applicant:</b>		<b>IVL Group Pty Ltd and Lanrex Pty Ltd</b>
<b>Application Details:</b>		Car park at 32A Teak Lane, Victoria Point (Lot 12 on SP147233)
<b>Appeal Details:</b>		Applicant appeal against Council refusal
<b>Current Status:</b>		Appeal filed 6 December 2016. Appointed experts (except planning) to meet and prepare joint reports prior to mediation. Mediation held on 7 June 2017. Hearing commenced on 21 August 2017. Awaiting Judgment.
3.	<b>File Number:</b>	Appeal 1476 of 2017 (MC008414)
<b>Applicant:</b>		<b>Cleveland Power Pty Ltd</b>
<b>Application Details:</b>		Request to extend the relevant period – Biomass Power Plant at 70-96 Hillview Road, Mount Cotton (Lot 2 on RP30611)
<b>Appeal Details:</b>		Applicant appeal against Council refusal
<b>Current Status:</b>		Appeal filed 27 April 2017.
4.	<b>File Number:</b>	Appeal 2377 of 2017 (MCU013735)
<b>Applicant:</b>		<b>Barro Group Pty Ltd</b>
<b>Application Details:</b>		Tourist Accommodation (Mount Cotton Retreat) at 315-355 West Mount Cotton Road, Mount Cotton (Lot 9 on RP186559)
<b>Appeal Details:</b>		Submitter appeal against Council approval
<b>Current Status:</b>		Appeal filed 29 June 2017. The co-respondent (the applicant) has filed a notice to withdraw their Notice of Election to Co-respond to the appeal on 24 August 2017.
5.	<b>File Number:</b>	Appeal 3492 of 2017 (OPW002185)
<b>Applicant:</b>		<b>J Hutchinson Pty Ltd as agent for Gateway Central (QLD) Pty Ltd</b>
<b>Application Details:</b>		Service Station and Retail Warehouse at 75 Boundary Street, Redland Bay (Lot 2 on RP49214)
<b>Appeal Details:</b>		Applicant appeal against action notice
<b>Current Status:</b>		Appeal filed 13 September 2017
6.	<b>File Number:</b>	Appeal 3493 of 2017
<b>Applicant:</b>		<b>Gateway Central (QLD) Pty Ltd</b>
<b>Application Details:</b>		Service Station and Retail Warehouse at 75 Boundary Street, Redland Bay (Lot 2 on RP49214)
<b>Appeal Details:</b>		Applicant appeal against an enforcement notice
<b>Current Status:</b>		Appeal filed 13 September 2017

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**COURT OF APPEAL MATTERS**

<b>7.</b>	<b>File Number:</b>	MCU013296
	<b>Applicant:</b>	<b>Nerinda Pty Ltd</b>
	<b>Application Details:</b>	Preliminary Approval for Material Change of Use for Mixed Use Development and Development Permit for Reconfiguring a Lot (1 into 2 lots) 128-144 Boundary Road, Thornlands
	<b>Appeal Details:</b>	Co-respondent appeal against P&E Court decision
	<b>Current Status:</b>	Application for leave to appeal filed 23 October 2017

**OTHER PLANNING & ENVIRONMENT COURT MATTERS/PROCEEDINGS**

There are no other current matters.

**OFFICER'S RECOMMENDATION**

**That Council resolves to note this report.**

**11.2.3 ECONOMIC DEVELOPMENT ADVISORY BOARD UPDATE**

<b>Objective Reference:</b>	<b>A2638660</b> <b>Reports and Attachments (Archives)</b>
<b>Attachment:</b>	<a href="#"><u>Redlands Economic Development Advisory Board Annual Report 2016-2017</u></a>
<b>Authorising Officer:</b>	<b>Louise Rusan</b> <b>General Manager Community and Customer Services</b>
<b>Responsible Officer:</b>	<b>Kim Kerwin</b> <b>Group Manager Economic Sustainability and Major Projects</b>
<b>Report Author:</b>	<b>Noreen Orticio</b> <b>Research Economist</b>

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**PURPOSE**

The purpose of this report is to update Council on the seventh formal meeting of the Redlands Economic Development Advisory Board (Advisory Board) as specified in its Terms of Reference.

The report also presents the Redlands Economic Development Advisory Board Annual Report 2016-2017 (attached).

**BACKGROUND**

Redland City Council established and appointed an Economic Development Advisory Board as part of its commitment to increasing the City's economic capacity through business retention and growth, and employment generation.

The Advisory Board oversees implementation of the *Redland City Economic Development Framework 2014-2041* and assists in the development and implementation of industry sector strategies and action plans.

**ISSUES****1. Advisory Board meeting – 29 September 2017**

The seventh formal Advisory Board meeting took place on 29 September 2017.

The meeting agenda focused on updates on various Council initiatives. This included the City Branding project and the Mayor's update on the Asia Pacific Business Mission. The Advisory Board also discussed the Annual Report that will be presented to Council, which highlights what has been achieved in its first year as well as future priorities.

The following items formed the agenda for the meeting:

- i. Mayor's Update
  - ii. City Branding Update
  - iii. Tourism Update
  - iv. Annual Report
  - v. Innovation
-

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- a. City Internet Connectivity
  - b. Advancing Queensland Regional Innovation Program
  - vi. Industry Sector Development
    - a. Industry Sector Strategies and Action Plans in the area of Health Care and Social Assistance and Education and Training
    - b. Incentive Packages
  - vii. Regional Development Australia
  - viii. North Stradbroke Island Economic Transition Strategy.

A summary of the presentations is provided below.

*i. Mayor's Update*

The Mayor gave an overview of her recent trip to Asia, which was aimed at strengthening relationships with Redland City's sister and friendly cities. The trip also highlighted potential international opportunities and linkages in the area of health care and education.

*ii. City Branding Update*

Clemenger, the consultants commissioned by Council, provided an update on the City Branding project. Engagement with various stakeholders that included Council, the Advisory Board, businesses, young people, seniors and the community was undertaken using different platforms such as pop-ups, online surveys, workshops and discussion groups. Feedback from these activities was used to shape a brand strategy for the Redlands. The Advisory Board has expressed support for the project's current progress and is looking forward to the next stage of the City Branding process.

*iii. Tourism Update*

Key tourism initiatives are underway including looking at models of a local tourism organisation, developing a destination website and exploring different locations for a visitor information centre. The update also highlighted the RedFest event including how it attracted record number of visitors and was featured on the Channel 7's *The Great Day Out*. The City continues to attract film productions.

*iv. Redlands Economic Development Advisory Board Annual Report 2016 - 2017*

The Advisory Board was established to oversee the implementation of the *Redland City Economic Development Framework 2014-2041*, including assisting in the development and implementation of industry sector strategies and action plans. The Advisory Board provides advice and recommendations to the Mayor and Councillors on the progress of the Framework and on industry sector trends and issues that can impact on the economic direction of the City. The Advisory Board's Terms of Reference stipulates the submission of an annual report to Council that outlines progress and achievement to date. The contents of the annual report were discussed by the Board including completed and ongoing actions. Key economic foundations have been set in the previous year including;

- Completion of two draft strategies and action plans for the prioritised high-growth industries of Health Care and Social Assistance, and Education and Training
- Strong focus on innovation and its significant economic potential

- Advocacy for improvements in City internet connectivity, which is seen as critical enabler of economic development
- Highlighting the need for City-wide branding to help provide economic leverage.

The Annual Report also identifies future priorities that will further deliver economic growth and increase employment opportunities.

The Annual Report (see attached) is presented to Council for noting.

v. *Innovation*

a. City Internet Connectivity

In March 2017, a survey about internet requirements and upgrade opportunities was undertaken for the Capalaba and Cleveland industrial estates. More than 500 businesses were targeted and 137 businesses responded to the survey. Results indicated widespread dissatisfaction with the current services identified; and considering that NBN is not proposed for delivery to the City until late 2018 and into 2019, and with no guarantee it will provide a business grade solution, there is a need to explore alternative options.

Several corporate enterprises that offer fibre and wireless business grade broadband solutions submitted proposals to address the connectivity gap. Each was provided with a summary of survey findings and basic overview of requirements. A number of discussions occurred between proponents and officers in an effort to articulate business requirements and establish where solutions could potentially leverage off Council infrastructure and resources. Seven proponents provided a response, three of which were detailed responses. Costs varied considerably depending on the nature of the proposal either for wireless or fibre to the premises, expected uptake, infrastructure requirements and accessibility. Officers will consider the options put forward by proponents and bring a report to Council for consideration and future direction.

b. Advancing Queensland Regional Innovation Program

The Advancing Regional Innovation Program aims to support innovation and entrepreneurship in regional Queensland. The program will encourage innovation in our regions and support local economies to create jobs of the future for regional Queenslanders. Council, along with its project partners, has recently received support from Advance Queensland for the amount of \$500,000 over a three-year period. Redland-specific funded activities will include

- **Innovation summits:** A series of innovation summits will highlight best practice in innovation and investment opportunities to targeted sectors of the Redlands economy.
- **Entrepreneurship seminar series:** An open-invitation entrepreneurial event series will be offered free-of-charge. The series will be delivered through Griffith Business School, in conjunction with Redland City Council.
- **Redland High Schools Entrepreneurial Innovation Competition (years 2 & 3):** The aim of the competition will be to encourage Year 9 and 10 Logan and Redlands high school students to generate an innovative

idea using technology to improve disability, aged and health care in Australia.

- **Workshops:** Targeted workshops and training will be offered for regional entrepreneurs.
- **Innovation Hub:** The first step is a process to identify stakeholders and specific need / focus to developing a co-working, networking and incubation space in Cleveland.
- **Matching innovation businesses with local angel investors and mentors:** In partnership with the Redlands Chamber of Commerce, work will be undertaken to identify and train suitable angel investors. An investment framework to match regional business opportunities will be developed.

vi. *Industry Sector Development*

- a. Industry Sector Strategies and Action Plan in the areas of Health Care and Social Assistance and Education and Training

The *Redland City Economic Development Framework 2014-2041*, endorsed by Council in 2015, provided the impetus to develop these industry sector strategies and action plans. Based on the Advisory Board's recommendations, Council prioritised the development of action plans for the Education and Training and the Health Care and Social Assistance industries in recognition of the City's competitive advantage in these areas and their potential for growth. The two industry sector strategies and action plans were received by Council at the General Meeting on 6 September 2017. An implementation and delivery schedule for both strategies and action plans that includes timeframes, accountable parties, and budget and resource requirements will be presented at a future Council General meeting.

- b. Incentive Packages

The Cleveland CBD and Tourism Accommodation Incentive Package was endorsed by Council to continue until 15 December 2017 or until expended – whichever occurs first. While an independent review of the incentive package highlighted its success in stimulating economic activity, Council recognised the incentive package as part of an evolving process for investment attraction. Council endorsed the development of a targeted investment attraction strategy that aligns with Council's priority industries.

vii. *Regional Development Australia*

The Australian Government extended the Regional Development Australia (RDA) program to 2020 to deliver a new charter. RDA is proposed to be actively facilitating investments and stimulating jobs growth rather than focusing on planning.

viii. *North Stradbroke Island Economic Transition Strategy (NSIETS)*

A NSIETS Coordination Committee meeting was held on 15 September 2017 where progress of specific projects on the NSIETS was discussed. Some of the short-term projects are now at implementation phase and some medium-term projects have commenced.

## **2. Advisory Board Recommendations**



The Mayor's Asia Pacific trip and her participation in the Asia Pacific Summit highlighted opportunities in the international education sphere including forging potential partnerships with education institutes. This significantly aligns with the draft Education and Training Strategy and Action Plan.

Upon consideration of the draft action plan and the significant economic benefit that could be seen by attracting international education opportunities to the City, the Advisory Board recommends:

- That Council develop a plan to facilitate necessary actions for international students, study tours, including accommodation options, starting with friendship cities including Kani City, Japan
- That Council considers enhancing its Chinese/Korean/Japanese bilingual capacity
- That Council explores – in light of possible international opportunities – developing a relationship with Brisbane Airport Corporation.

In previous meetings, the Advisory Board have highlighted the need to improve City internet connectivity as it's viewed as a critical enabler. Targeting industrial estates in Capalaba and Cleveland to improve internet connectivity presents a more viable solution.

Upon consideration of options that enterprises have proposed, the Advisory Board recommends that Council invests in the improvements of high speed internet connectivity in the Capalaba and Cleveland industrial estates, subject to budget review and considerations.

## **STRATEGIC IMPLICATIONS**

### **Legislative Requirements**

There are no legislative requirements that affect the outcome of this report.

### **Risk Management**

Identified risks to successful economic development in the City include:

- Failure to work in partnership with the business community, and other levels of government which will inhibit the delivery of the framework; and
- Failure to implement the action plans due to inadequate resourcing.

### **Financial**

Budget has been allocated for:

- City Branding project; and
- Innovation this financial year in the amount of \$75,000.

The Cleveland CBD and Tourism Accommodation Incentives Package is allocated \$2,150,000, which includes both infrastructure and development fee concessions. Both incentive packages are due to conclude by 15 December 2017 or until expended (whichever occurs first).

### **People**

This may impact upon staff resources within the Economic Sustainability and Major Projects Group; Communication, Engagement and Tourism Group; and Information Management Group.

## **Environmental**

There are no identified environmental impacts.

## **Social**

A strong and vibrant economy allows a community to reinvest its wealth back into the society that helped contribute to that growth. The wellbeing of people, the environment and the economy are intricately linked. A strong and sustainable economy will be integrated and deliver benefits from across a range of sectors, through all parts of the city and across all demographic boundaries.

## **Alignment with Council's Policy and Plans**

### *Relationship to Corporate Plan*

The Redlands Economic Development Advisory Board, through its role of monitoring the implementation of the *Redland City Economic Development Framework 2014-2041*, supports Council's strategic priority of delivering a supportive and vibrant economy. In addition, the Framework will also:

- Provide opportunity for business investment and local employment;
- Develop a supportive vibrant economy that delivers business opportunities;
- Promote local jobs; and
- Strengthen the tourism industry.

## **CONSULTATION**

The seventh formal meeting of the Advisory Board was overseen by the Economic Sustainability and Major Projects Group with input from the following:

### Internal

- Information Management;
- Communication, Engagement and Tourism Group; and

### External

- Clemenger.

## **OPTIONS**

### **Option 1**

That Council resolves to:

1. Note the report to Council from the Redlands Economic Development Advisory Board meeting of 29 September 2017; and
2. Note the Redlands Economic Development Advisory Board Annual Report 2016-2017.

### **Option 2**

That Council requests additional information on the Economic Development Advisory Board meeting on 29 September 2017.

**OFFICER'S RECOMMENDATION**

**That Council resolves to:**

- 1. Note the report to Council from the Redlands Economic Development Advisory Board meeting of 29 September 2017; and**
- 2. Note the Redlands Economic Development Advisory Board Annual Report 2016-2017.**

Redlands Economic  
Development Advisory Board  
**Annual Report**  
2016-2017



## Message from the Chair



In June 2016, Redland City Council established and appointed a Redlands Economic Development Advisory Board with business acumen and experience across a variety of industries, which I am proud to chair.

### Reflecting

Our team has accomplished much in its first year by working in partnership with elected representatives, Council, government and industry stakeholders, businesses and the local community. I thank them for their efforts.

The Board is tasked with overseeing the implementation of the 25-year *Redland City Economic Development Framework 2014-2041*. We remain cognisant that change must be driven sensitively if it is to be embraced.

I am pleased to see clarity being attained around growth potential for industry sectors identified in the Framework through the development and implementation of sector strategies and actions plans.

An important focus of the Board that I am sure will have a lasting and positive impact for the City has been working with Council, industry stakeholders and the community to progress the development of a City-wide branding project to create a "shared Redlands identity" that will underpin Redlands continued economic development.

Together with the City we have focused deeply on two growth strategies and action plans for both Education and Training and Health Care and Social Assistance. The blueprints for each sector are aimed at achieving sustainable industry growth through greater economic returns and job creation.

### Future focused

Off the back of a the very insightful RedGen event we will remain focused in the year ahead on determining how we can encourage young people to stay – and thrive – in Redlands.

Next year, a critical focus will be on a successful transition away from sand mining for North Stradbroke Island – and the City's economy. We will continue to advocate for adequate funding and infrastructure, which are essential to help create a more resilient and diversified economy.

Identifying opportunities for international investment and enhancing business relations within Queensland, Australia, and abroad, will be part of a strategy to attract new investment.

There are also countless benefits yet to be realised through development of other industry sector action plans, progression of catalyst projects for Redland City including the establishment of an aquatic centre and emergency precinct and a health and wellness precinct as well as development of a Smart Cities Framework.

I look forward to continuing this important work with my fellow Board members and the Council team to ensure that Redland City maintains its prosperous economy, experiences ongoing jobs growth and reaps the benefits of innovation.

A handwritten signature in blue ink that reads "Samantha Kennedy".

Samantha Kennedy  
Chair  
Redlands Economic Development Advisory Board

## Board profile

**Samantha Kennedy**



Samantha Kennedy is Optus Director of Government Strategy and Innovation. In this role, she is focused on innovative ways to tackle challenges faced by governments as they transform and build stronger economies. Sam's career to date has highlighted her skills as a natural leader and excellent communicator, with an ability to exceed expectations. Sam also has strong public speaking and advocacy capabilities. In 2011, Sam won the International Women's Day Commemorative Award for Exceptional Leadership.

**Dr. John O'Donnell**



Dr John O'Donnell has substantial experience in the fields of health service planning and delivery, and health innovation. John was Chief Executive Officer of Mater Health Services Brisbane from 2001 to 2015. During this time, John led Mater through a period of rapid redevelopment and growth as it expanded clinical services and health-related education and medical research. John is an Adjunct Professor at the School of Medicine, University of Queensland and School of Public Health, Queensland University of Technology. John also holds executive roles at several organisations.

**Catherine O'Sullivan**



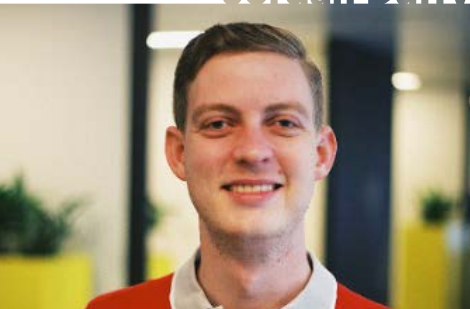
Catherine O'Sullivan is the Pro Vice-Chancellor, Pathways and Partnerships at Bond University, driving the University's engagement with schools, businesses and community and industry organisations. Catherine has been recognised with various awards, a testament to her dedication to women's leadership and education. Catherine's 'Yarning Up' initiative for Bond University was honoured with the 2016 Queensland Premier's Reconciliation Award and the ATEM/Campus Review Award for Excellence in Community Engagement.

**Jerry Harris**



Jerry Harris was educated in London and at the University of Durham before beginning a 35-year executive career in the media industry. Jerry has been living in Australia since 1990. In 2001, Jerry became Managing Director of Queensland Press, a position that he held until 2011, before being appointed Managing Director, Group Newspapers and Digital Products of NewsCorp Australia. Jerry is a Director of the City of Brisbane Investment Corporation and a graduate of the Australian Institute of Company Directors.

**Jordan Duffy**



Jordan Duffy has always been a technology native. In 2011, he and Alex Buckham co-founded B&D, a business initially focused on challenging software builds and agile approaches. With a strong portfolio of delivering enterprise and government software and strategy, B&D now offers experimental technology development and enterprise software development. Jordan travels nationally and internationally to provide advice, leadership and education on innovation methods, start-up ecosystem adoption and technology acceleration. Jordan is a board and advisory member to several organisations including WEF Global Shaper, G20YEA and G20 Compliance group.



**Mayor Karen Williams**



Mayor Karen Williams is in her second term as the civic leader of Redland City. Karen is a member of the Australian Institute of Company Directors, Trustee of the Committee for Economic Development of Australia, and a Director of the Council of Mayors (South East Queensland). A mother of two, Karen believes in preserving the same sense of community and security she has experienced through her life in the Redlands. She is passionate about promoting the Redlands as the best place to live, work, learn, play and invest and is determined to build a new City economy based on innovation, and to turn the challenges facing local governments into opportunities for growth, job creation and economic development.

**Terry Morris**



Terry Morris is Chairman and Managing Director of family-owned Morris International, a diverse business group incorporating property, manufacturing, information technology, tourism, venture capital and direct marketing. Terry's family also own Sirromet Wines, a five-star winery that has collected more than 800 prestigious national and international wine awards since its opening in 2000. Terry has more than 50 years' experience in Australian commercial life, using lessons learnt along the way to grow the Morris International Group to the successful business organisation it is today. Terry is also active in many community and charitable organisations.

## Overview

Redland City Council has a number of key priorities that could contribute to or impact the economic development of the City. Having an integrated approach to actions and activities relating to these priorities is crucial.

The *Redland City Economic Development Framework 2014-2041*, adopted by Council in February 2015, aligns with Council's "Open for Business" philosophy and sets out a vision for a new City economy:

*"Redlands will be a vibrant inclusive economy and be the destination of choice for businesses, workers, residents and tourists because of its proactive, innovative, and creative approach to business development and expansion."*

Helping to achieve this vision is the Framework recommendation for the establishment of a Redlands Economic Development Advisory Board. Comprised of technical experts and industry leaders, the role of the Board is to provide strategic advice on the economic direction of the city and serve as a link between Council and key industry sectors.

This includes overseeing implementation of the Framework and assisting in the development and implementation of strategies and action plans for eight high-growth industries.

These industries include Accommodation and Food Services (Tourism), Education and Training, Healthcare and Social Assistance, Rural Enterprises (Agriculture, Forestry and Fishing), Manufacturing, Construction, Financial and Insurance Services and Retail Trade.

Further to this, the purpose of the Board is to promote the City as a great place to do business, act as the link between Council and key industry sectors and ensure open, two-way communication between the public and private sectors and partner with Council to attract investment into the City, including lobbying the Queensland and Australian Governments on key initiatives and projects.

This first annual report – a requirement under the Redlands Economic Development Advisory Board Terms of Reference – provides an overview of the Board's achievements for the period June 2016 to June 2017.





# Economic snapshot of Redland City

Redland City continues to be an economic leader in South East Queensland (SEQ). According to the National Institute of Economic and Industry Research (NIEIR), the local economy generated a Gross Regional Product (GRP) of \$5.66 billion in 2015/2016 – up by 2.0% from \$5.5B in the previous year. This increase is higher than the rest of SEQ, which experienced 1.7% growth in GRP.

The City has two main Principal activity centres – Cleveland and Capalaba – with Victoria Point also becoming a major activity hub for southern part of the City. The Australian Bureau of Statistics estimated resident population (ABS ERP) of the Redlands in 2016 was 151,987, up from 150,041 in the previous year. Results showed that the City is home to 8276 additional residents since 2011 (based on the ERP), indicating an annual growth rate of 1.2%.

## Industry outlook

Total output (sales) for the City were valued at \$8.9B in 2015/16 – up from \$8.8B in the past year – with the largest output generated by Construction, followed by rental, hiring and real estate services, Manufacturing and Health Care and Social Assistance. Sales from the four industries, when combined, accounted for more than half (52%) of the City's total output. The most productive industry was Health Care and Social Assistance with a value-add of \$520M, followed by Construction, Manufacturing, Retail Trade and Education and Training.

Tourism generated \$124.3M in total output/sales, accounting for 1.4% of the City's total output. The industry's contribution declined by 0.3% from the previous year.

## Employment outlook

In the financial year ending June 2016 there were 45,486 jobs in the City, which indicates 845 new jobs and a 1.9% increase from the previous year.

While Retail Trade is the largest employer generating 6912 local jobs in 2015/16, the sector experienced a decline in the number of jobs compared to 2014/15. In contrast, the industries of Health Care and Social Assistance, Construction, Accommodation and Food Services (Tourism) and Education and Training dominated employment growth and continued to perform strongly.

The unemployment rate was 6.9% in March 2017 compared to 6.2% in December 2016. The City's unemployment rate is slightly higher than state (6.4%) and national (5.9%) levels.

## Business outlook

There were 11,472 registered businesses in 2015/2016 – an increase of 144 businesses compared to the previous year.

Construction and professional, scientific, technical and financial and insurance services experienced the most growth in the number of businesses.



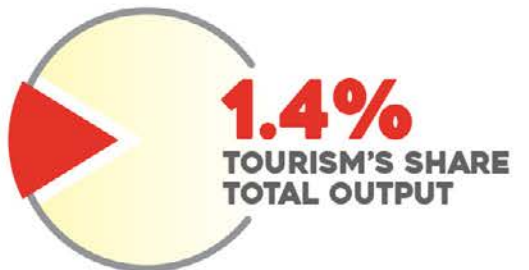
Economic Development  
Framework  
Population Growth Target  
**ON TRACK** ✓



Economic Development  
Framework  
GRP Growth Target  
**ON TRACK** ✓



Economic Development  
Framework  
Job Growth Target  
**MONITOR** ⚠



Economic Development  
Framework  
Tourism Growth Target  
**MONITOR** ⚠

# Progress report - Year 1

Action	Performance measures	Progress
<b>Industry sector development</b>		
Oversee development of a Health Care and Social Assistance Industry Sector Strategy and Action Plan, ensuring alignment with Redland City Economic Development Framework 2014-2041 objectives	Development and implementation of a Health Care and Social Assistance Strategy and Action Plan	<ul style="list-style-type: none"> <li>✓ Engagement with industry occurred to inform the development of a draft Health Care and Social Assistance Strategy and Action Plan</li> </ul>
Oversee development of an Education and Training Industry Sector Strategy and Action Plan, ensuring alignment with Redland City Economic Development Framework 2014-2041 objectives	Development and implementation of an Education and Training Strategy and Action Plan	<ul style="list-style-type: none"> <li>✓ Engagement with industry occurred to inform the development of a draft Education and Training Strategy and Action Plan</li> </ul>
Support the implementation of the Redland City Tourism Strategy and Action Plan 2015-2020	33 actions in the Action Plan are completed	<ul style="list-style-type: none"> <li>✓ 10 actions have been completed</li> <li>✓ A further 18 actions are underway</li> </ul>
Explore opportunities to expand choices for tourist accommodation in the Redlands	Undertake a pilot project with industry	<ul style="list-style-type: none"> <li>✓ Work has commenced to development a draft memorandum of understanding to undertake a pilot program to explore opportunities including awareness, data sharing, regulation, disaster response, innovation, promotion and advocacy</li> </ul>
<b>Marketing</b>		
Advocate for a City-wide branding and identity project to create a shared Redlands identity to underpin Redlands continued economic development	Contribute to a City-wide branding and identity project	<ul style="list-style-type: none"> <li>✓ Board input has been provided to guide the development of a branding strategy to help promote and position the Redlands as an attractive place to live, visit and do business.</li> </ul>
<b>Innovation</b>		
Contribute to growing the City's innovation ecosystem	Advocate for, and contribute to, programs and opportunities to enhance innovation and entrepreneurship in the City	<ul style="list-style-type: none"> <li>✓ The inaugural RedGen Youth Innovation Summit to investigate and explore ways of fostering innovation in the city, held on 7 April 2017 at the Redlands Performing Arts Centre, attracted 24 of the City's best and the brightest young people aged 18-30 years.</li> <li>✓ The Board endorsed Council's application to the State Government initiative Advance Queensland Regional Innovation Program which involved working in partnership with Logan City Council, Griffith University, TAFE, social enterprise incubators and community organisations.</li> </ul>
<b>Infrastructure</b>		
Work collaboratively with the Redland Investment Corporation (RIC), government agencies and private sector to identify and facilitate economic opportunities for the Redlands community	Contribute to the identification of alternative revenue sources for Council and new business opportunities	<ul style="list-style-type: none"> <li>✓ The Board provided input to RIC on opportunities to maximise benefit from the use of existing Council land and facilities</li> </ul>
Improved internet speeds in key industry sites	Review and provide feedback current internet infrastructure, identify gaps in service and explore internet connectivity options to improve internet speeds around the city	<ul style="list-style-type: none"> <li>✓ Mapping of service gaps has been undertaken including a survey of businesses in enterprise areas</li> <li>✓ Proposals from industry have been received to provide high speed internet to industrial estates within the Redlands</li> </ul>
<b>Business attraction/affiliation</b>		
Advise on options for industry investment	Review and provide feedback on the Cleveland CBD Incentives Package and Tourism Incentives Package	<ul style="list-style-type: none"> <li>✓ An assessment of the Cleveland CBD and Incentives package was undertaken</li> <li>✓ The existing Incentives Package has been extended until 15 December 2017 to allow a more strategic and targeted investment attraction strategy to be developed by Council</li> </ul>

## Key priorities - Year 2

Priority	Performance measures
<b>Industry sector development</b>	
Oversee implementation and embedding of existing industry sector strategies and action plans with a focus on establishing partnerships with businesses and other keys stakeholders, attracting investments and expanding employment opportunities	Implementation program for each industry developed and delivery of actions is underway
Oversee development of a further two industry sector strategies and action plans with a clear focus on targeted and prioritised actions that encourage partnerships and maximise economic benefits	Development and implementation of an Education and Training Strategy and Action Plan Industry sector strategies and action plans developed for Manufacturing and Rural Enterprises (Food and Agribusiness) Industry sector engagement undertaken
<b>Business attraction/affiliation</b>	
Contribute to developing an investment attraction strategy that aligns with priorities on the industry sector action plans	Development and implementation of an investment attraction strategy
<b>Innovation</b>	
Contribute to development of a Smart Cities Framework	Smart Cities Framework delivered and embedded in Council processes and programs
Contribute to growing the City's innovation ecosystem by supporting the Advance Regional Innovation Program	Delivery of a program of initiatives designed to grow the innovation ecosystem in the Redlands i.e. development of a clever innovation space
<b>North Stradbroke Island economic transition</b>	
Support the North Stradbroke Island Economic Transition Strategy	Advocate for additional funding and infrastructure to help create a more resilient and diversified economy on the Island



## Catalyst projects

The Redlands Economic Development Advisory Board has nominated several projects as contributing to the objectives of the *Redland City Economic Development Framework 2014-2041*.

### **Toondah Harbour and Weinam Creek Priority Development Areas**

- The \$1.39 Billion Toondah Harbour revitalisation represents unrivalled tourism, cultural and economic growth opportunities for the SEQ region. Toondah Harbour provides the opportunity to innovate, attract and grow tourism to North Stradbroke Island, following the cessation of sand mining in 2019. A revitalised harbour will encourage more than 45,000 additional visitors to the region every year. This equates to a potential \$21 million per annum in tourism revenue and \$78 million per annum in additional retail expenditure for the region. It will also generate more than 1000 jobs per annum during the construction phase, approximately 500 jobs per annum post construction, with jobs supported by visitor expenditure equating to more than 250.
- The declaration of Weinam Creek as a Priority Development Area in June 2013 provides an opportunity to reinforce it as a point of community focus and a regional Gateway to Moreton Bay, with opportunities for a transport hub and waterfront commercial and recreational precinct.

### **Redland City Health & Wellness Precinct**

Redland City Council is working in partnership with Metro South Hospital and Health Services and Mater Private to deliver a Health Precinct Master Plan. The precinct will incorporate the planned expansion of the private and public hospitals and identify potential industry clustering opportunities around the hospitals.

### **City Branding and Identity Project**

The project aims to deliver a brand for the City that builds community pride, tell Redlands' unique story and inspires others to visit, invest and discover all that Redland City has to offer.

### **Redland Aquatic and Emergency Precinct – \$71 million**

This project, which will utilise nearly 40,000 square metres of land in the centre of SEQ, will deliver a world-class aquatic centre to the Redlands as well as a new surf lifesaving headquarters and a Centre of Excellence to the state of Queensland. There is also potential to include emergency services agencies (fire, ambulance and State Emergency Service volunteers) and a fully integrated disaster response centre. Estimated to cost \$71 million, the Australian-first centre will not only bring economic benefits to Redland City, SEQ and Queensland but will complement the North Stradbroke Island Economic Transition Strategy, create employment opportunities and provide an opportunity for cost savings for government through the shared use of facilities and resources, better coordination and accommodation for emergency services personnel.



## Catalyst projects cont.

### North Stradbroke Island Economic Transition Strategy

– Additional \$110 million needed

Following a State Government decision, sandmining will end on North Stradbroke Island in 2019 and Redland City Council is calling on the State Government to provide the financial support the Island needs to avoid an economic disaster. While it is acknowledged the State Government's current economic transition package of \$28 million over three years for 23 projects is a good start, it is estimated there is a total shortfall of \$110 million needed to help transition the Island's economy away from sandmining. This level of funding needs to be committed to on the ground infrastructure and long-term tourism and economic opportunity to ensure North Stradbroke Island has a sustainable economic future and can leverage synergies with other significant SEQ projects.

### Connectivity

#### Smart Cities Framework

- Redland City Council is looking to embrace Smart City technologies to deliver tangible organisational, business and community outcomes. This includes embedding Smart City principles into the structure and processes of the organisation. Tangible outputs may include procurement opportunities, transport, safety, lighting, digital democracy and engagement, wifi and people counting, leveraging open and real time data, City internet connectivity and Low-Power Wide-Area Network.
- Council is actively working with industry partners and government agencies to develop an ecosystem for innovation in the City to help grow business, investment and export. Council has applied for funding under the Queensland Government's Advancing Regional Innovation Program. The proposal includes an integrated schedule for providing leadership and building networks, delivering a schedule of activities, workshops and events, creating spaces for innovation and working with stakeholder to develop investment networks to engage local capital into a start-up community.

### Transport

#### Eastern Busway to Capalaba

– \$1.736 billion

Extending the Eastern Busway to Capalaba will provide an effective solution to commuter movement within the Translink network and connections to the City Rail network, the city bus network and the South East Busway. The 18 kilometre busway will reduce travel times by up to 20 minutes, providing access to/from Capalaba, Chandler sporting complex, University of Queensland, Princess Alexandra Hospital, Boggo Road Urban Village, EcoSciences Precinct and Brisbane CBD.

#### Manly to Cleveland Rail Duplication

– \$180 million

The duplication of the rail line between Manly and Cleveland will allow more frequent rail services to the Brisbane CBD and the airport. This project will also support the burgeoning economy and growing population of Cleveland, Toondah Harbour, and improve the connection from North Stradbroke Island to Brisbane as part of the Island's economic transition.

Redlands Economic Development Advisory Board

## **Annual Report**

2016-2017

For more information:

- For more information on the *Redland City Economic Development Framework 2014-2041* visit **[www.redland.qld.gov.au](http://www.redland.qld.gov.au)**.
- For inquiries regarding the Redlands Economic Development Advisory Board or the implementation of the Framework, contact Redland City Council on **07 3829 8999**.



**11.2.4 ANNUAL SIGN LICENSING**

<b>Objective Reference:</b>	<b>A124442 Reports and Attachments (Archives)</b>
<b>Authorising Officer:</b>	<b>Louise Rusan General Manager Community and Customer Services</b>
<b>Responsible Officer:</b>	<b>Graham Simpson Group Manager Environment and Regulation</b>
<b>Report Author:</b>	<b>Alistair Michell Service Manager Development Control</b>

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**PURPOSE**

The purpose of this report is to determine whether the annual licensing of permanent signs should cease, be amended or continue.

**BACKGROUND**

It is considered that the annual licensing of signs is no longer appropriate given continued changes to the statutory head of power in which permanent sign approvals are issued.

The approval of permanent signs switched in 2006 from a local law framework (repealed *Local Law 11- Control of Signs*) to the *Redlands Planning Scheme* (RPS). It is now proposed to switch approval of permanent signs back to a local law framework upon adoption of the *Redland City Plan*.

These changes have subsequently led to variations in regard to the requirement for annual licensing of a sign dependant on the instrument under which they were approved. More specifically certain signs approved under repealed Local Law 11 attracted an annual license fee whilst the same or similar type of sign under the RPS did not.

It is also relevant that the purpose of annual sign licensing is considered to have limited benefits and was originally intended to discourage excessive sign size, whilst also providing a mechanism to check sign safety and amenity through regular inspection. The evidence suggests that inspections are detecting minimum on-going non-compliance.

Upon the adoption of the *Redland City Plan*, permanent signs will no longer be assessed under the planning scheme but under a redrafted *Subordinate Local Law 1.4 (Installation of Advertising Devices) 2015*. This change is considered to be an opportunity to review and finalise Council's position in relation to annual sign licensing.

***Current Annual Licensing Arrangements***

Permanent signs approved under repealed Local Law 11 prior to March 2006 (commencement of RPS) attracted a potential annual licensing requirement and the payment of an annual fee.

The annual licence only applied to those signs that were considered to exceed a maximum sign area formula that applied at the time. The purpose of annual licensing

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was primarily to minimise sign size and proliferation through requiring the payment of an annual fee for less desirable signage.

A secondary purpose was to monitor compliance with the local law in regards to safety and on-going maintenance of the sign. There are currently 157 permanent signs across the City with an annual licence requirement (139 are single signs and 18 licences are for 'packages' of two or more signs).

The fee charged for annual licensing is ultimately calculated for cost recovery to carry out an annual audit for permanent signs subject to licensing and is separate to the initial application/assessment fee.

With the introduction of the RPS, the approval process for permanent signs was transferred from Local Law 11 to the planning scheme. Following consideration of the relevant legislative provisions advice was received that permitted an annual fee to continue to be charged for those existing signs subject to annual licensing.

Permanent approved signs under the RPS did not attract an annual licence fee in the same manner as those signs under the previous *Local Law 11*.

## ISSUES

### ***Potential loss of revenue if annual licence fees discontinued***

Based on 2016/17 figures, the revenue loss from no longer carrying out annual licensing is approximately \$42,000. Despite this, the annual licence fee is viewed as cost neutral and calculated on a full-cost recovery basis only.

If annual licensing is no longer carried out, it is anticipated that the resources currently directed to it would be reallocated to increased sign assessment work as a result of permanent sign approvals transferring from the planning scheme to Subordinate Local Law 1.4 upon adoption of the *Redland City Plan*.

### ***Annual audits and reviews no longer being carried out***

There is considered to be minimal or no risk associated with discontinuing annual licensing. Permanent signs, whether attracting an annual licence fee or not, are assessed to ensure that there are no or minimal amenity, environmental or safety issues. Additionally, conditions are placed on approvals that require the sign to be, among other things, maintained in good order and repair.

It should be noted that there are enforcement powers within the local law and/or *Planning Act 2017* to deal with unsafe, changed or unapproved signs as well as non-compliance with conditions of approval. Consistent with Council's standard approach to compliance, issues with signs will be addressed in a reactive manner in lieu of an annual licensing inspection.

The removal of annual license fees will also remove a cost to those businesses on which it is currently levied and reduce regulatory requirements.

In view of this it is considered that there is no public benefit in continuing to carry out annual audits on those signs currently subject to annual licensing.

## STRATEGIC IMPLICATIONS

### **Legislative Requirements**

There is no legislative requirement for the annual licensing of signs.

### **Risk Management**

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There is not considered to be any risk associated with discontinuing annual licensing. There have been limited areas of non-compliance identified through the annual review process and matters relating to future compliance can be suitably managed through standard investigation processes, similar to other development issues.

### **Financial**

By ceasing annual sign licensing it is anticipated (based on 2016/17 figures) that Council will see a loss of revenue in the order of \$42,000 per annum.

The projected loss of revenue will be required to be reflected in Councils 2017-18 Revised Budget via a submission in the upcoming budget review process.

### **People**

There are no people impacts.

### **Environmental**

There are no environmental implications.

### **Social**

There are no social implications.

### **Alignment with Council's Policy and Plans**

N/A

## **CONSULTATION**

Consultation has been undertaken with officers within the Development Control Unit and Financial Services Unit.

## **OPTIONS**

### **Option 1**

That Council resolves to:

1. Cease the annual licensing of permanent signs (including associated annual audits and reviews of these), discontinue charging an annual licence fee and write to current licence holders informing that annual licence fees are no longer payable; and
2. Amend its Fees and Charges for 2017/18 to delete the annual licence fee.

### **Option 2**

That Council resolves to continue the annual licensing of existing licensed permanent signs as per the current arrangement.

## **OFFICER'S RECOMMENDATION**

That Council resolves to:

1. **Cease the annual licensing of permanent signs (including associated annual audits and reviews of these), discontinue charging an annual licence fee and write to current licence holders informing that annual licence fees are no longer payable; and**
2. **Amend Council Fees and Charges for 2017/18 to delete the annual licence fee.**

### 11.2.5 REVIEW AND RENEW DELEGATION TO CHIEF EXECUTIVE OFFICER: FUNDING AGREEMENTS FOR REDLAND MUSEUM AND NSI HISTORICAL MUSEUM

<b>Objective Reference:</b>	<b>A2652954 Reports and Attachments (Archives)</b>
<b>Authorising Officer:</b>	<b>Louise Rusan General Manager Community and Customer Services</b>
<b>Responsible Officer:</b>	<b>Gary Photinos Group Manager Community and Cultural Services</b>
<b>Report Author:</b>	<b>Jo Jones Library Services Manager</b>

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#### **PURPOSE**

To review and renew an existing delegation of authority to the Chief Executive Officer (CEO) to make, vary, discharge and sign all associated documentation with regard to funding for both the Redland Museum and the North Stradbroke Island Historical Museum. The delegation will enable Council to continue to manage funding agreements with the two organisations.

#### **BACKGROUND**

- 02 July 2008; Council by resolution adopted the “Our City, Our Culture – A Cultural Plan for Redlands 2008-2018. This plan is explicit in its financial commitment to Redlands’ community museums and in part stated:  
*“While Council does not manage either the Redland museum or the North Stradbroke Island Historical Museum, it contributes substantially to the capital and operational costs of both. Council is a proud partner of the voluntary committees that manage local heritage collections .....*”
- 29 June 2011; Council by resolution, delegated authority to the CEO to enter into agreements with both the Redland Museum and the North Stradbroke Island Historical Museum;
- 11 July 2016; Letters were sent to both museum bodies confirming funding for 2016/2017 financial years and commitment made to drafting new funding agreements; and
- 26 June 2017; Council resolved at the annual Budget Meeting to provide operational funding (SGA 153, Job 10138 and Natural Account 821404) to Redland Museum \$229,995 and the North Stradbroke Island Historical Museum \$67,722.

#### **ISSUES**

Council has provided ongoing funding to both the Redland Museum and the North Stradbroke Island Historical Museum for many years.

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At the Special Meeting to adopt the budget 26<sup>th</sup> June 2017, Council resolved to approve operational funding for the Redland Museum and North Stradbroke Island Historical Museum. First quarter payments have already been processed for both organisations.

Although a delegation was approved by resolution in 2011, for good governance, it is appropriate that this delegation is reviewed by Council and confirmed before Council enters into new agreements.

The Redland Museum is a social history museum managed by a volunteer committee, in conjunction with a large group of volunteers, one full time (paid) staff member and three part time (paid) staff members. The museum operates in accordance with national and international standards, a strategic plan and various other internal documents (constitution, various policies and procedures etc.) and supports the aims and objectives of various Council documents and policies including the Cultural Policy and the Corporate Plan 2015-2020.

The North Stradbroke Island Historical Museum is a voluntary organisation that was established in 1987. The museum records and preserves a unique collection of social history and cultural heritage, and houses the personal collection of the nationally acclaimed Aboriginal poet and activist Oodgeroo Noonuccal (Kath Walker). The museum publishes and exhibits collections of local history, conducts educational tours and holds community functions. The museum is managed by volunteers supported by two part time (paid) employees.

Under the proposed agreements, funding will increase annually with Council's published figure for blended CPI for the following four (4) financial years unless that figure is less than 2.5%, in which case the increase will be 2.5%. In negotiations, both museums requested a minimum percentage increase of 2.5% in the event that CPI dropped below 2.5% to provide certainty for their business planning and to enable them to accommodate increases in wages, insurance and electricity, which were almost guaranteed to increase each year.

A new five year funding agreement will provide Redland Museum with \$229,995 in 2017/18. Based on an average of 2.5% increase each year, the total funding estimate for the life of the funding agreement is \$1,208,929.

The new five year funding agreement will provide North Stradbroke Island Historical Museum with \$67,722 in 2017/18. Based on an average of 2.5% increase each year, the total funding estimate for the life of the funding agreement is \$355,969.

## **STRATEGIC IMPLICATIONS**

### **Legislative Requirements**

There are no specific legislative requirements attaching to this report.

### **Risk Management**

There are no specific risks mitigated by this report, although it is considered best practice to regularly review delegations to ensure good governance.

### **Financial**

There is a financial impact of approximately \$1.59M over five years. It should be noted, that Council has approved both museums funding through the budget process and these funds are already budgeted in recurrent operational expenditure 2017/2018.

## **People**

There are no specific people impacts from this report.

## **Environmental**

There are no specific environmental impacts from this report.

## **Social**

Both community based museums provide important and unique historical, cultural, social and educational outcomes for Redlands' residents and visitors. These outcomes would be eroded if funding was removed or significantly reduced.

Redland Museum consists of over 14,000 items presented on 2,700 square metres of floor area. As well as objects, the museum displays a record of Redland City's social history from 1842 to the present day. In addition, the museum provides meeting spaces for community groups and conducts regular school tours.

North Stradbroke Island Historical Museum was founded in 1987 to present the history of the island. The museum's collection of local documents, images and artefacts is housed in historical buildings. The museum partners with Quandamooka Yoolooburrabee Aboriginal Corporation (QYAC) to deliver school tours and tourist activities.

The museums are incorporated bodies that have developed business plans and are managed by volunteer boards.

## **Alignment with Council's Policy and Plans**

The recommendations in this report support the delivery of Council's Corporate Plan 2015-2020 as follows:

- 4.2 Council's and the community's respect and understanding of the Quandamooka People's relationships with their traditional land and waters continues to improve.
- 6.2 Redland City delivers events, activities and performances that bring economic and social benefits to the community.
- 7.2 Council maximises community benefit from the use of its parklands and facilities by improving access to, and the quality and shared use of, public spaces and facilities by groups for sporting, recreational and community activities.

## **CONSULTATION**

The new agreements have been reviewed by Council's Grants Coordinator and are consistent Council's Policy POL-3082 Financial Assistance to the Community Groups. Financial statements and independent audit reports have been provided on an annual basis as required.

General Counsel has reviewed both agreements and has approved agreements subject to suggested changes and amendments to both documents. These amendments have now been made to both funding agreements.

Financial Services have confirmed the budget allocation for 2017/18 and the CPI definition. This definition has been provided to both museums and is published on Council's website.

Representatives from the Redlands Museum and North Stradbroke Island Historical Museum were consulted through several face to face meetings, telephone calls and

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emails and both organisations have indicated support to signing the respective funding agreements.

## **OPTIONS**

### **Option One**

That Council resolves to:

1. Acknowledge the previous delegation to the Chief Executive Officer to enter into funding agreements with the museums;
2. Note that this authority has been reviewed; and
3. Delegate authority to the Chief Executive Officer, under s.257(1)(b) of the *Local Government Act 2009* to make, vary, discharge and sign all documentation associated with funding for the Redland Museum and the North Stradbroke Island Historical Museum for the period 1 July 2017 to 30 June 2022.

### **Option Two**

That Council resolves to seek further information regarding the delegation.

## **OFFICER'S RECOMMENDATION**

That Council resolves to:

1. **Acknowledge the previous delegation to the Chief Executive Officer to enter into funding agreements with the museums;**
2. **Note that this authority has been reviewed; and**
3. **Delegate authority to the Chief Executive Officer, under s.257(1)(b) of the *Local Government Act 2009* to make, vary, discharge and sign all documentation associated with funding for the Redland Museum and the North Stradbroke Island Historical Museum for the period 1 July 2017 to 30 June 2022.**

**12 MAYORAL MINUTE**

In accordance with s.22 of POL-3127 Council Meeting Standing Orders, the Mayor may put to the meeting a written motion called a 'Mayoral Minute', on any matter. Such motion may be put to the meeting without being seconded, may be put at that stage in the meeting considered appropriate by the Mayor and once passed becomes a resolution of Council.

**13 NOTICES OF MOTION TO REPEAL OR AMEND RESOLUTIONS**

In accordance with s.262 Local Government Regulation 2012.

**14 NOTICES OF MOTION**

In accordance with s.3(4) of POL-3127 Council Meeting Standing Orders

**15 URGENT BUSINESS WITHOUT NOTICE**

In accordance with s.26 of POL-3127 Council Meeting Standing Orders, a Councillor may bring forward an item of urgent business if the meeting resolves that the matter is urgent.

<b>Urgent Business Checklist</b>	<b>YES</b>	<b>NO</b>
To achieve an outcome, does this matter have to be dealt with at a general meeting of Council?		
Does this matter require a decision that only Council can make?		
Can the matter wait to be placed on the agenda for the next Council meeting?		
Is it in the public interest to raise this matter at this meeting?		
Can the matter be dealt with administratively?		
If the matter relates to a request for information, has the request been made to the CEO or to a General Manager previously?		

**16 CLOSED SESSION****16.1 INFRASTRUCTURE & OPERATIONS****16.1.1 DELEGATED AUTHORITY – T-1840-17/18-PCO LANDSCAPE  
MAINTENANCE OVER \$2,000,000**

<b>Objective Reference:</b>	<b>A2663087 Reports and Attachments (Archives)</b>
<b>Authorising Officer:</b>	<b>Peter Best General Manager Infrastructure &amp; Operations</b>
<b>Responsible Officer:</b>	<b>Lex Smith Group Manager City Spaces</b>
<b>Report Author:</b>	<b>Nelia Lagahit Procurement Officer</b>

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**EXECUTIVE SUMMARY**

Council or Committee has a broad power under Section 275(1) of the Local Government Regulation 2012 to close a meeting to the public where there are genuine reasons why the discussion on a matter should be kept confidential.

**OFFICER'S RECOMMENDATION**

**That the meeting be closed to the public to discuss this matter pursuant to Section 275(1) of the *Local Government Regulation 2012*.**

The reason that is applicable in this instance is as follows:

*(e) contracts proposed to be made by it.*



**16.2 COMMUNITY & CUSTOMER SERVICES****16.2.1 REDLAND INVESTMENT CORPORATION – REPORT FOR NOTING**

<b>Objective Reference:</b>	<b>A124439 Reports and Attachments (Archives)</b>
<b>Authorising Officer:</b>	<b>Louise Rusan General Manager Community and Customer Services</b>
<b>Responsible Officer:</b>	<b>Peter Kelley Chief Executive Office – Redland Investment Corporation</b>
<b>Report Author:</b>	<b>Anca Butcher General Counsel, Company Secretary</b>

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**EXECUTIVE SUMMARY**

Council or Committee has a broad power under Section 275(1) of the Local Government Regulation 2012 to close a meeting to the public where there are genuine reasons why the discussion on a matter should be kept confidential.

**OFFICER'S RECOMMENDATION**

**That the meeting be closed to the public to discuss this matter pursuant to Section 275(1) of the *Local Government Regulation 2012*.**

The reason that is applicable in this instance is as follows:

*(h)other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage*

**17 MEETING CLOSURE**

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