



**EASTERN WASTE MANAGEMENT AUTHORITY  
ORDINARY BOARD MEETING**

**Thursday 2 May 2019**

Notice is hereby given that a meeting of The Board of the Eastern Waste Management Authority will be held at the Mayor's Parlour, City of Norwood, Payneham & St Peters, 175 The Parade, Norwood, on Thursday 2 May 2019 commencing at 5:30pm.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

**ROB GREGORY  
GENERAL MANAGER**



**EASTERN WASTE MANAGEMENT AUTHORITY**

**AGENDA**

**ORDINARY MEETING OF THE BOARD OF MANAGEMENT**

Meeting to be held on Thursday 2 May 2019 commencing at 5:30pm,  
at the City of Norwood Payneham & St Peters, 175 The Parade, Norwood

**1. PRESENT**

**2. APOLOGIES**

**3. CONFLICTS OF INTEREST**

**4. CONFIRMATION OF THE MINUTES**

**RECOMMENDED:** 1. That the Minutes of the Eastern Waste Management Authority Special Board Meeting held on Monday 25 March 2019, be received confirmed, and adopted.

2. That the Minutes of the Eastern Waste Management Authority Audit and Risk Management Committee Meeting held on Wednesday 17 April 2019, be received, confirmed and adopted.

**5. MATTERS ARISING FROM THE MINUTES**

**6. QUESTIONS WITHOUT NOTICE**

**7. REPORTS**

- 7.1 *FINANCIAL REPORT – BUDGET REVIEW THREE..... pg.13*
- 7.2 *PRUDENTIAL REVIEW – COLLECTION VEHICLES..... pg. 20*
- 7.3 *AUDIT IMPLEMENTATION PROGRESS REPORT..... pg.42*
- 7.4 *ANNUAL PLAN PROGRESS REPORT ..... pg.46*

**8. CONFIDENTIAL REPORTS**

- 8.1 *PRUDENTIAL REVIEW – RECEIPT AND PROCESSING OF RECYCLABLES..... pg.49*

**9. OTHER BUSINESS**

Nil

**10. NEXT MEETING OF THE BOARD**

The next Board Meeting is scheduled to be held on:  
Tuesday 11 June 2019, commencing 5:30pm  
at the City of Norwood, Payneham & St Peters, 175 The Parade, Norwood

**11. CLOSURE OF MEETING**



**MINUTES OF THE SPECIAL BOARD MEETING OF THE  
EASTERN WASTE MANAGEMENT AUTHORITY**

Held on Monday 25 March 2019 at 8:06am, at the Corporation of the Town of Walkerville,  
66 Walkerville Terrace, Gilberton SA 5081

**1. PRESENT**

**Directors:**

Mr P Di Iulio	Chairperson
Cr L Green	Adelaide Hills Council
Cr G Piggott	City of Burnside
Cr R Ashby	Corporation of the Town of Walkerville
Mr S Fisher	City of Mitcham
Mr M Barone	City of Norwood, Payneham & St Peters
Ms C Hart	City of Prospect

**In Attendance:**

Mr R Gregory	General Manager
Mr S Raymond	Manager, Corporate Services
Ms K Vandermoer	Finance & Executive Administration Officer
Mr F Bell	Thomson Geer Lawyers

**2. APOLOGIES**

Mr B Cunningham	Independent Chairperson
Cr H Holmes-Ross	City of Mitcham

**3. CONFLICTS OF INTEREST**

Nil

**4. CONFIRMATION OF THE MINUTES**

Moved Cr Piggott

**1.** That the Minutes of the Eastern Waste Management Authority Board Meeting held on Thursday 21 February 2019, be received confirmed, and adopted.

**2.** That the Minutes of the Eastern Waste Management Authority Special Board Meeting held on Thursday 21 February 2019, be received confirmed, and adopted.

Seconded Cr Green

**Carried**

**5. MATTERS ARISING FROM THE MINUTES**

Nil

## **6. QUESTIONS WITHOUT NOTICE**

Nil

## **7. REPORTS**

Nil

## **8. CONFIDENTIAL REPORTS**

### **8.1 RFT 2018/01 – RECEIPT AND PROCESSING OF RECYCLABLES**

#### **RECOMMENDATION 1**

Moved Ms Hart that pursuant to Section 90(2) and (3) of the Local Government Act, 1999 the East Waste Board orders that the public, with the exception of the East Waste staff present, be excluded from the meeting on the basis that the East Waste Board will receive, discuss and consider:

- (k) tenders for the supply of goods, the provision of services or the carrying out of works;

and the East Waste Board is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

Seconded Cr Green

**Carried**

#### **RECOMMENDATION 3**

Moved Cr Green that under Section 91(7) and (9) of the Local Government Act 1999 the East Waste Board orders that the report, attachment(s), discussion and minutes be kept confidential for a period not exceeding 12 months, after which time the order will be reviewed by the East Waste Board.

Seconded Mr Fisher

**Carried**

### **8.2 RECYCLING CONTRACT**

#### **RECOMMENDATION 1**

Moved Mr Fisher That pursuant to Section 90(2) and (3) of the Local Government Act, 1999 the East Waste Board orders that the public, with the exception of the East Waste staff present, be excluded from the meeting on the basis that the East Waste Board will receive, discuss and consider:

- (h) legal advice

and the East Waste Board is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

Seconded Cr Ashby

**Carried**

***Mr Barone left the meeting at 8:49am.***

### **RECOMMENDATION 3**

Moved Cr Piggott that under Section 91(7) and (9) of the Local Government Act 1999 the East Waste Board orders that the report, attachment(s), discussion and minutes be kept confidential for a period not exceeding 12 months, after which time the order will be reviewed by the East Waste Board.

Seconded Cr Ashby

**Carried**

***Mr Bell left the meeting at 8:59am.***

## **8.3 MEMBERSHIP CONSIDERATION**

### **RECOMMENDATION 1**

Moved Cr Green That pursuant to Section 90(2) and (3) of the Local Government Act, 1999 the East Waste Board orders that the public, with the exception of the East Waste staff present, be excluded from the meeting on the basis that the East Waste Board will receive, discuss and consider:

(b) information the disclosure of which –

- (i) could reasonably be expected to confer a commercial advantage on a person with whom East Waste is conducting, or proposing to conduct, business, or to prejudice the commercial position of East Waste; and
- (ii) would, on balance, be contrary to the public interest;

and the East Waste Board is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/ consideration of the information confidential.

Seconded Mr Fisher

**Carried**

### **RECOMMENDATION 3**

Moved Cr Green that under Section 91(7) and (9) of the Local Government Act 1999 the East Waste Board orders that the report, attachment(s), discussion and minutes be kept confidential for a period not exceeding 12 months, after which time the order will be reviewed by the East Waste Board.

Seconded Ms Hart

**Carried**

**9. OTHER BUSINESS**

Nil

**10. NEXT MEETING OF THE BOARD**

The next ordinary Board Meeting is scheduled to be held on Thursday 2 May 2019 at the City of Norwood, Payneham & St Peters at 5.30pm.

**11. CLOSURE OF MEETING**

There being no further business the meeting closed at 9:11am.

**DATE:** \_\_\_\_\_

**CHAIRPERSON:** \_\_\_\_\_

## MINUTES OF THE MEETING OF THE AUDIT & RISK MANAGEMENT COMMITTEE OF THE EASTERN WASTE MANAGEMENT AUTHORITY

held on Wednesday 17 April 2019 at Chairman's Boardroom, 1101/147 Pirie Street, Adelaide

Meeting opened at 8.31am

### 1. PRESENT

Mr Tim Muhlhausler	Independent Member
Mr Leigh Hall	Independent Member
Mr Mario Barone	Committee Member
Cr G Piggott	Committee Member

### IN ATTENDANCE

Mr Rob Gregory	General Manager
Mr Shane Raymond	Manager, Corporate Services
Mr John Jovicevic	Dean Newbery & Partners

### 2. APOLOGIES

Miss Kelly Vandermoer	Finance & Executive Administration Officer
Mr Brian Cunningham	Independent Chairperson

Mr Gregory opened the meeting in the absence of Mr Cunningham and sought a nomination for a Chairperson for the meeting.

Moved Mr Barone that Cr Piggott chair the meeting.

Seconded Mr Muhlhausler

**Carried**

### 3. CONFLICTS OF INTEREST

Mr Jovicevic declared a perceived conflict of interest in Item 8.1, due to the fact that he & Dean Newbery & Partners also consult to Northern Adelaide Waste Management Authority.

### 4. CONFIRMATION OF THE MINUTES – 12 February 2019

Moved Mr Muhlhausler that the Minutes of the previous meeting held on Tuesday 12 February 2019 be received and noted.

Seconded Mr Barone

**Carried**

### 5. MATTERS ARISING FROM THE MINUTES

Nil

### 6. QUESTIONS WITHOUT NOTICE

Nil

### 7. STAFF REPORTS

#### 7.1 FINANCIAL REPORT – BUDGET REVIEW 3



## **RECOMMENDATION**

Moved Mr Muhlhausler that the Committee notes and accepts the movements associated with the 2018/19 Budget Review Three and recommends to the East Waste Board for endorsement.

Seconded Mr Hall

**Carried**

## **7.2 PRUDENTIAL REVIEW – COLLECTION VEHICLES**

### **RECOMMENDATION**

Moved Mr Hall that the Committee:

1. Notes and supports the DRAFT Prudential Review, as amended, being presented to the East Waste Board.
2. Recommends that as part of the Long Term Financial Plan review, a report is developed detailing loan funding modelling options for presentation to the Committee and East Waste Board.
3. Recommends that a review of the current principal of maintaining a seven (7) year average age of Collection Vehicles is undertaken to confirm its appropriateness.

Seconded Mr Muhlhausler

**Carried**

## **7.3 AUDIT IMPLEMENTATION PROGRESS REPORT**

### **RECOMMENDATION**

Moved Mr Hall that the Committee notes the implementation status of the 2018 Accounts Payable and Payroll Audit recommendations. And recommends for presentation to the East Waste Board.

Seconded Mr Muhlhausler

**Carried**

**Mr Jovicevic left the meeting at 9.07am.**

## **8. CONFIDENTIAL REPORTS**

### **8.1 PRUDENTIAL REVIEW – RECEIPT AND PROCESSING OF RECYCLABLES**

**Mr Hall noted at the commencement of this item that he was a Board Director at Northern Adelaide Waste Management Authority for the period 2003 – 2008. No conflict of interest exists.**

#### **RECOMMENDATION 1**

Moved Mr Barone that pursuant to Section 90(2) and (3) of the Local Government Act, 1999 the East Waste Audit & Risk Committee orders that the public, with the exception of the East Waste staff present, be excluded from the meeting on the basis that the East Waste Audit & Risk Committee will receive, discuss and consider:

- (k) tenders for the supply of goods, the provision of services or the carrying out of works;

and the East Waste Audit & Risk Committee is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

Seconded Mr Muhlhausler

**Carried**

### **RECOMMENDATION 3**

Moved Mr Muhlhausler that under Section 91(7) and (9) of the Local Government Act 1999 the East Waste Audit & Risk Committee orders that the report, attachment(s), discussion and minutes be kept confidential for a period not exceeding 12 months, after which time the order will be reviewed by the East Waste Board.

Seconded Mr Hall

**Carried**

### **9. OTHER BUSINESS**

Mr Hall advised that he will be an apology for the next meeting of the Committee.

### **10. NEXT MEETING OF THE AUDIT AND RISK MANAGEMENT COMMITTEE**

The next Audit and Risk Management Committee Meeting is scheduled to be held on Tuesday 11 June 2019 at 1101/147 Pirie Street, Adelaide, commencing at 8:30am.

### **11. CLOSURE OF MEETING**

There being no other business the meeting closed at 9.57am

**PRESIDING MEMBER**

\_\_\_\_\_

**DATE**

\_\_\_\_\_

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**7.1: FINANCIAL REPORT - BUDGET REVIEW 3**

**REPORT AUTHOR:** General Manager  
**ATTACHMENTS:** A: Statement of Comprehensive Income  
B: Balance Sheet  
C: Statement of Cash Flow  
D: Statement of Changes in Equity  
E: Uniform Presentation of Finances Statement

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**Purpose of the Report**

To provide the Board with an opportunity to review the prepared Financial Statements for the nine months to March 2019 and report on Budget Review Three (3) as prescribed by the Regulations.

**Background**

At the meeting held 28 June 2018, the East Waste Board resolved:

**7.2 18/19 BUDGET APPROVAL**

*Moved Mr Di Iulio that the Board adopts the 2018/19 Annual Business Plan and Budget.*

*Seconded Cr Busato*

***Carried***

**Report**

The Financial Reports (refer Attachment A-E) as at 31 March 2019, for Quarter 3 have been prepared by East Waste's appointed accountancy firm Dean Newbery and Partners in accordance with the model financial statements issued by the Local Government Association.

Administration have used Budget Review 3 to undertake a detailed review of expenditure year to date and analysis of likely spending in the remaining quarter of FY19. As a result there has been significant movement between budget lines and reforecasting to provide greater confidence of the end of year operating result.

Favourable reforecasting of the budget in the areas of:

- Audits & Contamination;
- Motor Vehicle Maintenance;
- Truck Maintenance;
- Tools & Minor Equipment;
- Wages: Casual Agency;
- Licence Fees;
- Power Usage; and
- Sundry items,

has been offset by higher than budgeted expenditure in:

- Fuel, Gas & Oil;
- Truck Maintenance Contract;
- Registration & Insurance;
- Wages & Salaries;
- Legal Fees; and
- Depot Maintenance.

These variations have resulted in a YTD Operating surplus of \$178,700. While this appears to be quite favourable there are a number of areas where there will be greater expenditure in the last quarter than has occurred on average over the previous three quarters (such as Interest Expense, Employee Provisions and Audits) (consistent with the results of BR2) has been achieved. Based on estimated income and expenditure over the final quarter, an end of year operating result consistent with the budget of \$45,000 is expected.

Additional income of \$60,000 in the last quarter has been achieved through a successful \$30,000 funding application from the Local Government Association to upgrade the *My Local Services App* (noting that this has been offset by an equivalent amount in additional expenditure) and proceeds from Green Industries SA for the rights to use of the *WhichBin?* branding.

Fuel pricing continues to impact negatively on the budget. March saw the highest financial YTD average fuel price of \$1.38/litre. The revised forecast has catered for a price of \$1.28/litre and as such may still fall short of actual expenditure. It is also worth noting that the YTD average of \$1.25/litre is higher than the base budgeted figure of \$1.24/litre that was used in the formulation of the 2019/20 budget. In real terms every \$0.05 variation from this figure results in a \$5,000 impact on the budget. The fuel price will continue to be monitored over the remaining months and further information will be provided ahead of adopting the 2019/20 budget.

In the non-operating budget Loan Borrowings have been reduced by \$76,000, as these funds will no longer be required for this financial year.

The Financial Statements and an accompanying report were presented to the Audit & Risk Management Committee at their meeting on 17 April 2019 and were recommended for presentation to the Board.

#### **RECOMMENDATION**

**The Board notes, accepts and endorses the movements associated with the 2018/19 Budget Review Three report as presented.**

**EAST WASTE****PROJECTED STATEMENT OF COMPREHENSIVE INCOME (BUDGET)**  
for the Financial Year Ending 30 June 2019

<b>FY 2018</b>		<b>FY 2019</b>	<b>FY2019</b>	<b>FY 2019</b>	<b>FY 2019</b>
<b>Audited Actuals</b>		<b>Adopted</b>	<b>BR1</b>	<b>BR2</b>	<b>Proposed</b>
<b>\$'000</b>		<b>Budget</b>			<b>Budget</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>(BR3)</b>
					<b>\$'000</b>
	<b>INCOME</b>				
12,689	User Charges	15,394	15,394	15,394	15,433
19	Investment income	30	30	30	40
15	Grants, subsidies and contributions	4	4	4	35
413	Other	613	613	613	647
<b>13,136</b>	<b>TOTAL INCOME</b>	<b>16,041</b>	<b>16,041</b>	<b>16,041</b>	<b>16,155</b>
	<b>EXPENSES</b>				
5,605	Employee Costs	5,396	5,396	5,396	5,469
5,776	Materials, contracts & other expenses	8,225	8,285	8,285	8,358
1,767	Depreciation, amortisation & impairment	2,000	2,000	2,000	1,970
321	Finance costs	395	395	395	395
<b>13,469</b>	<b>TOTAL EXPENSES</b>	<b>16,016</b>	<b>16,076</b>	<b>16,076</b>	<b>16,191</b>
<b>(333)</b>	<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>25</b>	<b>(35)</b>	<b>(35)</b>	<b>(37)</b>
10	Asset disposals & fair value adjustments	20	20	15	17
<b>(323)</b>	<b>NET SURPLUS / (DEFICIT)</b>	<b>45</b>	<b>(15)</b>	<b>(20)</b>	<b>(20)</b>
-	Other Comprehensive Income	-	-	-	-
<b>(323)</b>	<b>TOTAL COMPREHENSIVE INCOME</b>	<b>45</b>	<b>(15)</b>	<b>(20)</b>	<b>(20)</b>

**EAST WASTE****PROJECTED BALANCE SHEET (BUDGET)  
for the Financial Year Ending 30 June 2019**

<b>FY 2018</b>		<b>FY 2019</b>	<b>FY2019</b>	<b>FY 2019</b>	<b>FY 2019</b>
<b>Audited Actuals</b>		<b>Adopted Budget</b>	<b>BR1</b>	<b>BR2</b>	<b>Proposed Budget (BR3)</b>
<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
1,376	Cash & Cash Equivalents	2,731	2,126	2,278	2,170
1,127	Trade & Other Receivables	412	412	413	414
-	Other Financial Assets	-	-	-	-
<b>2,503</b>	<b>TOTAL CURRENT ASSETS</b>	<b>3,143</b>	<b>2,538</b>	<b>2,691</b>	<b>2,584</b>
<b>NON-CURRENT ASSETS</b>					
6,165	Infrastructure, Property, Plant & Equipment	6,004	6,133	6,076	6,106
<b>6,165</b>	<b>TOTAL NON-CURRENT ASSETS</b>	<b>6,004</b>	<b>6,133</b>	<b>6,076</b>	<b>6,106</b>
<b>8,668</b>	<b>TOTAL ASSETS</b>	<b>9,147</b>	<b>8,671</b>	<b>8,767</b>	<b>8,690</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
821	Trade & Other Payables	826	821	821	821
2,007	Borrowings	2,077	2,077	2,077	2,077
530	Provisions	576	600	600	600
<b>3,358</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>3,479</b>	<b>3,498</b>	<b>3,498</b>	<b>3,498</b>
<b>NON-CURRENT LIABILITIES</b>					
4,774	Borrowings	4,680	4,587	4,688	4,611
63	Provisions	143	63	63	63
<b>4,837</b>	<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>4,823</b>	<b>4,650</b>	<b>4,751</b>	<b>4,674</b>
<b>8,195</b>	<b>TOTAL LIABILITIES</b>	<b>8,302</b>	<b>8,148</b>	<b>8,249</b>	<b>8,172</b>
<b>473</b>	<b>NET ASSETS</b>	<b>845</b>	<b>523</b>	<b>518</b>	<b>518</b>
<b>EQUITY</b>					
473	Accumulated Surplus	845	523	518	518
<b>473</b>	<b>TOTAL EQUITY</b>	<b>845</b>	<b>523</b>	<b>518</b>	<b>518</b>

# ITEM 7.1 - ATTACHMENT C

## EAST WASTE

### PROJECTED STATEMENT OF CASH FLOWS (BUDGET) for the Financial Year Ending 30 June 2019

FY 2018		FY 2019	FY 2019	FY 2020	FY 2019
Audited Actuals		Adopted Budget	BR1	BR2	Proposed Budget (BR3)
\$'000		\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>RECEIPTS</b>					
12,400	Operating Receipts	17,611	16,725	16,725	16,830
20	Investment Receipts	30	30	30	40
<b>PAYMENTS</b>					
(5,548)	Employee costs	(5,396)	(5,396)	(5,396)	(5,469)
(5,808)	Materials, contracts & other expenses	(9,756)	(8,215)	(8,215)	(8,288)
(320)	Interest Payments	(395)	(395)	(395)	(395)
<b>744</b>	<b>NET CASH PROVIDED BY (OR USED IN) OPERATING ACTIVITIES</b>	<b>2,094</b>	<b>2,749</b>	<b>2,749</b>	<b>2,718</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>RECEIPTS</b>					
11	Sale of Replaced Assets	20	20	15	15
<b>PAYMENTS</b>					
(1,887)	Expenditure on Renewal/Replaced Assets	(1,967)	(1,967)	(1,911)	(1,911)
-	Expenditure of New/Upgraded Assets	-	-	-	-
<b>(1,876)</b>	<b>NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES</b>	<b>(1,947)</b>	<b>(1,947)</b>	<b>(1,896)</b>	<b>(1,896)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>RECEIPTS</b>					
185	Capital Contributed by Member Councils	65	65	65	65
1,971	Proceeds from Borrowings	1,955	1,890	1,890	1,814
<b>PAYMENTS</b>					
(1,632)	Repayment of Borrowings	(2,007)	(2,007)	(1,906)	(1,906)
<b>524</b>	<b>NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES</b>	<b>13</b>	<b>(52)</b>	<b>49</b>	<b>(28)</b>
<b>(608)</b>	<b>NET INCREASE (DECREASE) IN CASH HELD</b>	<b>160</b>	<b>750</b>	<b>902</b>	<b>794</b>
<b>1,984</b>	<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>2,572</b>	<b>1,376</b>	<b>1,376</b>	<b>1,376</b>
<b>1,376</b>	<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	<b>2,732</b>	<b>2,126</b>	<b>2,278</b>	<b>2,170</b>

**EAST WASTE****PROJECTED STATEMENT OF CHANGES IN EQUITY (BUDGET)**  
for the Financial Year Ending 30 June 2019

<b>FY 2018</b>		<b>FY 2019</b>	<b>FY2019</b>	<b>FY 2019</b>	<b>FY 2019</b>
<b>Audited Actuals</b>		<b>Adopted</b>	<b>BR1</b>	<b>BR2</b>	<b>Proposed</b>
<b>\$</b>		<b>Budget</b>			<b>Budget</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>(BR3)</b>
					<b>\$'000</b>
611	<b>BALANCE AT END OF PREVIOUS REPORTING PERIOD</b>	735	473	473	473
(323)	Net Surplus / (Deficit) for Year	45	(15)	(20)	(20)
185	Contributed Equity	65	65	65	65
-	Distribution to Councils	-		-	-
<b>473</b>	<b>BALANCE AT END OF REPORTING PERIOD</b>	<b>845</b>	<b>523</b>	<b>518</b>	<b>518</b>



## ITEM 7.1 - ATTACHMENT E

### EAST WASTE

PROJECTED UNIFORM PRESENTATION OF FINANCES STATEMENT (BUDGET)  
for the Financial Year Ending 30 June 2019

FY2018		FY 2019	FY2019	FY 2019	FY 2019
Audited Actuals		Adopted Budget	BR1	BR2	Proposed Budget (BR3)
\$'000		\$'000	\$'000	\$'000	\$'000
13,136	Income	16,041	16,041	16,041	16,155
13,469	Expenses	16,016	16,076	16,076	16,191
<b>(333)</b>	<b>Operating Surplus / (Deficit)</b>	<b>25</b>	<b>(35)</b>	<b>(35)</b>	<b>(37)</b>
<b>less Net Outlays on Existing Assets</b>					
<b>(1,887)</b>	Capital Expenditure on Renewal and Replacement of Existing Assets	<b>(1,967)</b>	<b>(1,967)</b>	<b>(1,911)</b>	<b>(1,911)</b>
1,767	Depreciation, Amortisation and Impairment	2,000	2,000	2,000	1,970
11	Proceeds from Sale of Replaced Assets	20	20	15	15
<b>(109)</b>		<b>53</b>	<b>53</b>	<b>104</b>	<b>74</b>
<b>Less Net Outlays on New and Upgraded Assets</b>					
-	Capital Expenditure on New and Upgraded Assets	-	-	-	-
-	Amounts Specifically for New and Upgraded Assets	-	-	-	-
-	Proceeds from Sale of Surplus Assets	-	-	-	-
-		-	-	-	-
<b>(442)</b>	<b>Net Lending / (Borrowing) for Financial Year</b>	<b>78</b>	<b>18</b>	<b>69</b>	<b>37</b>

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**7.2: PRUDENTIAL REVIEW – COLLECTION VEHICLES**

**REPORT AUTHOR:** Manager, Corporate Services  
**ATTACHMENTS:** A: Prudential Review – Collection Vehicles

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**Purpose of the Report**

To provide the East Waste Board (the Board) with an opportunity to review the Prudential Review relating to the purchase of collection vehicles.

**Background**

East Waste's 10 Year Business Plan 2015 -2024 refers to the development and adherence to a Fleet Replacement Program whereby vehicles are replaced to ensure East Waste maintains an average age of fleet of seven (7) years. East Waste is meeting this target and continues to do so by maintaining a fleet replacement schedule in its Annual Plans.

In 2015, East Waste entered into a three (3) year supply agreement for the purchase of collection vehicles. This agreement expired in December 2018. To ensure East Waste continues to meet its fleet replacement targets, procurement of new collection vehicles is required and to do so requires undertaking an open tender process. Noting the success of the previous supply agreement, East Waste is again looking to seek tenders for a three (3) year supply agreement for the purchase of collection vehicles.

Given the combined financial cost over the ensuing five (5) years will exceed \$4M (indexed), prudential requirements provided at *Section 48* of the *Local Government Act 1999* (the Act) are triggered, which therefore requires the undertaking of a prudential review.

**Report**

The attached prudential review (see Attachment A) has been prepared in accordance with the requirements set out in *Section 48(2)* of the Act, and for the East Waste Board to consider all information prior to endorsing or otherwise a decision to undertake an open tender process.

The prudential review was presented to the Audit & Risk Management Committee (the Committee) at their meeting held 17 April 2019 and resolved:

**7.2 PRUDENTIAL REVIEW – COLLECTION VEHICLES****RECOMMENDATION**

Moved Mr Hall that the Committee:

1. Notes and supports the DRAFT Prudential Review, as amended, being presented to the East Waste Board.
2. Recommends that as part of the Long Term Financial Plan review, a report is developed detailing loan funding modelling options for presentation to the Committee and East Waste Board.
3. Recommends that a review of the current principal of maintaining a seven (7) year average age of Collection Vehicles is undertaken to confirm its appropriateness.

Seconded Mr Muhlhausler

**Carried**

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## **RECOMMENDATION**

**That the Board:**

- 1. Is satisfied that the Prudential Review – Replacement of Collection Vehicles 2019 – 2022 adequately documents the financial and other risks associated with the identified tender process, as per requirements of Section 48 of the Local Government Act 1999; and**
- 2. Following review of the Prudential Review – Replacement of Collection Vehicles 2019 – 2022, authorises East Waste’s General Manager to undertake a Request for Tender process relating to a three (3) Supply Agreement for the Purchase of Collection Vehicles.**



**Prudential Review:  
Replacement of Collection Vehicles 2019 - 2022**

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# Introduction

East Waste is the trading name of Eastern Waste Management Authority, which was established in 1928. The Authority is a regional subsidiary of the Adelaide Hills Council, City of Burnside, Campbelltown City Council, City of Norwood, Payneham & St Peters, City of Mitcham, City of Prospect and Town of Walkerville. East Waste is governed by a Charter (the Charter) pursuant to *Section 43* of the *Local Government Act 1999* and administered by a Board, which includes a director appointed by each Council and an Independent Chair.

Action 11 of *East Waste's 10 Year Business Plan 2015-2024* (business plan) refers to the development of a fleet management plan to achieve an average fleet age of 7 years by end of year three (2018) of the Business Plan. East Waste has met this target, and did so by undertaking a tender process and entering into a three (3) year supply Agreement for the provision of collection vehicles in 2016, which has now reached its expiry.

It has been identified that the replacement schedule principles implemented over the past three years, and the manner in which this has been conducted (by way of a three year contract) best satisfies the balance required between capital outlay, ongoing maintenance, truck performance and reliability and operational requirements. As such it is recommended to continue to meet the target identified in Action 11, which will require East Waste to purchase collection vehicles on an on-going basis. In consideration of Action 11, East Waste's DRAFT Annual Plan 2019/2020 (Annual Plan) outlines the Purchase of Replacement Collection Vehicles, specifically Operational Management – Item 6 (OM6) states:

## "OM6. Purchase of replacement RACVs

In line with the East Waste's Vehicle Asset Register, five (5) collection vehicles are due to be replaced in the 2018/19 Financial Year. Replacement of five, will ensure no collection vehicle is greater than seven (7) years old and assist with the delivery of seamless service and minimal lost time due to breakdowns and maintenance costs. Additionally these purchases will upgrade the technological capabilities of the existing fleet, as they will be fitted standard with RFID readers and additional cameras, which the oldest trucks in the fleet do not have. With the current contract expiring in June 2018, it is proposed at this stage to undertake another multi-year tender for the supply of Cab Chassis and Compactors. The feasibility of OM5 will be factored into this."

On 21 February 2019 the East Waste Board resolved:

## "7.2 DRAFT 2019/20 ANNUAL PLAN, BUDGET & KEY ASSUMPTIONS

### RECOMMENDATION

Moved Mr Di Iulio that the Board:

1. Endorse the 2019/20 Annual Plan and associated draft budget and proposed Member Council Fees, with the inclusion of a 1% operating surplus.
2. Supports the use of existing cash reserves to fund the last Highbury Landfill Loan repayment of \$122,018 in 2020, in order to provide a small financial relief to Member Councils.
3. Authorise the General Manager to distribute to each Member Council for review and comment, the *Draft 2019/20 Annual Plan*, as presented in Attachment A, along with the proposed fees.

Seconded Cr Piggott

**Carried"**

At the time of preparing this report, East Waste Member Councils are still in the process of considering the DRAFT Annual Plan, as they have until 31 May 2019 to do so. Endorsement of the Annual Plan 2019/2020 is anticipated from all Member Councils.

To ensure adherence with East Waste's Fleet Management Plan, and to ensure maintaining high standards of vehicle safety, East Waste is seeking to commence a tender process for the supply of collection vehicles over a period of three (3) years. Noting the capital investment required over this period to purchase the collection vehicles will approximately be in the vicinity of \$6.8 -7.5M, prudential report requirements specified in *Section 48* of the *Local Government Act 1999* are triggered, as this section not only applies to Councils, but also Subsidiaries.

This Prudential Review is consistent with the provisions of *Section 48* of the Act. Some of the requirements to *Section 48* have little relevance to this annual plan deliverable, however the headings have been retained for completeness.

DRAFT

# Preparation of the Prudential Report

Subsection 48(4) of the Act provides that:

*“A report under subsection (1) must be prepared by a person whom the Council reasonably believes to be qualified to address the prudential issues set out in subsection (2).”*

Independence of the prudential report is an important governance consideration. Council should consider appointing a suitably qualified independent person<sup>1</sup>. Whilst subsection 48 (4a) of the Act requires this independence it does not exclude an employee undertaking this analysis:

*“A report under subsection (1) must not be prepared by a person who has an interest in the relevant project (but may be prepared by a person who is an employee of Council).”*

The author of this report is East Waste’s Manager, Corporate Services. The author does not have an interest in this matter and is not considered a precluded person, as set out in subsection 48 (6b) of the Act. The Manager, Corporate Services was also chosen given this is a required, repeated and relatively straight forward procurement process, which East Waste regularly undertakes.

<sup>1</sup>LGA Financial Sustainability Information Paper No 27 – Prudential Management (revised February 2015)



# Prudential Review Criteria

As outlined in the introduction, should East Waste enter into a three (3) year agreement for the supply of collection vehicles, the total capital investment will likely be in the vicinity of \$6.8 -7.5M. This anticipated capital cost invokes Subsection 48 (1)(ii) of the Act, which provides that:

*“Without limiting subsection (aa1), a Council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the Council – engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body) – where the expected capital cost of the project over the ensuring five years is likely to exceed \$4M (indexed).”*

In accordance with Section 48(2) of the Act, this report will address all ten items listed in this section.

## *a) the relationship between the project and relevant strategic management plans;*

East Waste’s (endorsed) 10 Year Business Plan 2015-2024 sets out the development of a fleet management plan to achieve an average fleet age of 7 years by end of year three of the Business Plan (Action 11 of Table 1 below refers). East Waste has met this target by not only developing the fleet management schedule (see Appendix 1), but by procuring collection vehicles over a three (3) year agreement to meet the average fleet age target of seven (7) years.

East Waste is currently undertaking a review of its 10 Year Business Plan, which has included consultation with the East Waste Board and Member Councils. In addition, at their 21 February 2019 meeting, the East Waste Board endorsed the draft East Waste Annual Plan 2019/2020 and budget. The draft Annual Plan includes the purchase of five (5) collection vehicles in the 2019/2020 financial year.

In accordance with the 10 Year Business Plan, in October 2015 East Waste undertook a tender process for the supply of collections vehicles over a three (3) year period. A successful tenderer was identified and endorsed by the Board, and East Waste entered into a three (3) year supply agreement. As previously mentioned, this agreement has now reached its expiry and in accordance with the Business Plan and draft Annual Plan, East Waste is seeking to undertake a tender process for the supply of collection vehicles over a three (3) year period.

A procurement process for the provision of collection vehicles over a three (3) supply period would be consistent with the abovementioned strategic plans.

**Table 1: Action Items – East Waste 10 Year Business Plan 2015-2024**

<b>East Waste 10 Year Business Plan 2015-2024</b>		<b>4 Year Delivery Plan</b>				<b>10 Year Business Plan</b>					
<b>Actions</b>		<b>Year 1 - 2015</b>	<b>Year 2 - 2016</b>	<b>Year 3 - 2017</b>	<b>Year 4 - 2018</b>	<b>Year 5 - 2019</b>	<b>Year 6 - 2020</b>	<b>Year 7 - 2021</b>	<b>Year 8 - 2022</b>	<b>Year 9 - 2023</b>	<b>Year 10 - 2024</b>
<b>Action 1:</b> East Waste to continue to provide core services to Member Councils, and advise Member Councils of the capacity to deliver the full range of core services which could further drive efficiencies and alignment between Member Councils and East Waste.		X									
<b>Action 2:</b> East Waste to determine current performance of Member Councils against the two key ZWSA Waste Strategy targets and report annually.		X	X	X	X	X	X	X	X	X	X
<b>Action 3:</b> East Waste to undertake an internal, and where required, independent, Market Evaluation of the East Waste model versus alternative waste and recycling service delivery models.		X									
<b>Action 4:</b> East Waste to prepare SLA's for Member Councils within 12 months.		X									
<b>Action 5:</b> East Waste to establish operations KPIs as per <b>Table 3</b> within 12 months. KPIs to be reported monthly to Member Councils once established.		X	X	X	X	X	X	X	X	X	X
<b>Action 6:</b> East Waste to prepare a suitable recyclables processing specification and tender by February 2015 on behalf of Member Councils. Issue to market by March 2015 and proceed to board approval with recommended contractor for approval ready for 1 July 2015 commencement.		X									
<b>Action 7:</b> East Waste to prepare a suitable organics processing specification and tender by February 2015 on behalf of Member Councils. Issue to market by March 2015 and proceed to board approval with recommended contractor for approval ready for 1 July 2015 commencement.		X									
<b>Action 8:</b> East Waste to assess the disposal contract opportunity and provide a business case for Member Councils to consider by year 4 of the Business Plan and provide a waste disposal specification and tender to the market for Councils that choose to take up this option.					X						
<b>Action 9:</b> East Waste to demonstrate the potential of the Customer Service software to Member Councils and seek interest in moving to this solution by year 3 of the Business Plan.				X							
<b>Action 10:</b> East Waste to develop an employee satisfaction survey to be conducted at a frequency to be determined by the end of the first year of the Business Plan.		X	X	X	X	X	X	X	X	X	X
<b>Action 11:</b> East Waste to develop a fleet management plan to achieve an average fleet age of 7 years by end of year three of the Business Plan, and continually commit to implementing best practice technologies.				X							
<b>Action 12:</b> East Waste to prepare an example or trial presentation of one vehicle for Member Councils to consider and business case for broader fleet implementation over time by year 2 of the Business Plan.			X								
<b>Action 13:</b> East Waste to prepare example or trial demonstrate capabilities and benefits of RFID bins to Member Councils by year 3 of the Business Plan.				X							
<b>Action 14:</b> East Waste to develop customer satisfaction KPIs, and a process regarding resident customer service surveys, to identify and track customer satisfaction at a frequency to be determined.			X		X		X		X		X
<b>Action 15:</b> East Waste to investigate a service offer for community waste and recycling education and propose a model(s) to Member Councils that indicate and interest by Year 1-2 of the Business Plan.		X	X								
<b>Action 16:</b> East Waste initiate an independent mechanical and operational audit of the entire collection fleet at least annually, commencing in year 1 of the Business Plan.		X	X	X	X	X	X	X	X	X	X

*b) the objectives of the Development Plan in the area where the project is to occur;*

This section is not applicable to this capital investment consideration.

*c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;*

The first two considerations in this section are not relevant to this capital investment consideration. With respect to the final consideration, East Waste would seek to undertake an open tender process, thus ensuring a fair competition in the market place.

*d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;*

This section is not applicable to this capital investment consideration. The capital investment purely relates to East Waste being able to undertake its core function of collecting kerbside bins efficiently and safely. As per its strategic management plans and consultation with its Member Councils, East Waste has met its obligations.

*e) if the project is intended to produce revenue, revenue projections and potential financial risks;*

This section is not applicable to this capital investment consideration.

*f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;*

East Waste will own and maintain all collection vehicles (assets) purchased. A review of the key assumptions are summarised in Table 2 below:

**Table 2: Key Financial Considerations**

Key Assumption	Cost/Financial Detail
Purchase of 15 Robotic Arm Collection Vehicles (includes chassis + compactor)	\$6.8 – 7.5M
Source of Funding	External Borrowings for full amount through Local Government Finance Authority, and in accordance with East Waste's Treasury Management Policy
Term of Loan(s)	Expected Life of Vehicle (typically 7 years per loan)
Residual Value of Assets at End of Life	\$0 - \$10,000 per asset
Depreciation	7 year life

The on-going purchase of collection vehicles has been factored into and is presented in East Waste's Long Term Financial Plan (LTFP) (see Appendix 1 – Fleet Replacement Schedule). Whilst the type or size of collection vehicle may vary depending on need, the LTFP does include the purchase of five (5) collection vehicles per financial year.

The LTFP also factors in an indicative loan repayment schedule based on borrowings at the full amount (see Appendix 2 – Loan Repayment Schedule). Any borrowings will adhere to the requirements set out in *East Waste's Treasury Management Policy*.

Subject to the Board approval of the tender process, the LTFP will need to be updated to reflect identified collection vehicle purchases and relevant loan repayment terms.

*g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the Council;*

Safe, efficient and reliable collection vehicles are a core requirement for East Waste to deliver its services to Member Councils, therefore financial viability is adequately addressed and managed through adherence to the Fleet Replacement Schedule and relevant funding considerations in East Waste's Annual Plans.

Based on current and historical practices, East Waste collection vehicle purchases are based on borrowing the full amount, therefore there is no short or longer term estimated net effect on the financial position of East Waste.

*h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the Council);*

East Waste has an established Risk Management Framework, inclusive of comprehensive Risk Registers, in place which sufficiently address and cover financial, operational, WHS and strategic risks. A Risk Register for this capital investment consideration has been prepared (see Table 3 below) and is consistent with East Waste's Risk Management Framework.

**Table 3: Risk Register**

Likelihood	Consequences				
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
E Almost Certain	Medium	High	High	Extreme	Extreme
D Likely	Low	Medium	High	High	Extreme
C Possible	Low	Medium	Medium	High	High
B Unlikely	Low	Low	Medium	Medium	High
A Rare	Low	Low	Low	Medium	High

What could happen	How it could happen	Likelihood	Consequence Details	Consequence	Inherent Risk Level	Controls	Likelihood	Consequence	Residual Risk Level
Member Council does not approve fleet purchase in Annual Plan	Council does not agree to capital expenditure cost or fleet replacement	C	<p>East Waste funding for replacement of vehicles is reduced, or will fall to Member Councils who approved Annual Plan</p> <p>East Waste cannot replace vehicles and meet its Fleet Replacement Schedule</p>	4	H	<p>10 Year Business Plan in place and endorsed by all Member Councils</p> <p>Annual Plan approved by East Waste Board and previous Annual Plans have been endorsed by all Member Councils</p> <p>Member Council awareness of East Waste operating a safe, efficient and reliable fleet</p>	B	3	M
East Waste Procurement Policy not adhered to	East Waste management or Board do not adhere to legislative or procurement policy requirements	B	<p>Any process followed may be voided</p> <p>Challenge or legal action against East Waste from affected parties</p> <p>Ombudsman or ICAC investigation</p> <p>Reputational damage to East Waste</p>	4	H	<p>Procurement policy in place, which supports the LG Act requirements</p> <p>Strict adherence to procurement requirements by East Waste management and Board</p> <p>East Waste's credibility with Australian market regarding openness, fairness and transparency in asset purchases</p>	A	4	M
Interest rates on borrowings are projected to be lower than actual rates included in LTFP	<p>Poor forecasting with respect to LTFP considerations</p> <p>Sudden adverse change in Australian economic conditions</p>	C	<p>Borrowings are higher than projected, therefore affecting Member Council budget considerations and forecasting</p> <p>Reputational damage to East Waste</p>	3	M	<p>Endorsed LTFP in place and due for review, so will align closely with current market conditions</p> <p>Interest % is currently forecast at 4%, so conservative in current climate</p>	B	3	M

What could happen	How it could happen	Likelihood	Consequence Details	Consequence	Inherent Risk Level	Controls	Likelihood	Consequence	Residual Risk Level
A preferred tenderer is not identified	Poor tender documents prepared by East Waste  Market has no interest in goods sought by East Waste (no tender responses received)	B	Reputational damage to East Waste  Reduced market influence to purchase goods	4	H	High quality tender documents prepared that address all requirements  East Waste's reputation as a consistent purchaser of assets that are required for the service delivery of the business  Supply Agreement term over three years that will attract tenderers to respond	B	3	M
Borrowing requirements not approved by LGFA	East Waste don't meet LGFA lending criteria  East Waste defaults on a loan	B	Impact to business operations and service delivery to Member Councils  Reputational damage to East Waste  Member Council confidence in East Waste management is damaged	4	H	Loan repayment schedule established within LTFP  East Waste currently contracted with accounting organisation to manage financial obligations at a high level  East Waste's strong adherence to repayment schedules, ensuring a strong business relationship with LGFA	B	3	M



*i) the most appropriate mechanisms or arrangements for carrying out the project;*

East Waste intends to undertake an open tender process in accordance with the requirements of the Act and its Procurement Policy. Subject to a successful tenderer being identified, then East Waste would enter into a Supply Agreement.

*j) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.*

This section is not applicable to this capital investment consideration.

## Conclusion

East Waste's core business function is to provide safe, efficient and reliable kerbside collection services to its Member Councils, and where relevant, Client Councils. To ensure this core requirement is met, East Waste needs to maintain and operate a fleet of collection vehicles that are safe, cost efficient and well maintained.

In 2015, East Waste's 10 Year Business Plan became effective, which importantly included an action for East Waste to develop and implement a fleet replacement plan to ensure the average fleet age did not exceed 7 years. Since this time, East Waste's annual plans have included the purchase and replacement of collection vehicles. Member Councils have continued to support East Waste's fleet replacement plan since its adoption in 2015.

East Waste's recent experience in relation to a three (3) year supply agreement for collection vehicles has been a successful one, as it has enabled clear planning and forecasting, it delivered competitive pricing, it provides some stability to the successful contractor and it negates the need for East Waste to undertake a time consuming tender process each year.

This report has been prepared in accordance with the requirements set out in Section 48 of the Act, and for the Board to consider all information prior to endorsing or otherwise a decision to undertake an open tender process.

Appendix 1 – East Waste Fleet Replacement Schedule

EASTERN WASTE MANAGEMENT AUTHORITY INC												
LONG TERM FINANCIAL PLAN (LTFP): FY2018 - FY2027												
Fleet Replacement Worksheet												
		Year	1	2	3	4	5	6	7	8	9	10
Fleet #		FY	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
94	22m3 Bucher (Ordered, arriving June/July 17)		369,869									
95	22m3 Bucher (Ordered, arriving June/July 17)		369,869									
96	29m3 Bucher (Ordered, arriving June/July 17)		378,673									
97	29m3 Bucher (Ordered, arriving June/July 17)		378,673									
98	20m3 Bucher		380,380									
99	29m3 Bucher		384,353									
100	29m3 Bucher		384,353									
101	20m3 Bucher		380,380									
102	Rear Loader		318,165									
LT5	Rear Loader 12 Metre			327,710								
103	20m3 Bucher				403,545							
104	20m3 Bucher				403,545							
105	20m3 Bucher				403,545							
106	20m3 Bucher				403,545							
107	29m3 Bucher				401,734							
108	29m3 Bucher					413,786						
109	29m3 Bucher					413,786						
110	29m3 Bucher					413,786						
111	29m3 Bucher					413,786						
112	20m3 Bucher					415,652						
113	20m3 Bucher						428,121					
114	29m3 Bucher						426,200					
115	29m3 Bucher						426,200					
116	29m3 Bucher						426,200					
LT 6	Rear Loader 12 Metre						358,098					
117	29m3 Bucher							438,986				
118	29m3 Bucher							440,965				
119	29m3 Bucher							428,780				
120	Rear Loader							428,780				
LT 7	Rear Loader 12 Metre							368,841				
121	29m3 Bucher								452,155			
122	29m3 Bucher								452,155			
123	29m3 Bucher								452,155			
124	29m3 Bucher								452,155			
125	20m3 Bucher								454,194			
126	20m3 Bucher									467,820		
127	20m3 Bucher									467,820		
128	29m3 Bucher									465,720		
129	29m3 Bucher									465,720		
130	29m3 Bucher									465,720		
131	20m3 Bucher										481,854	
132	20m3 Bucher										481,854	
133	29m3 Bucher										479,692	
134	29m3 Bucher										479,692	
135	Rear Loader										468,539	
136	Rear Loader											482,595
137	29m3 Bucher											494,082
138	20m3 Bucher											496,310
139	20m3 Bucher											482,595
140	20m3 Bucher											415,134
	Projected Annual Truck Replacement CAPEX		3,344,717	327,710	2,015,916	2,070,797	2,064,819	2,106,351	2,262,815	2,332,800	2,391,631	2,370,717

Appendix 2 – East Waste Loan Repayment Schedule

EASTERN WASTE MANAGEMENT AUTHORITY INC										
LONG TERM FINANCIAL PLAN (LTFP): FY2018 - FY2027										
External Loan Movement Worksheet										
LOANS										
LGFA Loan	Opening Balance (1/7/2017)	Maturity Date		St George	Opening Balance (1/7/2017)	Maturity Date				
3	647,763.83	17/09/2019		Truck 61	4,571.69	13/07/2017				
4	643,794.45	17/12/2019		Truck 62	4,571.69	13/07/2017				
5	178,152.23	17/06/2020		Truck 63	4,571.69	13/07/2017				
6	1,240,634.09	15/01/2021								
7	1,524,638.17	15/01/2022								
8	1,804,595.32	15/07/2023								
9	263,808.47	17/10/2023								
Highbury Loan	325,892.71	19/02/2020								
Year	1	2	3	4	5	6	7	8	9	10
FY	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
LGFA Loan# 3										
Opening Balance	647,764	398,119	135,964	-	-	-	-	-	-	-
Interest	29,013	16,502	3,365							
Principal Repayment	249,645	262,155	135,964							
Closing Balance	398,119	135,964	-	-	-	-	-	-	-	-
LGFA Loan# 4										
Opening Balance	643,794	395,399	134,938	-	-	-	-	-	-	-
Interest	27,957	15,891	3,238							
Principal Repayment	248,395	260,461	134,938							
Closing Balance	395,399	134,938	-	-	-	-	-	-	-	-

LGFA Loan# 5										
Opening Balance	178,152	121,619	62,281	-	-	-	-	-	-	-
Interest	8,045	5,241	2,298							
Principal Repayment	56,534	59,338	62,281							
Closing Balance	121,619	62,281	-	-	-	-	-	-	-	-
LGFA Loan# 6										
Opening Balance	1,240,634	954,590	653,038	335,136	-	-	-	-	-	-
Interest	62,599	47,091	30,742	13,506						
Principal Repayment	286,044	301,552	317,901	335,136						
Closing Balance	954,590	653,038	335,136	-	-	-	-	-	-	-
LGFA Loan# 7										
Opening Balance	1,524,638	1,296,480	1,058,522	810,344	551,506	281,550	-	-	-	-
Interest	62,398	52,599	42,378	31,718	20,601	9,006				
Principal Repayment	228,158	237,958	248,178	258,838	269,956	281,550				
Closing Balance	1,296,480	1,058,522	810,344	551,506	281,550	-	-	-	-	-
LGFA Loan# 8										
Opening Balance	1,804,595	1,554,524	1,294,986	1,025,625	746,068	455,929	154,808	-	-	-
Interest	65,350	55,884	46,060	35,864	25,283	14,301	2,903			
Principal Repayment	250,072	259,537	269,361	279,557	290,139	301,121	154,808			
Closing Balance	1,554,524	1,294,986	1,025,625	746,068	455,929	154,808	-	-	-	-
LGFA Loan# 9										
Opening Balance	263,808	226,992	188,876	149,415	108,560	66,262	22,472	-	-	-
Interest	8,914	7,614	6,268	4,875	3,433	1,939	393	-		
Principal Repayment	36,816	38,116	39,462	40,855	42,297	43,791	22,472	-		
Closing Balance	226,992	188,876	149,415	108,560	66,262	22,472	-	-	-	-

<b>LGFA - Highbury Loan</b>										
<b>Opening Balance</b>	<b>325,893</b>	<b>224,491</b>	<b>116,024</b>	-	-	-	-	-	-	-
<b>Interest</b>	<b>20,616</b>	<b>13,551</b>	<b>5,994</b>	-	-	-	-	-	-	-
Principal Repayment	101,402	108,467	116,024	-	-	-	-	-	-	-
<b>Closing Balance</b>	<b>224,491</b>	<b>116,024</b>	-	-	-	-	-	-	-	-
<b>St George - Truck 61</b>										
<b>Opening Balance</b>	<b>4,572</b>	-	-	-	-	-	-	-	-	-
<b>Interest</b>	<b>26</b>	-	-	-	-	-	-	-	-	-
Principal Repayment	4,572	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>	-	-	-	-	-	-	-	-	-	-
<b>St George - Truck 62</b>										
<b>Opening Balance</b>	<b>4,572</b>	-	-	-	-	-	-	-	-	-
<b>Interest</b>	<b>26</b>	-	-	-	-	-	-	-	-	-
Principal Repayment	4,572	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>	-	-	-	-	-	-	-	-	-	-
<b>St George - Truck 63</b>										
<b>Opening Balance</b>	<b>4,572</b>	-	-	-	-	-	-	-	-	-
<b>Interest</b>	<b>26</b>	-	-	-	-	-	-	-	-	-
Principal Repayment	4,572	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>	-	-	-	-	-	-	-	-	-	-
<b>Loan - FY2018</b>										
<b>Opening Balance</b>	<b>1,847,000</b>	<b>1,617,031</b>	<b>1,376,597</b>	<b>1,125,221</b>	<b>862,406</b>	<b>587,631</b>	<b>300,353</b>	-	-	-
<b>Interest</b>	<b>80,557</b>	<b>70,091</b>	<b>59,150</b>	<b>47,711</b>	<b>35,751</b>	<b>23,247</b>	<b>10,174</b>			
Principal Repayment	229,969	240,434	251,376	262,815	274,775	287,278	300,353			
<b>Closing Balance</b>	<b>1,617,031</b>	<b>1,376,597</b>	<b>1,125,221</b>	<b>862,406</b>	<b>587,631</b>	<b>300,353</b>	-	-	-	-
<b>Loan - FY2020</b>										
<b>Opening Balance</b>	-	-	<b>2,016,000</b>	<b>1,764,989</b>	<b>1,502,555</b>	<b>1,228,178</b>	<b>941,316</b>	<b>641,400</b>	<b>327,835</b>	-
<b>Interest</b>	-	-	<b>87,927</b>	<b>76,505</b>	<b>64,562</b>	<b>52,077</b>	<b>39,022</b>	<b>25,375</b>	<b>11,105</b>	
Principal Repayment	-	-	251,011	262,434	274,377	286,862	299,916	313,565	327,835	
<b>Closing Balance</b>	-	-	<b>1,764,989</b>	<b>1,502,555</b>	<b>1,228,178</b>	<b>941,316</b>	<b>641,400</b>	<b>327,835</b>	-	-
<b>Loan - FY2021</b>										
<b>Opening Balance</b>	-	-	-	<b>2,071,000</b>	<b>1,813,141</b>	<b>1,543,547</b>	<b>1,261,685</b>	<b>966,997</b>	<b>658,899</b>	<b>336,780</b>
<b>Interest</b>	-	-	-	<b>90,326</b>	<b>78,592</b>	<b>66,324</b>	<b>53,497</b>	<b>40,087</b>	<b>26,067</b>	<b>11,408</b>
Principal Repayment	-	-	-	257,859	269,594	281,862	294,688	308,098	322,119	336,780
<b>Closing Balance</b>	-	-	-	<b>1,813,141</b>	<b>1,543,547</b>	<b>1,261,685</b>	<b>966,997</b>	<b>658,899</b>	<b>336,780</b>	-

Loan - FY2022										
Opening Balance	-	-	-	-	2,065,000	1,807,888	1,539,075	1,258,030	964,195	656,989
Interest	-	-	-	-	90,064	78,364	66,132	53,342	39,971	25,991
Principal Repayment	-	-	-	-	257,112	268,813	281,045	293,835	307,206	321,185
Closing Balance	-	-	-	-	1,807,888	1,539,075	1,258,030	964,195	656,989	335,804
Loan - FY2023										
Opening Balance	-	-	-	-	-	2,100,000	1,838,530	1,565,161	1,279,352	980,537
Interest	-	-	-	-	-	91,591	79,692	67,253	54,246	40,648
Principal Repayment	-	-	-	-	-	261,470	273,369	285,809	298,815	312,413
Closing Balance	-	-	-	-	-	1,838,530	1,565,161	1,279,352	980,537	668,124
Loan - FY2024										
Opening Balance	-	-	-	-	-	-	2,300,000	2,013,628	1,714,224	1,401,196
Interest	-	-	-	-	-	-	100,314	87,282	73,657	59,413
Principal Repayment	-	-	-	-	-	-	286,372	299,404	313,028	327,273
Closing Balance	-	-	-	-	-	-	2,013,628	1,714,224	1,401,196	1,073,923
Loan - FY2025										
Opening Balance	-	-	-	-	-	-	-	2,350,000	2,057,403	1,751,490
Interest	-	-	-	-	-	-	-	102,495	89,180	75,259
Principal Repayment	-	-	-	-	-	-	-	292,597	305,913	319,833
Closing Balance	-	-	-	-	-	-	-	2,057,403	1,751,490	1,431,657
Loan - FY2026										
Opening Balance	-	-	-	-	-	-	-	-	2,400,000	2,101,177
Interest	-	-	-	-	-	-	-	-	104,675	91,077
Principal Repayment	-	-	-	-	-	-	-	-	298,823	312,422
Closing Balance	-	-	-	-	-	-	-	-	2,101,177	1,788,755
Loan - FY2027										
Opening Balance	-	-	-	-	-	-	-	-	-	2,400,000
Interest	-	-	-	-	-	-	-	-	-	104,675
Principal Repayment	-	-	-	-	-	-	-	-	-	298,823
Closing Balance	-	-	-	-	-	-	-	-	-	2,101,177

LOAN MOVEMENT SUMMARY										
OPENING BALANCE	8,489,994	6,789,244	7,037,226	7,281,730	7,649,236	8,070,986	8,358,239	8,795,216	9,401,908	9,628,169
TOTAL INTEREST EXPENSE	365,527	284,464	287,421	300,506	318,285	336,849	352,127	375,834	398,901	408,471
LOAN PRINCIPAL REPAYMENT	1,700,750	1,768,019	1,826,496	1,697,494	1,678,250	2,012,747	1,913,023	1,793,308	2,173,739	2,228,729
CLOSING BALANCE	6,789,244	5,021,226	5,210,730	5,584,236	5,970,986	6,058,239	6,445,216	7,001,908	7,228,169	7,399,440

DRAFT

## 7.3: AUDIT IMPLEMENTATION PROGRESS REPORT

REPORT AUTHOR: General Manager  
ATTACHMENTS: Nil

### Purpose of the Report

To provide the Board with an update on the implementation progress of recommendations from the Accounts Payable and Payroll Audits undertaken in early 2018.

### Background

At the meeting held 26 April 2018, the East Waste Board resolved:

### 7.2 PAYROLL & ACCOUNTS PAYABLE AUDIT

*Moved Cr Busato that the Board recommend:*

1. *That the Accounts Payable Internal Audit, as detailed in Attachment A, and the Payroll Internal Audit as detailed in Attachment B, along with the Management Responses are received, noted and implemented.*
2. *Requests that Management undertake a further audit in 12 months to determine the efficacy of the findings implemented and review of any new or emerging risks.*
3. *Management provide a progress report at future meetings on the status of Audit actions implementation.*

*Seconded Mr Di Iulio*

***Carried***

Members are referred to this report for a detailed list of the Recommendations.

### Report

Dean Newberry & Partners developed 15 recommendations, of varying risk across the two audits. East Waste commenced addressing these immediately and at the time of writing the summary status of Recommendations is listed in Table 1. A summary of status of the actions, relative to their risk rating status is contained within Table 2. Of note, all High Risk recommendations have either been completed or commenced.

A number of Activities have progressed since the last report, with those highlighted in yellow having been completed since the February 2019 report to the Board.

**Table 1: Audit Recommendation Status Summary**

Status	No.
Completed	11
Commenced	3
Not Started	1



**Table 2: Audit Recommendation Status Summary by Risk Rating**

Status	High	Moderate	Low	N/A
Completed	4	3	3	1
Commenced	3	0	0	0
Not Started	0	1	0	0

Specific detail on the implementation status of each recommendation is contained with Table 3 – Accounts Payable and Table 4 – Payroll.

**Table 3: Accounts Payable Recommendations Implementation Status**

No.	Recommendation	Residual Risk Rating	Implementation Status	Target Completion Date	Notes
5.1	Update Purchase of Goods & Services Policy	High	Completed		Endorsed at Feb 18 Board Meeting
5.2	Retention of Suppliers Quotes	High	Commenced	June 2019	Temporary system established. Implementation of compliant Records Management System listed as a target in the 2018/19 Annual Plan
5.3	Accounts Payable Role	High	Commenced	May 2019	Procedures being developed.
5.4	Controls over changes to supplier bank details	Moderate	Completed		Procedure to be developed to ensure validity of requested change.
5.5	Periodic reconciliation of the sub ledger to the General Ledger	Low	Completed		Procedure developed.
5.6	Removal of unused suppliers for the database	Low	Completed		Internal procedure developed ensuring cleansing process undertaken every 2 years.

**Table 4: Payroll Recommendations Implementation Status**

No.	Recommendation	Residual Risk Rating	Implementation Status	Target Completion Date	Notes
5.1	Documented Policies and/or Procedures for Payroll	High	Commenced	May 2019	Policies and Procedures being written in line with the implementation of new payroll system
5.2	No evidence of review of the daily sign in/out sheets	High	Completed		New electronic payroll system records start and finish times, and are audited on a weekly basis as part of payroll process and cross checks with GPS system
5.3	Payroll Officer role	High	Completed		Two staff currently trained (increase of one from time of audit). Additional staff member to be trained following completion of 5.1. Accounting consultant available if needed.
5.4	Transition to Single Touch Payroll	High	Completed		
5.5	Response to errors identified by the Administration	Moderate	Completed		Historical errors identified and addressed. New payroll system significantly reduces likelihood and implementation of 5.1 ensures consistent ongoing approach.
5.6	Transition to electronic employee sign in/out system	Moderate	Completed		New payroll system implemented
5.7	Security of employee personnel files	Moderate	Not started	June 2019	Implementation of compliant Records Management System listed as a target in the 2018/19 Annual Plan
5.8	Employee Deductions (Social Club)	Low	Completed		Account wound up on 17 April 2019.
5.9	Future expiration of Workplace Agreement (Drivers) - ensure funding for external support	N/A	Completed		Support sourced and supplementary finding allocated if needed.

**RECOMMENDATION**

The Board notes the implementation status of the 2018 Accounts Payable and Payroll Audit recommendations.

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**7.4: Annual Plan Progress Report**

**REPORT AUTHOR: General Manager**

**ATTACHMENTS: A: Annual Plan Implementation Summary**

**Purpose of the Report**

To provide the Board with an update on the implementation of the activities endorsed in the 2018/19 Annual Plan.

**Background**

Nil

**Report**

The attached matrix provides a snapshot update as to the progress of the Annual Plan activities.

This is a standing item on the Board Agenda.

**Recommendation**

**That the report be received and noted.**

## Attachment A –Annual Plan Implementation Summary Matrix

Activity Code	Activity	10YR Business Plan Link	Metric	STATUS
G1	Collective Workplace Agreement	2.3.2	Commission Approved Enterprise Agreement by 30 August 2018	Completed. Approval by SA Employment Tribunal Commissioner granted.
G2	Implementation of a compliant Records Management System	2.3	<i>State Records Act 1997</i> Compliant Records Management System integrated into business activities	Systems investigation commenced.
G3	Review all Policies & Procedures	2.3	Up to date Polices & Procedures Register	Commenced – Summary table Developed
G4	Implementation of 2017 Risk, Payroll & Accnts Payable Actions	2.3.3	All actions addressed	Underway - refer Report 7.6
OM1	Continue & expand Existing Core Services	1.3, 2.4.1	Expansion of existing Service Provisions	Ongoing – Since 1 June 2018 have added, NPSP Second Bin Permits, AHC Second Bin Permits & AHC Business Collections – Stirling.
OM2	Develop Service Level Agreements for all Councils & Services	2.4.2	Implementation of 7 full Member Council Service Level Agreements	Commenced.
OM3	Establish Key Performance Indicators and Reporting Framework	2.4.3	Suite of KPIs and reporting framework established	Commenced – Concept Member Council Reports developed & draft reports to be presented to Member Councils within 4 weeks.
OM4	China Sword: Local Government Response & Opportunities	2.4.5	Range of opportunities identified and updates provided to Board	Ongoing. Work through GISA Education Program, Subsidiary Heads Working Group & WMAA
OM5	Alternate Fuels/Power Option	2.4.7.1.	Report identifying preferred options and costing	Draft report received
OM6	Purchase of replacement RACVs	2.4.7	Purchase of replacement vehicles in accord with AMP	RFT to be released following prudential review approval (refer Agenda Item 7.2)
OM7	Waste Disposal Opportunities	2.4.5	Business case presented to Board	To be incorporated into the Kerbside Services Education and Innovation Action Plan.
OM8	Review feasibility of Bin Sensor technology	2.4.6.4	Feasibility Report Undertaken	Commenced and report to be presented to participant Councils by June 2019.

Activity Code	Activity	10YR Business Plan Link	Metric	STATUS
C2	Pilot Education Program focusing on greater utilisation of acquired technologies	2.5.2	Development and implementation of pilot Behaviour change program	To be incorporated into the Kerbside Services Education and Innovation Action Plan.
C3	Present benefits of EW Customer Service Software	2.5.1	Presentation to key Member Council staff	Not started.
C4	Undertake a Customer Service Improvement Program	2.5.2	Implementation of formalised systems and processes to deliver consistent messaging	Ongoing – key training completed and material developed.
WS1	Independent Truck Fleet Audit	2.6.2	All trucks audited and identified issues corrected	Completed.
WS2	Refinement of Hazard & Risk Register	2.6	Revised and up to date Risk and Hazard Registers	Commenced.
WS3	Establishment of more detailed reporting and trends of Incidents	2.6.1	Suite of KPIs and reporting framework established	Commenced with Reporting Program
FM1	Establishment of Budget Framework	2.7.1	Endorsed Budget Framework ready for F20	Completed & endorsed by Board.
FM2	Review of 10Yr Business Plan	10 Y BP	Endorsed 10 Year Plan	Commenced.
FM3	Procurement of Kitchen Caddies & Biobags	2.4.1	Compliant contract established	RFT Commenced