



MINUTES OF COUNCIL MEETING

HELD ON

**TUESDAY 24 MARCH 2020
AT 5.30PM**

**IN COUNCIL CHAMBERS
83 MANDURAH TERRACE MANDURAH**

PRESENT:

MAYOR	R WILLIAMS	
COUNCILLOR	C KNIGHT	NORTH WARD
COUNCILLOR	P JACKSON	NORTH WARD
COUNCILLOR	A ZILANI	NORTH WARD
COUNCILLOR	D PEMBER	EAST WARD
COUNCILLOR	M DARCY	COASTAL WARD
COUNCILLOR	J GREEN	COASTAL WARD
COUNCILLOR	M ROGERS	TOWN WARD

MR	M NEWMAN	CHIEF EXECUTIVE OFFICER
MR	A CLAYDON	DIRECTOR WORKS AND SERVICES
MR	B INGLE	ACTING DIRECTOR SUSTAINABLE COMMUNITIES
MRS	C MIHOVILOVICH	DIRECTOR CORPORATE SERVICES
MRS	L SLAYFORD	MINUTE OFFICER

OPENING OF MEETING AND ANNOUNCEMENT OF VISITORS [AGENDA ITEM 1]

The Mayor declared the meeting open at 5.30pm.

ACKNOWLEDGEMENT OF COUNTRY [AGENDA ITEM 2]

Mayor Williams acknowledged that the meeting was being held on the traditional land of the Bindjareb people, and paid his respect to their Elders past and present.

APOLOGIES [AGENDA ITEM 3]Leave of Absence

Councillor Schumacher

Apologies

Councillor Lee

Councillor Di Prinzio

Councillor Lynn Rogers

Councillor Peter Rogers

DISCLAIMER [AGENDA ITEM 4]

The Mayor advised that the purpose of this Council Meeting is to discuss and, where possible, make resolutions about items appearing on the agenda. Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a Member or Officer, or on the content of any discussion occurring, during the course of the meeting. Persons should be aware that the provisions of the Local Government Act 1995 (Section 5.25(e)) and Council's Consolidated Local Laws (Section 4.86) establish procedures for revocation or rescission of a Council decision. No person should rely on the decisions made by Council until formal advice of the Council decision is received by that person.

The City of Mandurah expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any resolution of Council, or any advice or information provided by a Member or Officer, or the content of any discussion occurring, during the course of the Council meeting.

ANSWERS TO QUESTIONS TAKEN ON NOTICE [AGENDA ITEM 5]

Nil.

PUBLIC QUESTION TIME [AGENDA ITEM 6]

Nil.

PUBLIC STATEMENT TIME [AGENDA ITEM 7]

Nil.

LEAVE OF ABSENCE REQUESTS [AGENDA ITEM 8]

G.1/3/20

LEAVE OF ABSENCE: COUNCILLOR LEE 25 MARCH 2020 TO 31 MAY 2020 INCLUSIVE**MOTION****Moved: Councillor Matt Rogers****Seconded: Councillor Knight**

That Council grant leave of absence to Councillor Lee from 25 March 2020 to 31 May 2020, inclusive.

CARRIED: 8/0

PETITIONS [AGENDA ITEM 9]

G.2/3/20 COUNCILLOR MATT ROGERS: OBJECTION GRAHAME HEAL RESERVE MODIFICATIONS

Councillor Matt Rogers presented a petition, containing 23 signatures, objecting to proposed modifications at the Grahame Heal Reserve location.

MOTION

Moved: Councillor Matt Rogers
Seconded: Councillor Green

That Council receive the petition and refer the matter to the Works and Services Directorate for follow-up.

CARRIED: 8/0

PRESENTATIONS [AGENDA ITEM 10]

Nil.

DEPUTATIONS [AGENDA ITEM 11]

Nil.

CONFIRMATION OF MINUTES [AGENDA ITEM 12]

G.3/3/20 CONFIRMATION OF COUNCIL MINUTES: TUESDAY 25 FEBRUARY 2020

MOTION

Moved: Councillor Knight
Seconded: Councillor Pember

That the Minutes of the Council Meeting held on Tuesday 25 February 2020 be confirmed.

CARRIED: 8/0

G.4/3/20 CONFIRMATION OF SPECIAL COUNCIL MINUTES: WEDNESDAY 4 MARCH 2020**MOTION****Moved: Councillor Jackson****Seconded: Councillor Green**

That the Minutes of the Special Council Meeting held on Wednesday 4 March 2020 be confirmed.

CARRIED: 8/0

G.5/3/20 CONFIRMATION OF SPECIAL COUNCIL MINUTES: TUESDAY 10 MARCH 2020**MOTION****Moved: Councillor Jackson****Seconded: Councillor Pember**

That the Minutes of the Special Council Meeting held on Tuesday 10 March 2020 be confirmed.

CARRIED: 8/0

ANNOUNCEMENTS BY THE PRESIDING MEMBER [AGENDA ITEM 13]

Nil.

DECLARATION OF INTERESTS [AGENDA ITEM 14]

Nil.

QUESTIONS FROM ELECTED MEMBERS [AGENDA ITEM 15]

Questions of which due notice has been given

Nil.

Questions of which notice has not been given

Nil.

BUSINESS LEFT OVER FROM PREVIOUS MEETING [AGENDA ITEM 16]

Nil.

RECOMMENDATIONS OF COMMITTEES [AGENDA ITEM 17]

NOTE: Council adopted en bloc (moved by Councillor Pember and seconded by Councillor Jackson), the recommendations of the Executive Committee meeting of Tuesday 10 March 2020.

**G.6/3/20 QUARTER 2 CHIEF EXECUTIVE OFFICER ACCOUNTABILITIES (GD)
(EX.3/3/20)**Summary

For information, the Quarter 2 traffic light report which shows the progress against the initial targets was provided in the Committee agenda.

Committee Report Recommendation

That Council note the content of the Quarter Two Traffic Light report.

Council Resolution**MOTION**

Moved: Councillor Pember

Seconded: Councillor Jackson

That Council note the content of the Quarter Two Traffic Light report.

CARRIED: 8/0
(This item was adopted en bloc)

NOTE: Council adopted en bloc (moved by Councillor Pember and seconded by Councillor Jackson), the recommendations of the Audit and Risk Committee meeting of Tuesday 17 March 2020.

G.7/3/20 COMPLIANCE AUDIT RETURN (TJ) (AR.3/3/20)Summary

The Department of Local Government, Sport and Cultural Industries (DLGSC) has circulated to all Western Australian Local Governments the annual 2019 Compliance Audit Return for completion. The return covers the period 1 January 2019 to 31 December 2019. The return is a requirement of the *Local Government Act 1995* and its Regulations and is prepared for the Minister Local Government in an approved form.

There is a statutory requirement to have the compliance audit reviewed by the Audit and Risk Committee and then adopted by Council. Once adopted, it will be certified by the Mayor and Chief Executive Officer and forwarded to the DLGSC prior to the 31 March 2019 deadline.

The compliance audit has been conducted for 2019 which resulted in the City achieving 100% (104/104) compliance.

Committee Recommendation

That the Audit and Risk Committee recommend that Council:

- 1 Adopts an amendment to response to Section 6, Question 2, Integrated Planning and Reporting and Section 2, Question 1, Delegation of Power/Duty of the *2019 Local Government Compliance Audit Return* as per Attachment 1 of the report with the following changes:

Section 6, Question 2, Integrated Planning and Reporting:

No	Reference	Question	Response	Comment	Respondent
2	s5.56 Admin Reg 19DA (4)	Has the local government reviewed the Corporate Business Plan in the 2018-2019 Financial Year? If Yes, please provide date of Council meeting the review was adopted at?	No	A review of the Corporate Business Plan was undertaken in the 2018-2019 Financial Year. The review was completed as part of the adoption of the annual budget, however a separate resolution point for Council to adopt the review of Corporate Business Plan was not included in the resolution.	Casey Mihovilovich

Section 2, Question 1, Delegation of Power/Duty:

No	Reference	Question	Response	Comment	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority?	N/A		Casey Mihovilovich

- 2 Adopts the *2019 Local Government Compliance Audit Return* for the period 1 January 2019 to 31 December 2019 as per Attachment 2 of the additional information.
- 3 Submit, in accordance with Regulation 15 of the *Local Government (Audit) Regulations 1996*, the completed 2019 Compliance Audit Return to the Department of Local Government, Sport and Cultural Industries as per Attachment 2 of the additional information.

Comment: The City of Mandurah has obtained clarification from the Department of Local Government, Sport and Cultural Industries regarding question two, section 6 Integrated Planning and Reporting of the 2019 Compliance Audit Return.

In accordance with Regulation 19DA(4) of the Local Government (Administration) Regulations 1996 (the Regulations) the Local Government is required to review the current Corporate Business Plan for its district every year.

Whilst Council reviewed the Corporate Business Plan and subsequent operational plans as part of the annual budget adoption process, there was no separate resolution point by Council to adopt the annual review of the Corporate Businesses Plan in the 2018-2019 Financial Year.

The second amendment relating to Question 1, Section 2 Delegation of Power/Duty was an administrative error and the return should state N/A as there are no delegations to committees.

City Officers will undertake a review of the Integrated Planning and Reporting Framework process to ensure all compliance requirement under the Regulations are met in the future.

Council Resolution

MOTION

Moved: Councillor Pember

Seconded: Councillor Jackson

That Council:

- 1 Adopts an amendment to response to Section 6, Question 2, Integrated Planning and Reporting and Section 2, Question 1, Delegation of Power/Duty of the 2019 Local Government Compliance Audit Return as per Attachment 1 of the report with the following changes:**

Section 6, Question 2, Integrated Planning and Reporting:

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2	s5.56 Admin Reg 19DA (4)	Has the local government reviewed the Corporate Business Plan in the 2018-2019 Financial Year? If Yes, please provide date of Council meeting the review was adopted at?	No	A review of the Corporate Business Plan was undertaken in the 2018-2019 Financial Year. The review was completed as part of the adoption of the annual budget, however a separate resolution point for Council to adopt the review of Corporate Business Plan was not included in the resolution.	Casey Mihovilovich

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No	Reference	Question	Response	Comment	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority?	N/A		Casey Mihovilovich

- 2 Adopts the 2019 Local Government Compliance Audit Return for the period 1 January 2019 to 31 December 2019 as per Attachment 2 of the additional information.**

- 3 Submit, in accordance with Regulation 15 of the *Local Government (Audit) Regulations 1996*, the completed 2019 Compliance Audit Return to the Department of Local Government, Sport and Cultural Industries as per Attachment 2 of the additional information.**

CARRIED: 8/0
(*This item was adopted en bloc*)

G.8/3/20 OSH SIX MONTHLY REVIEW (RK/PL) (AR.4/3/20)

Summary

The City is now operating under our second Three Year Strategic OSH Plan which has been developed alongside the 2018 LGIS Worksafe Plan Audit outcomes and known legislative requirements. The first six months of 2019-2020 show strong indicators that both the reported injuries and workers' compensation costs and severity are decreasing. All directorates within the City continue to improve their OSH engagement which is reflective in the OSH Performance Overview (attachment 1). Council is requested to note the progress being made in continuing the Three Year OSH Plan and the imperatives made to address the management of workplace injury. Council is also requested to note the City's current OSH performance

Committee Recommendation

That Council:

1. Notes the progress of the implementation of the Three Year Strategic OSH Plan.
2. Notes the City's current OSH performance for the YTD 2019/20 financial year.

Council Resolution

MOTION

Moved: Councillor Pember
Seconded: Councillor Jackson

That Council:

1. **Notes the progress of the implementation of the Three Year Strategic OSH Plan.**
2. **Notes the City's current OSH performance for the YTD 2019/20 financial year.**

CARRIED: 8/0
(*This item was adopted en bloc*)

G.9/3/20 CONFIDENTIAL ITEM: OPERATIONAL REVIEW (GD) (AR.5/3/20)

Committee Recommendation

That Council:

- 1 Endorses the review of In-house Construction Review Findings and Recommendations for Implementation;
- 2 Agrees to a further review to be undertaken in two years' time to measure progress.

Council Resolution

MOTION

Moved: Councillor Pember

Seconded: Councillor Jackson

That Council:

- 1 Endorses the review of In-house Construction Review Findings and Recommendations for Implementation;**
- 2 Agrees to a further review to be undertaken in two years' time to measure progress.**

CARRIED: 8/0
(*This item was adopted en bloc*)

REPORTS [AGENDA ITEM 18]

NOTE: Council adopted en bloc (moved by Councillor Knight and seconded by Councillor Zilani), reports to the Council meeting of Tuesday 25 March 2020 as per minute number G.12/3/20, G.14/3/20, G.15/3/20, G.18/3/20 and G.22/3/20. All other reports were discussed separately.

G.10/3/20 FINANCIAL REPORT FEBRUARY 2020 (BH) (REPORT 1)

Summary

The Financial Report for February 2020 together with associated commentaries, notes on investments, balance sheet information and the schedule of accounts are presented for Elected Members' consideration.

Officer Recommendation

That Council:

1. Receives the Financial Report for February 2020 as detailed in Attachment 1 of the report.
2. Receives the Schedule of Accounts for the following amounts as detailed in Attachment 2 of the report:

Total Municipal Fund	\$ 8,920,339.48
Total Trust Fund	\$ 16,033.70
	<u>\$ 8,936,373.18</u>

3. Approves the following budget variations:

- 3.1. Increase in capital expenditure of \$40,000* for Plant & Machinery – Miscellaneous Equipment (500 kVA Generator)
 - To be funded from MARC Systems Integration \$40,000*
- 3.2. Unbudgeted expenditure of \$30,000* for the labour component of the bushfire mitigation activities which are to be funded through an additional operating grant of \$30,000 from DFES.
- 3.3. Reallocation of expenditure of \$117,140* from labour to materials and contracts for the Bushfire Mitigation Grant.
- 3.4. Decrease in capital expenditure of \$12,600* for Parkridge Boat Ramp as a result of a reduction in external funding of \$39,590. Shortfall in municipal funding of \$26,990* to be allocated from:
 - Breakwater Parade Fishing Platform project \$21,810*
 - Marina Commercial Jetty \$ 5,180*
- 3.5. Increase in capital expenditure of \$12,810 for South Harbour Upgrade project
 - To be funded from Marina Commercial Jetty \$12,810*
- 3.6. Unbudgeted expenditure of \$850* for the purchase of a bar fridge at Bendigo Stadium which is to be funded from the Sports Clubs Maintenance Levy Reserve balance.
- 3.7. Increase in capital expenditure of \$20,000* for Civic Chamber Meeting Rooms project:
 - To be funded from MOM Canal Light Poles project \$20,000*
- 3.8. Increase in capital expenditure of \$5,000* for Cox Bay Shared Path improvements:
 - To be funded from Old Coast Road – Shared Paths \$5,000*
- 3.9. Increase in capital expenditure of \$431,600* for Lakelands DOS Clubroom Facility:
 - To be funded from Lakelands DOS project \$431,600*
- 3.10. Increase in capital expenditure of \$17,213* for Bethyl Corner Renewal project:
 - To be funded from Falcon Pavilion Roof \$17,213*
- 3.11. Increase in capital expenditure of \$5,000* for Blakeley Street
 - To be funded from Jubata Gardens \$5,000*
- 3.12. Increase in capital expenditure of \$5,000* for Aldgate Street/Parkview Street Intersection
 - To be funded from Leighton Road \$5,000*
- 3.13. Increase in capital expenditure of \$60,000* for Thera Street
 - To be funded from Gordon Road \$60,000*
- 3.14. Increase in capital expenditure of \$35,000* for SL Minor Improvements
 - To be funded from SL Train Station Access \$35,000*
- 3.15. Increase in capital expenditure of \$17,070* for Light Vehicle Replacement

- To be funded from Proceeds sale of plant \$30,000*
- 3.17. Increase in operating expenditure of \$30,000 for additional costs incurred and decrease in revenue of \$240,000* as result of refunds to stallholder fees and other income as a result of the cancellation of Crab Fest to be funded from:
 - Cancellation of Winter Wonderland \$ 73,000*
 - Cancellation of Economic Development programs \$150,000*
 - Cancellation of Wearable Arts \$ 47,000*
- 3.18. Decrease in operating income of \$60,000* for penalty rate interest income that will not be realised as a result of applying a 0% interest rate for outstanding rates
 - To be funded from the closing surplus \$60,000*
- 3.19. Decrease in lease, licence and outgoings operating revenue as a result of not charging the fees outlined in the lease or licence for the period that the licensee/lessee cease operating all services and programs that generate an income stream in the facility until they reopen \$100,000
 - To be funded from the closing surplus \$100,000*
- 3.20. Decrease in community perception survey operating expenditure \$7,600 as a result of cancelling the survey for the 2019/2020 financial year
 - To be allocated to the closing surplus \$7,600*
- 4. Resolve to adopt an interest charge of 0% from 1 April to 30 June 2020 as a charge on overdue rates.

Council Resolution

MOTION

Moved: Councillor Pember
Seconded: Councillor Zilani

That Council:

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Total Municipal Fund	\$ 8,920,339.48
Total Trust Fund	<u>\$ 16,033.70</u>
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3. **Approves the following budget variations:**
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 - **To be funded from MARC Systems Integration \$40,000***
 - 3.2. **Unbudgeted expenditure of \$30,000* for the labour component of the bushfire mitigation activities which are to be funded through an additional operating grant of \$30,000 from DFES.**

- 3.3. Reallocation of expenditure of \$117,140* from labour to materials and contracts for the Bushfire Mitigation Grant.**
- 3.4. Decrease in capital expenditure of \$12,600* for Parkridge Boat Ramp as a result of a reduction in external funding of \$39,590. Shortfall in municipal funding of \$26,990* to be allocated from:**
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- To be funded from MOM Canal Light Poles project \$20,000*
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- 3.15. Increase in capital expenditure of \$17,070* for Light Vehicle Replacement**
- To be funded from Proceeds sale of plant \$30,000*
- 3.17. Increase in operating expenditure of \$30,000 for additional costs incurred and decrease in revenue of \$240,000* as result of refunds to stallholder fees and other income as a result of the cancellation of Crab Fest to be funded from:**
- Cancellation of Winter Wonderland \$ 73,000*
 - Cancellation of Economic Development programs \$150,000*

- **Cancellation of Wearable Arts** **\$ 47,000***
- 3.18. Decrease in operating income of \$60,000* for penalty rate interest income that will not be realised as a result of applying a 0% interest rate for outstanding rates**
 - **To be funded from the closing surplus** **\$60,000***
- 3.19. Decrease in lease, licence and outgoings operating revenue as a result of not charging the fees outlined in the lease or licence for the period that the licensee/lessee cease operating all services and programs that generate an income stream in the facility until they reopen \$100,000**
 - **To be funded from the closing surplus** **\$100,000***
- 3.20. Decrease in community perception survey operating expenditure \$7,600 as a result of cancelling the survey for the 2019/2020 financial year**
 - **To be allocated to the closing surplus** **\$7,600***
- 4. Resolve to adopt an interest charge of 0% from 1 April to 30 June 2020 as a charge on overdue rates.**

CARRIED WITH ABSOLUTE MAJORITY: 8/0

G.11/3/20 LONG TERM FINANCIAL PLAN (BH/JK/CM) (REPORT 2)

Summary

The City has developed its Long Term Financial Plan for 2020 - 2030 (Plan) for Council's adoption. The Long Term Financial Plan is intended to be a rolling document and seeks to provide a balanced budget for the next 10 years. With the provision of a 10-year Plan, the City can project and manage the cash flow requirements of programs and new initiatives and consider the impact of the whole of life costings for all new projects.

The Long Term Financial Plan is a guiding document that will be used as the base for the development of the Annual Budget. The Annual Budget will not only include the information from the Long Term Financial Plan but it will also consider any other factors that will be required to be considered in the annual budget.

Prior to the coronavirus (COVID-19) it was recommended that Council adopt the Plan with a rate increase of CPI plus 1.75% in year one. In light of the current economic and societal environment, it is recommended that Council adopt the Long Term Financial Plan as detailed in Attachment 1, which includes a rate freeze in year one. Council are also recommended to approve the Mayor and the Chief Executive Officer to advocate to the Federal and State Government to increase its financial assistance to the City to ensure the City can meet its contractual obligations in delivering its services and programs during this time.

Officer Recommendation

That Council:

1. Adopt the Long Term Financial Plan 2020-2030 as detailed in Attachment 1 of the report.

2. Authorise the Mayor and the Chief Executive Officer to advocate to the Federal and State Government to provide financial assistance to the City to ensure the local government can carry out its contractual obligations and maintain a positive cashflow as a result of the rate freeze.

Council Resolution

MOTION

Moved: Mayor Williams
Seconded: Councillor Knight

That Council:

1. **Adopt the long term financial plan, as detailed in Attachment 1 of the report, for the purpose of meeting its statutory obligations, noting the proposed 0% rate increase in year 1.**
2. **Requests Officers to undertake a review of the long term financial plan post the COVID-19 pandemic to address impacts of the pandemic response on the City's financial position and changes to community programs and services.**
3. **Authorise the Mayor and CEO to advocate to WALGA, and the relevant Federal and State Government Ministers with respect to Local Government financial assistance packages.**

CARRIED: 8/0

Reason: To enable flexibility in financial and operational planning matters both during and post the current COVID-19 pandemic in order to assist the community as required.

G.12/3/20 LOCAL GOVERNMENT HOUSE TRUST DEED VARIATION (AC) (REPORT 3)

Summary

The City of Mandurah (City) is a unit holder and beneficiary in the Local Government House Trust (the Trust). The Trust exists to provide building accommodation for Western Australian Local Government Association (WALGA), currently in West Leederville.

In order to ensure the Trust maintains its tax-exempt status, WALGA, the Trustee, proposes to execute a Deed of Variation to limit and remove some of the powers of the Trustee under the Trust Deed.

WALGA requires the consent of 75% of the Trust beneficiaries in order to execute the Deed of Variation. For this reason, WALGA seeks the consent of the City to execute the Deed of Variation.

Council is requested to consider and support the variation to the Local Government House Trust Deed.

Officer Recommendation

That Council approves the Mayor and Chief Executive Officer to execute the variation of the Trust Deed of the Local Government House Trust as per Attachment 1 of the report.

Council Resolution**MOTION**

Moved: Councillor Knight

Seconded: Councillor Zilani

That Council approves the Mayor and Chief Executive Officer to execute the variation of the Trust Deed of the Local Government House Trust as per Attachment 1 of the report.

CARRIED: 8/0

(This item was adopted en bloc)

**G.13/3/20 ANIMALS, ENVIRONMENT AND NUISANCE AMENDMENT LOCAL LAW
(TJ) (REPORT 4)**

Summary

Following the statutory advertising period, the Animals Environment and Nuisance Amendment Local Law 2020 is set for final adoption.

As a legal requirement, all local laws are to have a purpose and effect and the following is for the Animals Environment and Nuisance Amendment Local Law 2020:

PURPOSE: The *Animals Environment and Nuisance Local Law 2010* provides protection against nuisances and hazards for the following areas; Keeping of Animals (birds, farm animals and bee keeping), Building, Development and Land Care and Nuisances and Dangerous Things (including Pest Plants).

EFFECT: To ensure the *City of Mandurah Animals Environment and Nuisance Local Law 2010* is as clear and effective as possible.

Council is requested to adopt Animals Environment and Nuisance Amendment Local Law 2020.

Officer Recommendation

1. The Presiding Member to read aloud the *Animals Environment and Nuisance Local Law 2010* purpose and effect:
 - 1.1 The purpose of this local law is to provide protection against nuisances and hazards for the following areas; Keeping of Animals (birds, farm animals and bee keeping), Building, Development and Land Care and Nuisances and Dangerous Things (including Pest Plants).
 - 1.2 The effect of this local law is to be as clear and effective as possible.

That Council resolve to:

2. Adopt the *City of Mandurah Animals Environment and Nuisance Amendment Local Law 2020* in Attachment 1 of the report.
3. Cause the *City of Mandurah Animals Environment and Nuisance Amendment Local Law 2020* to be published in the Government Gazette, and provide a local public notice stating the purpose and effect of the local law, when the law will come into operation and that copies are available for public inspection.
4. Authorise the Chief Executive Officer to complete and sign, with the Mayor, the Explanatory Memorandum and Statutory Procedures Checklist for the process, as required to be provided to the Joint Standing Committee on Delegated Legislation and the Minister for Local Government; Heritage; Culture and The Arts within ten days of the Gazettal Notice publication date.

Council Resolution

MOTION

Moved: Councillor Knight

Seconded: Councillor Jackson

1. The Presiding Member to read aloud the *Animals Environment and Nuisance Local Law 2010* purpose and effect:
 - 1.1 The purpose of this local law is to provide protection against nuisances and hazards for the following areas; Keeping of Animals (birds, farm animals and bee keeping), Building, Development and Land Care and Nuisances and Dangerous Things (including Pest Plants).
 - 1.2 The effect of this local law is to be as clear and effective as possible.

That Council resolve to:

1. Adopt the *City of Mandurah Animals Environment and Nuisance Amendment Local Law 2020* in Attachment 1 of the report.
2. Cause the *City of Mandurah Animals Environment and Nuisance Amendment Local Law 2020* to be published in the Government Gazette, and provide a local public notice stating the purpose and effect of the local law, when the law will come into operation and that copies are available for public inspection.
3. Authorise the Chief Executive Officer to complete and sign, with the Mayor, the Explanatory Memorandum and Statutory Procedures Checklist for the process, as required to be provided to the Joint Standing Committee on Delegated Legislation and the Minister for Local Government; Heritage; Culture and The Arts within ten days of the Gazettal Notice publication date.

CARRIED WITH ABSOLUTE MAJORITY: 8/0

G.14/3/20 2020-2021 CSRFF SMALL GRANTS ROUND (NG/PM) (REPORT 5)Summary

The Community Sport and Recreation Facilities Fund (CSRFF) is a Department of Local Government, Sport and Cultural Industries - Sport and Recreation program that provides financial assistance to community groups and local government authorities to develop basic infrastructure for sport and recreation.

The small grants aim to increase participation in sport and recreation, with an emphasis on physical activity through rational development of sustainable, good quality, well designed and well utilised facilities where the total cost does not exceed \$300,000. The application process for submissions involve local governments undertaking an initial assessment to ensure proposed projects are well planned, prioritised and of positive benefit to the community.

The City has received two applications from clubs as part of the CSRFF Small Grants Round, details of these applications are:

- Peel Hockey Association – Replacement and upgrade of turf floodlighting
- South Mandurah Tennis Club - Resurface of Courts (7 – 10)

To deliver the replacement and upgrade of the turf floodlighting project, the Peel Hockey Association are seeking an interest free loan to the amount of \$100,000 from the City of Mandurah repayable over ten years.

Council is requested to support the ratings and priorities of the two 2020/21 CSRFF Small Grants applications submitted and note that an allowance for the City's contributions towards projects has been listed in Long Term Financial Plan, subject to Council endorsement and the projects being approved by the Department of Local Government, Sport and Cultural Industries - Sport and Recreation.

In addition, if the Peel Hockey Association is successful with their CSRFF application, Council is requested to approve an interest-free loan of up to \$100,000 from the Interest-Free Loan Reserve with a repayment term of ten years.

Officer Recommendation

That Council

1. Supports the rankings and ratings for the Community Sport and Recreation Facility Fund Small Grant applications from the following clubs / organisations:
 - 1.1 Peel Hockey Association
Project: Replacement and upgrade of Turf Floodlighting
Ranking: One
Rating: Medium/High
Requested Council Contribution: \$95,443
 - 1.2 South Mandurah Tennis Club
Project: Resurfacing of courts 7 – 10
Ranking: Two
Rating: Medium/High
Requested Council Contribution: \$20,431.25

2. Notes that subject to the Peel Hockey Association being successful in receiving funding for the replacement and upgrade of Turf Floodlighting, approval for an interest-free loan to the Peel Hockey Association of up to \$100,000 will be provided from the Interest-Free Loan Reserve with a repayment term of ten years.
3. Requests the Chief Executive Officer (Manager Financial Services) to finalise loan arrangements with the Peel Hockey Association.

Council Resolution

MOTION

Moved: Councillor Knight

Seconded: Councillor Zilani

That Council

1. **Supports the rankings and ratings for the Community Sport and Recreation Facility Fund Small Grant applications from the following clubs / organisations:**
 - 1.1 **Peel Hockey Association**
Project: Replacement and upgrade of Turf Floodlighting
Ranking: One
Rating: Medium/High
Requested Council Contribution: \$95,443
 - 1.2 **South Mandurah Tennis Club**
Project: Resurfacing of courts 7 – 10
Ranking: Two
Rating: Medium/High
Requested Council Contribution: \$20,431.25
2. **Notes that subject to the Peel Hockey Association being successful in receiving funding for the replacement and upgrade of Turf Floodlighting, approval for an interest-free loan to the Peel Hockey Association of up to \$100,000 will be provided from the Interest-Free Loan Reserve with a repayment term of ten years.**
3. **Requests the Chief Executive Officer (Manager Financial Services) to finalise loan arrangements with the Peel Hockey Association.**

CARRIED: 8/0

(This item was adopted en bloc)

G.15/3/20 COMMERCIAL SPONSORSHIP MERLIN STREET PAVILION (WM/PM) (REPORT 6)

Summary

Council's "Promotions and Advertising Policy" (POL-CMR 04) is designed to manage the use of the City's sport and recreation facilities for advertising purposes with all applications for external corporate signage and venue naming rights to be referred to Council for consideration.

The Halls Head Football Club is a long-term seasonal hirer of the Merlin Street Reserve and Pavilion in Halls Head. In 2013, the Club approached the City with a proposal to extend the existing facility and construct a function / social space at their cost. Since the completion of the project, the Club has attracted some significant corporate sponsors including Harcourt's Mandurah, Elite Air-Conditioning and Spartan Security and Data.

This year the Club has once again used an innovative method to replace the naming rights sponsor for the venue. The club sold 41 raffle tickets at \$250, totalling \$10,250. Each ticket entitled the business an entry into the draw to become the naming rights sponsor for 12 months.

Westcoast Wool & Livestock were the winners of the raffle and earned the right to become the Club's naming rights partner in 2020.

Whilst the City is supportive of the Club's ability to attract valuable sponsorship dollars, Council approval is required. The City has received the Club's formal application and is now seeking that approval from Council.

Council is requested to provide approval for the Halls Head Football Club to enter into a corporate sponsorship arrangement with Westcoast Wool & Livestock for the Merlin Street Pavilion; approve the Club to advertise the reserve and pavilion as "Westcoast Wool & Livestock Stadium" for promotional purposes and note the additional conditions that will be associated with this approval.

Officer Recommendation

That Council:

1. Approve the Halls Head Football Club to enter into a corporate sponsorship arrangement with Westcoast Wool & Livestock for the Merlin Street Pavilion.
2. Approve the Halls Head Football Club to advertise the reserve and pavilion as "Westcoast Wool & Livestock Stadium" for promotional purposes.
3. Note the additional conditions associated with this approval:
 - 3.1 Only one external facing sign on the northern side of the pavilion and internal facing signage will be permitted.
 - 3.2 The Halls Head Football Club can advertise the reserve and pavilion as "Westcoast Wool & Livestock Stadium" for Club promotional purposes only. The City will continue to refer to the facility as the Merlin Street Pavilion / Reserve and will book and hire the facilities under this title.
 - 3.3 The seasonal hirer of the Merlin Street Pavilion will be given priority access to signage space. If a commercial sponsorship or naming rights proposal is received by another regular hirer (i.e. Peel Diamond Sports), the Halls Head Football Club will only be permitted to erect the approved signage for the duration of their sports season (1 April – 1 October each year).
 - 3.4 The Halls Head Football Club is to inform the City of Mandurah in February each year of any changes to the Sponsorship agreement, including changes to sponsor details and signage.

Council Resolution**MOTION****Moved:** Councillor Knight**Seconded:** Councillor Zilani**That Council:**

1. **Approve the Halls Head Football Club to enter into a corporate sponsorship arrangement with Westcoast Wool & Livestock for the Merlin Street Pavilion.**
2. **Approve the Halls Head Football Club to advertise the reserve and pavilion as “Westcoast Wool & Livestock Stadium” for promotional purposes.**
3. **Note the additional conditions associated with this approval:**
 - 3.1 **Only one external facing sign on the northern side of the pavilion and internal facing signage will be permitted.**
 - 3.2 **The Halls Head Football Club can advertise the reserve and pavilion as “Westcoast Wool & Livestock Stadium” for Club promotional purposes only. The City will continue to refer to the facility as the Merlin Street Pavilion / Reserve and will book and hire the facilities under this title.**
 - 3.3 **The seasonal hirer of the Merlin Street Pavilion will be given priority access to signage space. If a commercial sponsorship or naming rights proposal is received by another regular hirer (i.e. Peel Diamond Sports), the Halls Head Football Club will only be permitted to erect the approved signage for the duration of their sports season (1 April – 1 October each year).**
 - 3.4 **The Halls Head Football Club is to inform the City of Mandurah in February each year of any changes to the Sponsorship agreement, including changes to sponsor details and signage.**

CARRIED: 8/0*(This item was adopted en bloc)***G.16/3/20 STRATEGIC COMMUNITY PLAN (TW) (REPORT 7)**Summary

In September 2017, Council adopted the City of Mandurah Strategic Community Plan 2017-2037.

In line with the requirements of the Western Australian Government's Integrated Planning and Reporting Framework (IPRF), the Strategic Community Plan was due for a desktop review in June 2019. In late 2018, the City of Mandurah launched one of its biggest community engagement initiatives to date, Mandurah Matters. In order to ensure the outcomes of Mandurah Matters was incorporated in our strategic direction, the City undertook a major review of the Plan, in place of a desktop review, during the 2019/20 financial year.

Following the community consultation period, the feedback provided was used to highlight the current priorities of the Mandurah community. Community feedback in conjunction with Council direction has shaped the new 20 Year Strategic Community Plan 2020-2040.

After Council's endorsement on 17 December 2019, the draft Plan was made available to the community for comment, with the five weeks comment period ending on 4 March 2020. A total of 24 community responses were received with all feedback considered in shaping the final version of the Strategic Community Plan 2020-2040.

Council is requested to approve the new 20 Year Strategic Community Plan 2020-2040 for adoption and public release.

Officer Recommendation

That Council approves the new 20 Year Strategic Community Plan 2020-2040 for adoption and public release as detailed in Attachment 1.

Council Resolution

MOTION

Moved: Mayor Williams
Seconded: Councillor Knight

That Council:

- 1. Approves the new 20 Year Strategic Community Plan 2020-2040 for adoption and public release as detailed in Attachment 1, for the purpose of meeting its statutory obligations.**
- 2. Requests Officers to undertake a review of the Strategic Community Plan post the COVID-19 pandemic to address impacts of the pandemic response and changes to community programs and services and present at a future Council workshop.**

CARRIED WITH ABSOLUTE MAJORITY: 8/0

Reason: To enable flexibility in financial and operational planning matters both during and post the current COVID-19 pandemic in order to assist the community as required.

G.17/3/20 PROPOSED COMMERCIAL VEHICLE PARKING: 8 COPPERFIELD CLOSE, GREENFIELDS (DB) (REPORT 8)

Summary

Council is requested to consider a development application for Commercial Vehicle Parking at a residential property at No. 8 Copperfield Close, Greenfields. The lot is zoned 'Residential' under Town Planning Scheme No. 3 (Scheme 3) and has an area of 2679 square metres.

The applicant is seeking a retrospective approval for two commercial vehicles to be parked on the property, with no restriction on when the vehicles can be brought to and from the site.

As part of the assessment process, the City has consulted with surrounding landowners and received five submissions with one in support, one impartial and three objecting. The concerns raised within the submissions generally relate to impacts of noise, safety, hours and visual amenity. Officers consider that restricting the hours of use (i.e. restricting the times the vehicles are not to be taken from or brought to the lots) between 10.00pm to 6:30am is essential in providing some amenity to the residential nature of the surrounding properties and recommend that this be a condition of approval

It is recommended that Council approve the development application for Commercial Vehicle Parking, subject to conditions.

Officer Recommendation

That in accordance with Clause 68(2) of Schedule 2 of the *Planning and Development (Local Planning Schemes) Regulations 2015 (Deemed Provisions for Local Planning Schemes)*, Council grant development approval for proposed Commercial Vehicle Parking at 8 Copperfield Close, Greenfields (DA9327) subject to the following conditions:

1. The commercial vehicles shall not be taken from or brought to the site between the hours of 10:00pm and 6:30am.
2. No mechanical work or vehicle servicing is permitted on the subject site.
3. In accordance with Clause 5.17.3 of the City of Mandurah's Town Planning Scheme No. 3, this approval;
 - (a) is granted to the Shane Woods, to whom it is issued;
 - (b) relates to two vehicles (License plates '076 BFS' and '1GFF 931');
 - (c) is not transferable to any other persons and does not run with the land in respect of which it is granted.

Advice Notes:

1. In accordance with Clause 5.17.4 of Town Planning Scheme 3, should this Commercial Vehicle cause nuisance or annoyance to neighbours, or owners or occupiers of land in the neighbourhood, the City of Mandurah may:
 - (a) require practices to be altered, or
 - (b) rescind the approval, and require the vehicle be relocated to a more suitable area within three months.
2. The owner is advised that parking of a commercial vehicle is not permitted at any time on the verge, in accordance with the *Parking and Parking Facilities Local Law 2015*.

Council Resolution

MOTION

Moved: Mayor Williams
Seconded: Councillor Pember

That Council defer consideration of this item to the May 2020 Council meeting.

CARRIED: 8/0

Reason: Item to be deferred at this time.

G.18/3/20 PROPOSED CHANGE OF USE TO MEDICAL CENTRE: 13 LITTLETON STREET FALCON (DB) (REPORT 9)

Summary

Council is requested to consider an application for a change of use to a Medical Centre at 13 Littleton Street, Falcon.

The application proposes to modify the existing dwelling into a Medical Centre. The proposed practice, to be known as Beyond Health, aims to provide a service for families with children with autism spectrum disorder, developmental delays and children who require support for activities of daily living.

The subject site is considered to be an appropriate location for a Medical Centre, given its proximity to Old Coast Road and the high frequency bus routes. The applicant has provided a Parking Management Plan to demonstrate how the number of bays provided will be sufficient for the proposed business. As part of the assessment process, the City has consulted with adjoining landowners and received two submissions of objection.

It is recommended that the application be approved, subject to conditions.

Officer Recommendation

That in accordance with Clause 68(2) of Schedule 2 of the Planning and Development (Local Planning Schemes) Regulations 2015, Council grant development approval for the proposed Change of Use to Medical Centre at Lot 5 (No 13) Littleton Street, Falcon (DA9337) subject to the following conditions:

1. The development shall be carried out and fully implemented in accordance with the details indicated on the stamped approved plan(s) unless otherwise required or agreed in writing by the City of Mandurah.
2. The approved use is limited to a maximum of two practitioners operating from the site at any time.
3. The hours of operation shall be limited to 8:30am to 5:30pm Monday to Friday and 9:00am to 12 midday on Saturday, unless otherwise agreed in writing by the City of Mandurah.
4. The parking bays and client management are to operate in accordance with the approved Parking Management Plan, submitted 17 February 2020. The rear parking bays are to be used by staff members only and shall be marked accordingly.
5. All uncovered car parking bays to be in accordance with Australian Standard AS2890.1. Any bays adjacent to kerbs or for those bays that are to be used for disabled parking, shall be in accordance with Australian Standards AS1428.1.

6. Prior to the commencement of the use, vehicle parking, manoeuvring and circulation areas shall be suitably constructed, sealed, drained, kerbed, marked (including loading and disabled bays), and thereafter maintained to the specification and satisfaction of the City of Mandurah.
7. External lighting shall be designed, baffled and located so as to prevent any adverse effect on adjoining land to the specification and satisfaction of the City of Mandurah.
8. Construction management shall be carried out in accordance with the attached Construction Management Specification. During construction the approved construction management plan is to be implemented, as required, to the satisfaction of the City of Mandurah.

Council Resolution

MOTION

Moved: Councillor Knight

Seconded: Councillor Zilani

That in accordance with Clause 68(2) of Schedule 2 of the Planning and Development (Local Planning Schemes) Regulations 2015, Council grant development approval for the proposed Change of Use to Medical Centre at Lot 5 (No 13) Littleton Street, Falcon (DA9337) subject to the following conditions:

1. The development shall be carried out and fully implemented in accordance with the details indicated on the stamped approved plan(s) unless otherwise required or agreed in writing by the City of Mandurah.
2. The approved use is limited to a maximum of two practitioners operating from the site at any time.
3. The hours of operation shall be limited to 8:30am to 5:30pm Monday to Friday and 9:00am to 12 midday on Saturday, unless otherwise agreed in writing by the City of Mandurah.
4. The parking bays and client management are to operate in accordance with the approved Parking Management Plan, submitted 17 February 2020. The rear parking bays are to be used by staff members only and shall be marked accordingly.
5. All uncovered car parking bays to be in accordance with Australian Standard AS2890.1. Any bays adjacent to kerbs or for those bays that are to be used for disabled parking, shall be in accordance with Australian Standards AS1428.1.
6. Prior to the commencement of the use, vehicle parking, manoeuvring and circulation areas shall be suitably constructed, sealed, drained, kerbed, marked (including loading and disabled bays), and thereafter maintained to the specification and satisfaction of the City of Mandurah.
7. External lighting shall be designed, baffled and located so as to prevent any adverse effect on adjoining land to the specification and satisfaction of the City of Mandurah.

8. **Construction management shall be carried out in accordance with the attached Construction Management Specification. During construction the approved construction management plan is to be implemented, as required, to the satisfaction of the City of Mandurah.**

CARRIED: 8/0
(This item was adopted en bloc)

G.19/3/20 PROPOSED SHADE SAILS (RETROSPECTIVE): 91 SANDPIPER RETREAT, WANNANUP (AL/EH) (REPORT 10)

Summary

Council is requested to consider an application for retrospective development approval for shade sails at No 91 (Lot 644) Sandpiper Retreat, Wannanup. The application is the result of compliance action taken arising from a complaint received for the installation of shade sails within the canal setback area. The application is for five shade sails (on a corner lot) three on one side and two on the other. The subject shade sails are setback 1.5 metres from the canal wall in lieu of 3 metres. Height and side setback requirements are met.

The existing shade sails are inconsistent with the provisions of the Town Planning Scheme No 3 (Scheme 3) and Local Planning Policy 1 (LPP1) which relates to residential development. Scheme 3 states a minimum the setback to any building or structure shall be a minimum of 4 metres with an average of 6 metres. The Policy provides an acceptable 'variation' to the Scheme requirements to allow for shade sails and unroofed structures to setback 3 metres from the canal wall (subject to a maximum of one structure per lot). The Scheme provisions are long established within in Mandurah and are consistent for all canals in recognition of the view corridors along canal waterways.

Notwithstanding, in considerations of the application received, the City's officers were requested to review the policy provisions as in light of a number of structures that are inconsistent with the Scheme and policy provisions. In order to continue with consistency for all canal developments, officers do not consider revising the Scheme and policy provisions to be necessary and that the current is sound and does not require review or modification.

As a result, the application received is recommended to be refused.

Officer Recommendation

That in accordance with Clause 68(2) of Schedule 2 of the Planning and Development (Local Planning Schemes) Regulations 2015, Council refuse the application for retrospective development approval for shade sails at No 91 (Lot 644) Sandpiper Retreat, Wannanup for the following reasons:

1. The existing shade sails are inconsistent with Local Planning Policy 1 – Residential Design Codes Policy (Section 3.5) in regards to the number of shade sails, canal setback and coverage.
2. The existing shade sails are contrary to the orderly and proper planning of the locality.
3. The existing shade sails have an adverse impact on the amenity of the area.

Council Resolution**MOTION****Moved:** Councillor Darcy**Seconded:** Councillor Zilani

That Council defer consideration of this item for City officers to provide additional information in relation to queries from Elected Members.

CARRIED: 8/0

Reason: Report was deferred following the request from Councillor Darcy to respond to five questions.

G.20/3/20 CANCELLATION OF APRIL 2020 ORDINARY COUNCIL MEETING AND AMENDMENTS TO DELEGATIONS OF POWER (CM) (REPORT 11)

Summary

It is recommended that Council not hold the April Ordinary Council Meeting, which was scheduled for 28 April 2020.

It is recommended that Council amend the delegations outlined in the report to ensure the City can continue to operate efficiently during this time.

Officer Recommendation

That Council:

1. Approve the cancellation of the 28 April 2020 Ordinary Council Meeting and give local public notice of the change.
2. Adopt the amended City Facilities Programs and Services – Open Hour and Periods of Closure DA-RCS 01 as per Attachment 1 of the report.
3. Adopt the amended Payment Arrangements for Unpaid Rates and Service Charges and Other Debtors DA-FCM 07 as per Attachment 2 of the report.
4. Adopt the amended Inviting, Rejecting and Accepting Expressions of Interest and Tenders Delegation DA-CPM 02 as per Attachment 3 of the report.

Council Resolution**MOTION****Moved:** Councillor Knight**Seconded:** Councillor Pember

That Council:

1. **Approve the cancellation of the 28 April 2020 Ordinary Council Meeting and give local public notice of the change.**

2. **Adopt the amended City Facilities Programs and Services – Open Hour and Periods of Closure DA-RCS 01 as per Attachment 1 of the report.**
3. **Adopt the amended Payment Arrangements for Unpaid Rates and Service Charges and Other Debtors DA-FCM 07 as per Attachment 2 of the report.**
4. **Adopt the amended Inviting, Rejecting and Accepting Expressions of Interest and Tenders Delegation DA-CPM 02 as per Attachment 3 of the report.**

CARRIED WITH ABSOLUTE MAJORITY: 8/0

G.21/3/20 PUBLIC HEALTH PLAN 2020 – 2023 (BI/KF) (REPORT 12)

Summary

The *Public Health Act 2016* (the Act), sets out the requirements for all local governments to prepare a Public Health Plan that applies to its local government district. Through its close connection to the community and provision of wide-ranging services and facilities, local governments have often underestimated their role in influencing local health outcomes.

At its meeting of 11 July 2017, Council endorsed the preparation and implementation of the Local Public Health Plan ("Plan"). Through the development of the Plan, there has been attention paid to aligning with the Mandurah Matters community engagement process, to ensure it is consistent with the vision of the community and to avoid duplicating elements of the consultation process.

The Plan outlines its vision to create an environment where our community is proud, inspired, inclusive and innovative, where we respect our connections to the past and create a prosperous future. There is a particular focus on directing actions towards priority populations to achieve the greatest health improvements.

The purpose of this report is to provide an overview of the development of the Plan and present the Plan for endorsement by Council.

Officer Recommendation

That Council:

1. Endorse the City of Mandurah Public Health Plan 2020-23.
2. Approve the Mayor to correspond with the Minister for Health seeking funding for implementation of the Public Health Plan up to a value of \$140,000 per annum.

Council Resolution

MOTION

Moved: Mayor Williams

Seconded: Councillor Knight

That Council defer consideration of this item to a future date to be determined.

CARRIED: 8/0

Reason: Deferral of the Public Health Plan will enable the plan to be updated as required to encompass practices and/or protocols required post the COVID-19 pandemic.

G.22/3/20 TENDER 01-2020 ELECTRICITY AND GAS SUPPLY (KW/VL) (REPORT 13)

Summary

The City of Mandurah (the City) invited tenders for Tender 01 - Electricity and Gas Supply (T01-2020). The Tender seeks the supply of electricity to contestable electricity sites and the supply of gas to connected sites.

T01-2020 sought the provision of the required goods and services for a period of two years with an option to extend the contract for a further one year at the sole discretion of the City.

Contestable electricity sites are any sites consuming in excess of 50,000 kWh per year and any site consuming gas can source a gas supplier on a competitive basis.

A specialist external energy management and procurement consultant (Powerlyt Group) was engaged to assist with specification development and provide a pricing analysis report to support the City with the financial evaluation process. Energy pricing structures are complex and require specialist knowledge to analyse and support the City in the assessment of value for money.

The market was approached with the ability to price separate options as follows:

- Portion One - Electricity Bundled
- Portion Two - Electricity Unbundled
- Portion Three - Gas Bundled
- Portion Four - Gas Unbundled

The intent was to select one option for electricity and one for gas that demonstrated the best value for money outcome.

As a result of the evaluation of tendered submissions, Council is now requested to accept Perth Energy as the preferred tenderer for unbundled electricity and unbundled gas supplies.

Officer Recommendation

That Council:

1. Accepts Perth Energy as the preferred tenderer for Tender 01-2020 for Electricity and Gas Supply for a period of two years, with an option to extend for a further one year at the sole discretion of the City, for the following portions:
 - 1.1 Portion Two - Electricity Unbundled Option.
 - 1.2 Portion Four - Gas Unbundled Option.
2. Declines to accept the following portions to any tenderer:
 - 2.1 Portion One - Electricity Bundled Option.
 - 2.2 Portion Three - Gas Bundled Option.

Council Resolution**MOTION****Moved:** Councillor Knight**Seconded:** Councillor Zilani**That Council:**

1. **Accepts Perth Energy as the preferred tenderer for Tender 01-2020 for Electricity and Gas Supply for a period of two years, with an option to extend for a further one year at the sole discretion of the City, for the following portions:**
 - 1.1 **Portion Two - Electricity Unbundled Option.**
 - 1.2 **Portion Four - Gas Unbundled Option.**
2. **Declines to accept the following portions to any tenderer:**
 - 2.1 **Portion One - Electricity Bundled Option.**
 - 2.2 **Portion Three - Gas Bundled Option.**

CARRIED: 8/0*(This item was adopted en bloc)***MOTIONS OF WHICH NOTICE HAS BEEN GIVEN [AGENDA ITEM 20]**

Nil.

NOTICE OF MOTIONS FOR CONSIDERATION AT THE FOLLOWING MEETING [AGENDA ITEM 21]

Nil.

LATE AND URGENT BUSINESS ITEMS [AGENDA ITEM 22]

Nil.

CONFIDENTIAL ITEMS [AGENDA ITEM 23]

Nil.

CLOSE OF MEETING [AGENDA ITEM 24]

There being no further business, the Mayor declared the meeting closed at 5.48pm.

CONFIRMED (MAYOR)



MINUTES OF SPECIAL COUNCIL MEETING

HELD ON

TUESDAY 12 MAY 2020

AT 5.30PM

**IN-PERSON AT COUNCIL CHAMBERS, 83 MANDURAH TERRACE MANDURAH
AND VIA ELECTRONIC MEETING**

PRESENT:

MAYOR	R WILLIAMS	
COUNCILLOR	C KNIGHT [DEPUTY MAYOR]	NORTH WARD
COUNCILLOR	P JACKSON	NORTH WARD
COUNCILLOR	A ZILANI	NORTH WARD
COUNCILLOR	L RODGERS	EAST WARD
COUNCILLOR	D LEE	EAST WARD
COUNCILLOR	D PEMBER	EAST WARD
COUNCILLOR	M DARCY	COASTAL WARD
COUNCILLOR	J GREEN	COASTAL WARD
COUNCILLOR	C DI PRINZIO	COASTAL WARD
COUNCILLOR	P ROGERS	TOWN WARD
COUNCILLOR	M ROGERS	TOWN WARD

MR	M NEWMAN	CHIEF EXECUTIVE OFFICER
MR	A CLAYDON	DIRECTOR WORKS & SERVICES
MR	G DAVIES	DEPUTY CHIEF EXECUTIVE OFFICER
MS	C MIHOVILOVICH	DIRECTOR CORPORATE SERVICES
MRS	L SLAYFORD	MINUTE OFFICER

OPENING OF MEETING AND ANNOUNCEMENTS [AGENDA ITEM 1]

Prior to commencement of this electronic meeting, Council Members and other attendee connections by electronic means were tested and confirmed.

The Mayor declared the meeting open at 5.30pm.

The Mayor welcomed Council members and staff to the electronic meeting which is conducted in accordance with the *Local Government (Administration) Regulations 1996* and *Local Government (Administration) Amendment Regulation 2020*.

ACKNOWLEDGEMENT OF COUNTRY [AGENDA ITEM 2]

Mayor Williams acknowledged that the meeting was being held on the traditional land of the Bindjareb people, and paid his respect to their Elders past and present.

APOLOGIES [AGENDA ITEM 3]

Leave of Absence

Councillor Schumacher

Apologies

DISCLAIMER [AGENDA ITEM 4]

The Mayor advised that the purpose of this Special Council Meeting is to discuss and, where possible, make resolutions about items appearing on the agenda. Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a Member or Officer, or on the content of any discussion occurring, during the course of the meeting. Persons should be aware that the provisions of the *Local Government Act 1995* (Section 5.25(e)) and Council's Consolidated Local Laws (Section 4.86) establish procedures for revocation or rescission of a Council decision. No person should rely on the decisions made by Council until formal advice of the Council decision is received by that person.

The City of Mandurah expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any resolution of Council, or any advice or information provided by a Member or Officer, or the content of any discussion occurring, during the course of the Council meeting.

PUBLIC QUESTION TIME [AGENDA ITEM 5]

The Mayor advised of processes, information and advertising undertaken to permit the electronic submission of questions by members of the public. No public questions were submitted for the meeting.

SP1/5/20 PRESENTATIONS AND ANNOUNCEMENTS [AGENDA ITEM 6]

The Mayor advised the meeting that the *City of Mandurah Standing Orders Local Law 2016* will be modified to ensure Council Members and the public can participate in and follow the meeting as it progresses.

MOTION

Moved: Mayor Williams
Seconded: Councillor C Knight

That Council:

1. **Suspend the operation of the following provisions of the *City of Mandurah Standing Orders Local Law 2016* for the duration of this electronic meeting to ensure Council Members and the public can follow and participate in the meeting as it progresses:**
 - 1.1. **Standing Orders 3.3 Public Question Time and 3.4 Public Statement Time pertaining to public participation in meetings continues via electronic means only with public submissions received to be read aloud by the Presiding Member at the relevant agenda item.**
 - 1.2. **Standing Order 7.2 Members to occupy own seats whilst present in meeting room. Relevant only for Elected Members attending the Council Chambers.**
 - 1.3. **Agree under Standing Orders 8.1(1) and 12.2, that instead of requiring a show of hands, a vote will be conducted by exception with the Presiding Member calling for those Members against each motion. If no response is received the motion will be declared carried and minuted accordingly.**
 - 1.4. **Reiterate the requirement as per Standing Order 7.3 for Members to advise the Presiding Member when leaving or entering the meeting at any time.**

CARRIED UNANIMOUSLY: 12/0

DEPUTATIONS [AGENDA ITEM 7]

The Mayor advised of processes, information and advertising undertaken to permit the electronic submission of deputations by members of the public. No deputations were received for the meeting.

DECLARATION OF INTERESTS [AGENDA ITEM 8]

Nil.

QUESTIONS FROM ELECTED MEMBERS [AGENDA ITEM 9]

Questions of which due notice has been given

Nil.

Questions of which notice has not been given

Nil.

5.35pm: At this juncture in the meeting Mayor Williams checked with each attendee and confirmed that all attendees remained connected and in attendance at the electronic meeting.

REPORTS [AGENDA ITEM 10]

**SP.2/5/20 ESTABLISHMENT OF THE STRATEGIC ECONOMIC ADVISORY GROUP
AND APPOINTMENT OF COUNCIL REPRESENTATIVE (REPORT 1)**

Summary

At Council's March 2020 Ordinary Council Meeting, the Strategic Community Plan 2020-2040 was approved.

In late 2018, the City of Mandurah launched one of its biggest community engagement initiatives to date, Mandurah Matters. Over 1600 people provided feedback over a five-month engagement period, and contributed towards shaping the vision, aspiration and outcomes for the community.

One of the five focus areas, in the Strategic Community Plan, is the economy. The economic outcomes that the community wish to see are:

- Supporting and empowering local businesses
- Creating local jobs and opportunities
- Fostering innovation and creativity in enterprise
- A diversity of employment, industries and enterprise
- Giving consideration to the impact of industry on the environment

To ensure that Council are well-informed and given expert advice in relation to Mandurah's economy, it is recommended that the Strategic Economic Advisory Group (SEAG) is established, that it is chaired by one of the independent representatives and that the Council appoint the Mayor to be its representative.

Officer Recommendation

That Council:

1. Adopt the Strategic Economic Advisory Group Terms of Reference as detailed in Attachment 1 of the report.
2. Appoint Mayor Williams to the Strategic Economic Advisory Group.

Officer Amended Recommendation

That Council:

1. Adopt the Strategic Economic Advisory Group Terms of Reference as detailed in Attachment 1 of the report with the amendment to the Purpose section to state:

To provide Council with the expert advice on the implementation of economic strategies within Mandurah including, local economy, Transform Mandurah program and other economic opportunities.

2. Appoint Mayor Williams to the Strategic Economic Advisory Group.

Council Resolution

MOTION

Moved: Councillor D Pember

Seconded: Councillor Lynn Rodgers

That Council:

1. **Adopt the Strategic Economic Advisory Group Terms of Reference as detailed in Attachment 1 of the report with the amendment to the Purpose section to state:**
To provide Council with the expert advice on the implementation of economic strategies within Mandurah including, local economy, Transform Mandurah program and other economic opportunities.
2. **Appoint Mayor Williams to the Strategic Economic Advisory Group.**

Note: The Officer Recommendation was changed to replace the purpose section of the Terms of Reference.

CARRIED UNANIMOUSLY: 12/0

SP.3/5/20 NOTICE OF INTENTION TO IMPOSE THE 2020/2021 DIFFERENTIAL RATES AND MINIMUM PAYMENTS (REPORT 2)

Summary

The *Local Government Act 1995* requires local governments which have differential rates, to advertise their proposed rates, and invite public submissions. The Minister for Local Government is expected to make an Order that allows the local government not to advertise in the local public section of the local newspaper, the intention to raise differential rates if the rate in the dollar results in a 0% rate increase. It is still recommended that Council advertise its intention to raise rates through other channels (such as website, media release, etc). Council is requested to adopt the rates in the dollar, minimum payments and the Objects and Reasons for Differential Rates for advertising purposes.

In light of the Covid-19 pandemic, the City is recommending to Council to advertise a 0% increase to the rate in the dollar, sometimes referred to as a rate freeze, to all categories except business improved that will incur a decrease of 5% to the rate in the dollar amount. This will ensure the City does not place an addition burden on ratepayers in these trying times.

Officer Recommendation

That Council:

1. Approves the following rates in the dollar and minimum payments for the purpose of advertising for public submissions:

Rate Category	Rate in the dollar	Minimum Rate
Residential Improved	\$0.09594	\$1,108
Residential Vacant	\$0.16300	\$917
Business Improved	\$0.09293	\$1,108
Business Vacant	\$0.16560	\$1,108
Urban Development	\$0.13059	\$1,108

2. Approves the following rates in the dollar for the purpose of advertising for public submission for the Specified Area Rates:

Specified Area Rate	Rate in the dollar
Waterside Canals	\$0.0000
Mandurah Ocean Marina	\$0.0143
Mandurah Quay	\$0.0024
Mariners Cove	\$0.0000
Port Bouvard Eastport Canals	\$0.0015
Port Bouvard Northport Canals	\$0.004
Port Mandurah Canals	\$0.0039

3. Adopts the Statement of Objects and Reasons for the 2020/2021 financial year as detailed in Attachment 1 of the report.

The Council Resolution was moved by Councillor Pember, seconded by Councillor Darcy. Councillor Zilani foreshadowed his intention to move an alternate recommendation should the current motion be lost.

Council Resolution

MOTION

Moved: Councillor D Pember

Seconded: Councillor M Darcy

That Council:

1. Approves the following rates in the dollar and minimum payments for the purpose of advertising for public submissions:

Rate Category	Rate in the dollar	Minimum Rate
Residential Improved	\$0.09594	\$1,108
Residential Vacant	\$0.16300	\$917
Business Improved	\$0.09293	\$1,108
Business Vacant	\$0.16560	\$1,108
Urban Development	\$0.13059	\$1,108

2. Approves the following rates in the dollar for the purpose of advertising for public submission for the Specified Area Rates:

Specified Area Rate	Rate in the dollar
Waterside Canals	\$0.0000
Mandurah Ocean Marina	\$0.0143
Mandurah Quay	\$0.0024
Mariners Cove	\$0.0000
Port Bouvard Eastport Canals	\$0.0015
Port Bouvard Northport Canals	\$0.004
Port Mandurah Canals	\$0.0039

3. Adopts the Statement of Objects and Reasons for the 2020/2021 financial year as detailed in Attachment 1 of the report.

CARRIED: 11/1
FOR: Mayor Williams, Councillors Darcy, Di Prinzio, Green, Jackson, Knight, Lee Pember, Lynn Rodgers, Peter Rogers, Matt Rogers
AGAINST: Councillor Zilani

SP.4/5/20 RESTART MANDURAH FUNDING PROGRAM (REPORT 3)

Summary

It is recommended that Council transfer \$5 million from the Building Reserve (\$1m), City Centre Land Acquisition Reserve (\$2m) and Property Acquisition Reserve (\$2m) for the purposes of a Restart Mandurah Funding Program (program) to fund economic and sense of place initiatives in response to the state of emergency caused by COVID-19.

Officer Recommendation

1. Approve the reallocation of \$5million to the Restart Mandurah Funding Program:
 - 1.1. From the following reserves:
 - 1.1.1. Building Reserve (\$1m),
 - 1.1.2. City Centre Land Acquisition Reserve (\$2m)
 - 1.1.3. Property Acquisition Reserve (\$2m)
 - 1.2. Acknowledging that the decision to change the use of the money is made while there is in force a state of emergency declaration applying to the district of the local government
 - 1.3. Acknowledging that the change of use is required to address the local economic and community needs arising from the impacts and consequences, to which the state of emergency declaration relates
2. Approve the allocation of \$2,045,000 from the Restart Mandurah Funding Program to accelerate the following City works:
 - 2.1. South Mandurah Football Changeroom project - \$100,000
 - 2.2. Falcon Reserve Activation Plan Stage 2- \$200,000
 - 2.3. Shade Sails over playgrounds - \$200,000
 - 2.4. Bortolo Sump – Water Sensitive Urban Design \$300,000
 - 2.5. Dawesville Channel SE Foreshore - \$200,000
 - 2.6. Madora Bay Shade Shelters - \$60,000
 - 2.7. Mandurah Road Median - \$150,000

- 2.8. Madora Bay Beach - \$100,000
- 2.9. Stage 2 of Upgrades to Peelwood Reserve Changerooms - \$100,000
- 2.10. Peel Community Kitchen - \$100,000
- 2.11. Ablution Bortolo Reserve - \$200,000
- 2.12. Stingray Point Footpath Renewal - \$135,000
- 2.13. Waste Transfer Station road construction - \$100,000
- 2.14. Waste Transfer Station increase hardstand area with concrete - \$100,000
3. Approve the allocation of \$170,000 from the Restart Mandurah Funding Program to not charge the caravan park and camping ground annual licence fees and food premises inspection fees for the 2020/2021 financial year.
4. Request City officers to proceed with the preparation of the 2020/21 budget with the following inclusions as part of its ordinary allocation and funding:
 - 4.1. First rates payment due date to be in mid to late November to each the cashflow pressure the community is experiencing
 - 4.2. Rate freeze (no increase in the rate in the dollar) for specified area rates and all rate categories other than business improved (5% rate reduction) and a freeze (no increase) of all fees and charges
 - 4.3. City events when social distancing rules are relaxed where local businesses will benefit
 - 4.4. Online database, materials and workshops for tender writing for local businesses
 - 4.5. Identify projects whereby local businesses can carry out works in accordance with Council's Procurement Policy
 - 4.6. Through Visit Mandurah, assist tourism operators with product lines and experiences, promote tourism products and attractions, provide free Visitor Centre membership for existing members and carry out social media and destination campaigns
 - 4.7. Continue the lessees and licensees relief until the business is operating at pre-COVID-19 capacity up to 30 June 2021
 - 4.8. Continue to fund the business support training portal
 - 4.9. Community funding assistance
 - 4.10. Place activation and resident association support

The Council Resolution was moved by Councillor Pember, seconded by Councillor Darcy. Councillor Zilani foreshadowed his intention to move an alternate recommendation should the current motion be lost.

Council Resolution

MOTION

Moved: Councillor C Knight

Seconded: Councillor M Darcy

1. Approve the reallocation of \$5million to the Restart Mandurah Funding Program:
 - 1.1. From the following reserves:
 - 1.1.1. Building Reserve (\$1m),
 - 1.1.2. City Centre Land Acquisition Reserve (\$2m)
 - 1.1.3. Property Acquisition Reserve (\$2m)

- 1.2. Acknowledging that the decision to change the use of the money is made while there is in force a state of emergency declaration applying to the district of the local government
 - 1.3. Acknowledging that the change of use is required to address the local economic and community needs arising from the impacts and consequences, to which the state of emergency declaration relates
2. Approve the allocation of \$2,045,000 from the Restart Mandurah Funding Program to accelerate the following City works:
 - 2.1. South Mandurah Football Changeroom project - \$100,000
 - 2.2. Falcon Reserve Activation Plan Stage 2- \$200,000
 - 2.3. Shade Sails over playgrounds - \$200,000
 - 2.4. Bortolo Sump – Water Sensitive Urban Design \$300,000
 - 2.5. Dawesville Channel SE Foreshore - \$200,000
 - 2.6. Madora Bay Shade Shelters - \$60,000
 - 2.7. Mandurah Road Median - \$150,000
 - 2.8. Madora Bay Beach - \$100,000
 - 2.9. Stage 2 of Upgrades to Peelwood Reserve Changerooms - \$100,000
 - 2.10. Peel Community Kitchen - \$100,000
 - 2.11. Ablution Bortolo Reserve - \$200,000
 - 2.12. Stingray Point Footpath Renewal - \$135,000
 - 2.13. Waste Transfer Station road construction - \$100,000
 - 2.14. Waste Transfer Station increase hardstand area with concrete - \$100,000
3. Approve the allocation of \$170,000 from the Restart Mandurah Funding Program to not charge the caravan park and camping ground annual licence fees and food premises inspection fees for the 2020/2021 financial year.
4. Request City officers to proceed with the preparation of the 2020/21 budget with the following inclusions as part of its ordinary allocation and funding:
 - 4.1. First rates payment due date to be in mid to late November to each the cashflow pressure the community is experiencing
 - 4.2. Rate freeze (no increase in the rate in the dollar) for specified area rates and all rate categories other than business improved (5% rate reduction) and a freeze (no increase) of all fees and charges
 - 4.3. City events when social distancing rules are relaxed where local businesses will benefit
 - 4.4. Online database, materials and workshops for tender writing for local businesses
 - 4.5. Identify projects whereby local businesses can carry out works in accordance with Council's Procurement Policy
 - 4.6. Through Visit Mandurah, assist tourism operators with product lines and experiences, promote tourism products and attractions, provide free Visitor Centre membership for existing members and carry out social media and destination campaigns
 - 4.7. Continue the lessees and licensees relief until the business is operating at pre-COVID-19 capacity up to 30 June 2021
 - 4.8. Continue to fund the business support training portal
 - 4.9. Community funding assistance
 - 4.10. Place activation and resident association support

CARRIED WITH ABSOLUTE MAJORITY: 11/1

FOR: Mayor Williams, Councillors Darcy, Di Prinzio, Green, Jackson, Knight, Lee
Pember, Lynn Rodgers, Peter Rogers, Matt Rogers

AGAINST: Councillor Zilani

SP.5/5/20 ADOPTION OF AMENDMENTS TO PROCUREMENT POLICY (REPORT 4)

Summary

The amendments to the Local Government (Functions and General) Regulations 1996 (Regulations) were gazetted on 9 April 2020 and further amendments are scheduled for 8 May 2020. The purpose of these changes were to increase the flexibility of the local government sector to contract with local suppliers during, and in the aftermath of, the State of Emergency Declaration under the Emergency Management Act 2005.

An amendment has now been made to regulation 11(1) of the Regulations to increase the tendering threshold from \$150,000 to \$250,000. The Department of Local Government, Sport and Cultural Industries (DLGSC) has advised that local governments should update their purchasing policy to cover the direct purchase of goods and services under \$250,000.

Further improvements have been recommended to Council's Procurement Policy CPM-02 resulting from the recent CEO's Review of Risk Management, Internal Controls and Legislative Compliance and additional improvements identified from the Office of the Auditor General (OAG) Local Government Contract Extensions and Variations Report of 4 May 2020. Council (through the Audit and Risk Committee) will receive reports in the coming months on the findings and improvements from these two reviews.

The Council's Procurement Policy CPM-02 has now been amended accordingly.

Officer Recommendation

That Council adopt the proposed amendments to POL-CPM 02 Procurement Policy as per Attachment 1 of the report.

Council Resolution

MOTION

Moved: Councillor C Knight
Seconded: Councillor Peter Rogers

That Council adopt the proposed amendments to POL-CPM 02 Procurement Policy as per Attachment 1 of the report.

CARRIED: 12/0

CONFIDENTIAL BUSINESS [AGENDA ITEM 11]

Nil.

6.00pm: At this juncture in the meeting Mayor Williams checked with each attendee and confirmed that all attendees remained connected and in attendance at the electronic meeting.

CLOSE OF MEETING [AGENDA ITEM 12]

There being no further business the Mayor declared the meeting closed at 6.01pm.

CONFIRMED (MAYOR)

ATTACHMENT TO MINUTES

Minute	Attachment	Page
SP.2/5/20	Attachment 1 – SEAG Terms of Reference	12 – 13
SP.3/5/20	Attachment 1 – Statement of Object and Reasons	14 – 17
SP.4/5/20	Attachment 1 – Procurement Policy Amendments	18 - 30

ATTACHMENTS TO RESOLUTIONS

**SP.2/5/20 ESTABLISHMENT OF THE STRATEGIC ECONOMIC ADVISORY GROUP
AND APPOINTMENT OF COUNCIL REPRESENTATIVE (REPORT 1)**

ATTACHMENT 1

Strategic Economic Advisory Group (SEAG)

Terms of Reference

Membership

The current membership of the Strategic Economic Advisory Group (SEAG) is as follows:

- a) Mayor
- b) Up to seven local business leader representatives in the following sectors:
 - Development and Construction
 - STEM/Education
 - Hospitality
 - Tourism
 - Australian/International Business
 - Retail
 - Health

To determine a shortlist of potential business leader representatives, each Elected Member is to nominate any person in the relevant sector and Council will discuss each nominee at a workshop to determine the shortlist of leaders. The Chief Executive Officer will approach the shortlist and present to Council, through a formal approval, for appointment based on their expertise, qualifications and interests.

Purpose

To provide expert advice on the implementation of economic strategies within Mandurah including:

- Clear communication to business and community on Mandurah's economic agenda
- Build confidence in the local economy
- Demonstrate Mandurah's collective vision for the local economy and increase leverage for investment
- Build trust in Council's economic efforts
- Kick start the longer term Transform Mandurah program

Objectives

- Increase visitor numbers and increase local spending
- Reconnect the community
- Supporting employment generating initiatives
- Grow capability to assist local businesses needing to adjust their business models

- Facilitate investment attraction opportunities
- Advocate for the long-term economic diversification agenda
- Connect with education and training institutions

Members Responsibilities

The following are some of the responsibilities of the advisory group:

1. Promoting and advocating for economic solutions for Mandurah
2. Articulating Council's endorsed economic agenda including shared priorities and coordination
3. Promote a shared economic agenda to guide economic development agencies and align funding opportunities for increased leverage
4. Ensure a consistent, integrated approach is being taken across all Mandurah stakeholders
5. Gather intelligence and undertake appropriate economic research
6. Liaise with the Peel Alliance and other Peel Region stakeholders to ensure consistent and collaborative regional approach
7. Providing strategic promoting and advocacy for the Mandurah economy
8. Provide expert advice to Council and other stakeholders on economic priorities and initiatives
9. Identification of the current business/industry gaps in the Mandurah area
10. Exploring and advising Council on future economic opportunities
11. Maintain confidentiality in relation to matters relating to the City of Mandurah.
12. Act in the best interest of the district and not to use their position for personal gain or to cause detriment to others.
13. Supporting the local economy/business to ensure industry relevant education and training courses exist

Chair Responsibilities

1. All of the responsibilities outlined in the Members Responsibilities
2. Attend, with the Mayor, any lobbying and advocacy activities, acting in the best interests of the City of Mandurah, Council and the objectives of SEAG.

Note: The Chair will not speak on behalf of SEAG. SEAG has no decision-making powers and are not authorised to speak on behalf of the City of Mandurah. The Mayor is the spokesperson for Council and SEAG.

Meetings

Meetings are held as required.

Note: Elected Members can attend the SEAG meetings.

SP.3/5/20

**NOTICE OF INTENTION TO IMPOSE THE 2020/2021 DIFFERENTIAL
RATES AND MINIMUM PAYMENTS (REPORT 2)**

ATTACHMENT 1

Statement of Object and Reasons for Imposing Differential Rates for 2020/21

The following Objects and Reasons are provided in accordance with Section 6.36 of the Local Government Act 1995 and to inform residents of the City of the Objects and Reasons for the differential rates being proposed for the 2020/2021 financial year.

The City of Mandurah applies a differential rate in the dollar depending on the characteristics and/or uses of the land, with the gross rental value (GRV) to determine the rates levied for each land that is rateable.

This document outlines the objects and reasons for implementing differential general rates.

Proposed Rates

The City proposes to impose differential general rates to all gross rental values in its district according to one or a combination of:

- The purpose for which land is zoned.
- Whether or not the land is vacant land.

For the 2020/2021 year, Council has decided to impose five differential rates as shown in the table below:

Category	Rate in the dollar	Minimum Rate
Residential Improved	\$0.09594	\$1,108
Residential Vacant	\$0.16300	\$917
Business Improved	\$0.09293	\$1,108
Business Vacant	\$0.16560	\$1,108
Urban Development	\$0.13059	\$1,108

Objects and reasons

The following are the objects and reasons for each of the differential rates:

Residential improved land – rate in the dollar \$0.09594 (0% increase in the rate in the dollar)

Object This proposed rate in the dollar is regarded as the base rate as it represents the greatest number of properties in the City.

Reason This rate aims to ensure that the proportion of rates raised from this category is between 70% and 75% of total rates.

Residential vacant - rate in the dollar \$0.16300 (0% increase in the rate in the dollar)

- Object This proposed rate in the dollar is set at a higher level as the City wishes to promote the development of all properties to their full potential, and to ensure that the proportion of total rate revenue derived from vacant land remains consistent with previous years.
- Reason This rate in the dollar will act to stimulate economic growth and development in the community.

Business improved - rate in the dollar \$0.09293 (rate in the dollar reduction of 5%)

- Object This rate is set at a higher level to recognise that certain expenditures in the budget are specifically directed towards the economic development of the City and the additional costs associated with the service provision related to business activities. As a result of COVID-19, the City has recognised that businesses have been significantly impacted by the pandemic and for the 2020/21 financial year, Council are proposing to impose a lower rate in the dollar than the residential improved rate category.
- Reason This rate will ensure that the City meets the higher level of service costs associated with business properties and the area within which they are situated, including:
- (a) higher provision and maintenance of road infrastructure and streetscapes including road renewals and upgrades, car parking, footpaths and traffic issues; and
 - (b) activation, facilitation and amenity improvements to promote the economic and social attractiveness to businesses areas.

Business vacant - rate in the dollar \$0.16560 (0% increase in the rate in the dollar)

- Object This rate is set at a higher level as the City wishes to promote the development of all properties to their full potential.
- Reason This rate in the dollar will act to stimulate economic growth and development in the community.

Urban development - rate in the dollar \$0.13059 (0% increase in the rate in the dollar)

- Object This proposed rate in the dollar relates to land held for future development (super-lots larger than 10 hectares in size).
- Reason As with other vacant land rates, this rate is set at a higher level as the City wishes to promote the development of all properties to their full potential.

Specified Area Rates (SAR)

The City imposes Specified Area Rates (SAR) on certain locations in the district. SAR's enable the enhancement and maintenance of the general amenity of an area by way of increased service levels for the benefit of the owners/residents who live or work in the area.

The authority to impose specified area rates is set out in section 6.37 of the *Local Government Act 1995* (Act). This section of the Act requires that the money raised from a SAR be used solely for the purpose which the rate was imposed, with any residual amount remaining being placed in a reserve for that same purpose.

Waterside Canals - rate in the dollar \$0.0000 (no charge this financial year)

This is levied on all properties within the Waterside Canals. The purpose of the rate is for owners to make a reasonable contribution toward maintaining and managing the canals. There is sufficient funds in the Waterside Canals SAR Reserves Account to cover the proposed expenditure of canal water quality testing, canal management fee, canal hydrographic survey costs and litter control.

Note: All owners are required to maintain/replace the canal walls on their land.

Mandurah Ocean Marina – rate in the dollar \$0.0143 (22% decrease in the rate in the dollar)

This is levied on all properties within the Mandurah Ocean Marina. The purpose is to provide for an enhanced maintenance standard and asset replacement costs. The SAR proposed expenditure includes maintaining navigable depths in the entrance, basin and boat ramp, maintenance to reflection wall along Breakwater Parade, maintenance of revetment walls, maintenance of cleaning and lighting boardwalk, contribution to security, maintaining navigational aids, environmental monitoring, Marina management, maintenance of Marina plant and equipment. There is also a requirement for funds to be transferred into the reserve to fund the future dredging requirements and replacement of revetment walls and reflection wall (along Breakwater Parade) when required.

Mandurah Quay – rate in the dollar \$0.0024 (0% increase in the rate in the dollar)

This is levied on all properties within the Mandurah Quay sub-division. The purpose is to ensure the maintenance of the marina (i.e. water body and walls) and is levied to cover the life cycle expenses of the marina. The SAR proposed expenditure includes litter control, hydrographic survey, water quality monitoring, canal management fees and minor maintenance of the walls (including the header course blocks). There is also a requirement for funds to be transferred into the reserve to fund any major maintenance works as well as the future replacement of canal walls when required. Note: The SAR does not fund the maintenance expenses for the pavement, garden beds and lighting along the public access way.

Mariners Cove – rate in the dollar \$0.0000 (no charge this financial year)

This is levied on all canal frontages on the Mariner Cove canals. The purpose of the rate is for owners to make a reasonable contribution toward maintaining and managing the canals in accordance with the Artificial Waterways Policy – Canals and Core Management Group.

There is sufficient funds in the Mariners Cove Canals SAR Reserves Account to cover the proposed expenditure of canal water quality testing, canal management fee, canal hydrographic survey costs and litter control.

Note: All owners are required to maintain/replace the canal walls on their land.

Port Bouvard Eastport Canals - rate in the dollar \$0.0015 (0% increase in the rate in the dollar)

This is levied on all canal frontages on the Eastport canals. The purpose is to recoup the costs of litter removal from the canal waterbody together with the costs of water quality testing, canal management fee, surveying and minor maintenance.

Note: All owners are required to maintain/replace the canal walls on their land.

Port Bouvard Northport Canals – rate in the dollar \$0.004 (47% decrease in the rate in the dollar)

This is levied on all canal frontages on the Northport canals. The purpose is to recoup the costs of litter removal from the canal waterbody together with the costs of water quality testing, canal management fee, surveying and minor maintenance/canal cleaning.

Note: All owners are required to maintain/replace the canal walls on their land.

Port Mandurah Canals – rate in the dollar \$0.0039 (0% increase in the rate in the dollar)

This is levied on all canal frontage properties located within the defined area of Port Mandurah Canals. The purpose of the rate is for owners to make a reasonable contribution toward maintaining and managing the canals in accordance with the Artificial Waterways Policy – Canals and Core Management Group. The SAR proposed expenditure includes litter control, hydrographic survey, water quality monitoring, canal management fees, contribution to the Port Mandurah Residents Association and transferring funds into the dredging reserve for when the constructed depths exceed the tolerance limits and dredging is required.

The defined area has been identified within the Government Gazette published 23 June 1995 as Schedule B in the City of Mandurah (Specified Area) Order No.1.

Note: All owners are required to maintain/replace the canal walls on their land.

Residents wishing to make written submissions are invited to lodge their submissions with the City by no later than close of business, 4:30pm on Tuesday 4 June 2020.

Written submissions can be directed to:

**Chief Executive Officer
City of Mandurah
PO Box 210
MANDURAH WA 6210**

Submissions will also be accepted via email: council@mandurah.wa.gov.au or on the City of Mandurah website, mandurahmatters.com.au

**Mark Newman
Chief Executive Officer**

PROCUREMENT**Attachment 1****COUNCIL POLICY****POL-CPM 02****Objective:**

The Procurement Policy (Policy) is developed in accordance with the statutory obligations of the *Local Government Act 1995* (Act) and Part 4 of the *Local Government (Functions and General) Regulations 1996* (Regulations) in relation to procurement activities undertaken by the City of Mandurah (the City).

The Policy is directed at meeting the following objectives:

- Achieving 'value for money' with respect to all procurement activities;
- Ensuring that the City complies with all obligations under the Act and Regulations;
- Strengthening integrity and confidence in procurement systems and processes;
- Ensuring that sustainable benefits, such as environmental, social and local economic factors are considered in the overall 'value for money' assessment;
- Mitigating probity risk by establishing consistent and demonstrated processes and training that promote transparency and fairness; and
- Ensuring that procurement activities are conducted in a consistent and efficient manner in accordance with applicable policies and procedures.

Statement:**1. APPLICABILITY**

The policy applies to all procurement activities undertaken by City officers, appointed representatives and where applicable, contractors. For the purposes of the Policy, such persons will be referred to as employees.

2. PRINCIPLES OF PROCUREMENT

All employees of the City shall observe the highest standards of ethics and integrity in undertaking procurement activity and act in an honest and professional manner. The following principles underpin the City's procurement activities:

- a. All processes, evaluations and decisions shall be transparent, free from bias, merit based and fully documented in accordance with the Act and Regulations, applicable Policies and Procedures, and audit requirements.
- b. Accountability shall be taken for all procurement decisions, to ensure the efficient, effective and proper expenditure of public monies based on achieving value for money, in accordance with the City's adopted budget.
- c. Procurement is to be carried out on a competitive basis in which all potential suppliers are treated impartially, honestly and consistently.
- d. Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed.

PROCUREMENT

3. VALUE FOR MONEY

- a. Value for money is achieved through the critical assessment of price, risk, timeliness, environmental, social, economic and qualitative factors to determine the most advantageous supply outcome that contributes to the City achieving its strategic and operational objectives.
- b. The City will apply value for money principles when assessing purchasing decisions and acknowledges that the lowest price may not always be the most advantageous.

3.1 Assessing Value for Money

- a. The assessment of value for money is the result of open, competitive sourcing practices and critical assessment of factors such as:
 - i. All relevant whole-of-life costs and benefits. This should include transaction costs associated with acquisition, delivery, distribution, as well as other costs such as holding costs, consumables, maintenance and disposal;
 - ii. The technical merits of the goods and/or services being offered in terms of compliance with specifications, contractual terms and conditions and any relevant methods of assuring quality;
 - iii. Financial viability and capacity to supply without risk of default;
 - iv. Ensuring a sufficient number of offers have been obtained to enable robust price comparison wherever practicable;
 - v. The safety requirements associated with both the product design and specification offered by suppliers and the evaluation of risk when considering purchasing goods and/or services from suppliers; and
 - vi. A supplier's ability to demonstrate the sustainable benefits and positive local impact of the goods and services offered.
- b. The level of assessment undertaken is commensurate with the value, complexity, risk and sensitivity of the goods or services being procured.

4. SUSTAINABLE PROCUREMENT

Sustainable procurement is defined as the purchasing of goods and services that have less environmental and/or negative social impacts than competing products or services over the entire life cycle of a product.

The City is committed, where possible, to procuring goods and services:

- a. that are economical to own and operate;
- b. reduce waste and are energy efficient;
- c. cause the least damage to the environment;
- d. have been created or obtained using legally compliant practices (Corporate Social Responsibility);
- e. provide local businesses with commercial opportunity;
- f. improve employment opportunities for local people; and

PROCUREMENT

- g. that encourage social advancement and benefits relating to special needs.

4.1 Local Content

- a. The City will:
- wherever practical, invite local suppliers to quote, in accordance with this Policy;
 - ensure procurement planning explores local business capability and opportunities for local content; and
 - consider buying practices, procedures and specifications that do not unfairly disadvantage local businesses.
- b. Local suppliers are defined as those businesses that operate permanently within the district of the City of Mandurah local government municipal area.

4.2 Engaging with Australian Disability Enterprises or Aboriginal Businesses ~~up to \$150,000~~

- a. The City encourages the use of Australian Disability Enterprises and Aboriginal owned businesses for the supply of goods and/or services where value for money assessments demonstrate benefits for the City achieving its objectives.
- b. Where the required number of quotes from \$5,000 up to ~~\$1250,000~~ cannot be obtained from similar disability enterprises or Aboriginal owned businesses, alternate means of verifying that the offer truly represents value for money should form part of the evaluation documentation and applicable Procedure.
- b.c. When utilising tender exempt provisions for Aboriginal owned businesses the maximum procurement value permissible is \$250,000.

5. PROCUREMENT REQUIREMENTS

- a. The requirements that must be complied with by the City, including procurement thresholds and processes, are prescribed within the Regulations, this Policy and associated Procurement Procedures.
- b. In determining the purchase value, the following considerations are to be taken into account:
- All values are exclusive of GST; and
 - The amount is the actual or expected value of a contract over the full contract period, including all options.
- c. The following procurement value thresholds apply:

Monetary Threshold of the contract value, including extensions and options (exclusive of GST)	Process Required	Source
Up to \$4,999	Direct purchase from a supplier after obtaining at least one (1) oral or written quotation in accordance with the Procurement Procedure – Goods and Services .	Local supplier where practical. If no local supplier, seek one (1) quote through:

PROCUREMENT

		<ul style="list-style-type: none"> • Western Australian Local Government Association (WALGA) Preferred Supplier Program (PSP); or • State Common User Arrangement (CUA); or • Australian Disability Enterprise; or • Aboriginal owned business; or • Open market.
\$5,000 to \$49,999	Seek three (3) or more verbal or written quotations (method dependent on risk and complexity) in accordance with the Procurement Procedure – Goods and Services . Obtain a minimum of two (2) written responses	<p>Where practical a minimum of two (2) local suppliers to be invited along with open market suppliers.</p> <p>If no local suppliers, seek three (3) or more quotes through:</p> <ul style="list-style-type: none"> • WALGA PSP; or • State CUA; or • Australian Disability Enterprise; or • Aboriginal owned business; or • Open market.
\$50,000 to \$149,999	Formal Request for Quote in accordance with Procurement Procedure Goods and Services . Seek three (3) or more written formal quotations and obtain a minimum of two (2) responses.	<p>Where practical a minimum of two (2) local suppliers to be invited along with open market suppliers.</p> <p>If no local suppliers, seek three (3) or more quotes through:</p> <ul style="list-style-type: none"> • WALGA PSP; or • State CUA; or • Australian Disability Enterprise; or • Aboriginal owned business; or • Open market.
<u>\$150,000 to \$249,999 and above</u>	<p><u>Formal Request for Quote in accordance with Procurement Procedure Goods and Services. Seek three (3) or more written formal quotations and obtain a minimum of two (2) responses.</u></p> <p><u>Public Tender, to be issued by Governance Services in accordance with the Act and Regulations</u></p> <p><u>Refer to Procurement Procedure – Goods and Services.</u></p> <p><u>Where circumstances warrant, Governance Services may conduct a tender process for projects which are</u></p>	<p><u>Where practical a minimum of two (2) local suppliers to be invited along with open market suppliers.</u></p> <p><u>If no local suppliers, seek three (3) or more quotes through:</u></p> <ul style="list-style-type: none"> • <u>WALGA PSP; or</u> • <u>State CUA; or</u> • <u>Australian Disability Enterprises; or</u> • <u>Aboriginal owned business; or</u> • <u>Open market</u>

PROCUREMENT

	below the \$150,000 threshold (refer to section 5.3):	Public Open Tender
<u>\$250,000 and above</u>	Public Tender, to be issued by Governance Services in accordance with the Act and Regulations Refer to Procurement Procedure – Goods and Services. Where circumstances warrant, Governance Services may conduct a tender process for projects which are below the \$250,000 threshold (refer to section 5.3).	Public Open Tender
<u>\$1250,000 and above</u> (Tender exempt)	Seek three (3) or more written formal Request for Quote, to be issued by Governance Services, in accordance with reg 11(2). Obtain a minimum of two (2) written responses, unless sole supply or supplier availability is limited i.e. only one supplier is represented under a panel arrangement.	<ul style="list-style-type: none"> • WALGA PSP • State CUA • Australian Disability Enterprise <u>Aboriginal-owned business</u>

5.1 Conditions

- a. Existing contracts held with the City must be considered first before sourcing from other suppliers. Goods and/or services must be within scope of the existing contract and must not exceed the tender threshold unless specifically permissible or procured through a City held Panel of Pre-qualified Suppliers (section 6).
- b. Supply of goods or services must not commence until a purchase order has been issued, unless exempt from this requirement. A purchase order is unnecessary in the case of the following:
 - i. Insurances;
 - ii. Payments made through payroll;
 - iii. Utilities (service and/or consumption charges/fees only);
 - iv. Goods or services purchased through a purchasing card;
 - v. Fees and payments that are statutory, this includes bank fees;
 - vi. Other statutory damages, infringements and penalties;
 - vii. Loan repayments;
 - viii. Freight, postal charges and fuel cards;
 - ix. Goods purchased from petty cash;
 - x. Purchasing card payment requests.
- c. All procurement activity must be carried out in accordance with the relevant Procurement Procedure as defined in section 5.

PROCUREMENT

- d. Restrictions exist on procuring IT hardware, software and licenses, office furniture and fittings – refer to the City's IT and Procurement Procedures.
- e. Where the stated number of minimum quotations to be obtained cannot be achieved due to:
 - i. limited responses (all thresholds); or
 - ii. lack of availability (tender exempt panel supply arrangements only i.e. WALGA or State CUA);the decision to continue with the evaluation and selection must be documented and clearly demonstrate the achievement of value for money.

5.2 Record Keeping

Communications, responses and documentation relating to procurement activity and approvals, regardless of value, must be recorded and retained in accordance with the *State Records Act 2000*, the Regulations (reg. 11A(3)(b) and 24AC(2)(e)), the City's Record Keeping Plan and applicable Procurement Procedures.

5.3 Requesting Tenders where value is less than Tender threshold

The City may elect to invite tenders in lieu of undertaking quotations for procurements under the tender threshold where it is considered appropriate and beneficial. This decision should be made after considering the commercial and probity benefits of this approach in comparison to cost and efficiency. Where a tender is called, the Regulations relating to tender requirements must be followed.

5.4 Anti-avoidance

Multiple procurement activities must not be entered into with the intent (inadvertent or otherwise) of "splitting" the purchase value to avoid a public tender being called (regulation 12 of the Regulations) or to avoid threshold quoting requirements under \$1250,000.

5.5 Minor Variations

- a. In accordance with regulation 20 of the Regulations, a minor variation may be made to a contract following a tender process, by the City, prior to the City and the preferred tenderer formalising the contract. A minor variation is required to meet the following conditions:
 - i. Does not alter the nature of the goods and/or services procured;
 - ii. Does not materially alter the scope provided in the initial tender;
 - iii. Amount to less than 10% of the original contract price or up to a maximum of \$100,000.00 whichever is the lesser; and
 - iv. Does not alter the decision to award the tender to the preferred tenderer.
- b. If the variation does not meet the conditions, then the variation must be presented to Council for consideration.

PROCUREMENT

- c. The above conditions also apply to procurements under \$1250,000 and are required to be undertaken in accordance with the Procurement Procedure Contract Variations and Extensions.
- d. All decisions regarding minor variations must be documented and recorded.

5.6 Variation after Contract Commencement

- a. If the City has entered into a contract for the supply of goods and/or services with a successful tenderer, in accordance with regulation 21A of the Regulations, the contract must not be varied unless:
 - i. the variation is necessary in order for the goods and/or services to be supplied; and does not change the scope of the contract; or
 - ii. the variation is a renewal or extension of the term of the contract as described in regulation 11 (2) (j); and
 - iii. The variation is within the budget allocated for the project.

~~These above conditions also apply to contracts valued procurement under \$1250,000.~~

- b. Consideration must be also be given to the original procurement process conducted and whether the combined value of the original price, any subsequent variations and proposed variation (which includes term extensions) would have resulted in a different procurement process being undertaken due to the increased expenditure.
- c. All contract variations are to be recorded and supported by adequate documentation describing the nature and reasons for the variations, including the associated cost, time and scope implications.
- d. Contract variations ~~to~~ are to be approved in accordance with the authorisation limits as per section 8 of this policy.
- e. These conditions also apply to contracts valued under \$250,000 and are required to be undertaken in accordance with the Procurement Procedure Contract Variations and Extensions.

b. Contract Extensions

5.7

- a. Contracts are extended only if the original contract includes an extension option as per 5.6 above (unless State of Emergency provisions apply).
- b. For continuity of service provision, the contract extension must be approved before the expiration date of the original contract or previously extended term.
- c. Contract extensions are approved in accordance with the authorisation limits as per section 8 of this policy.
- d. There must be documented evidence that the contractor performance has been assessed before the contract extension is approved.

5.8 Contract Expiry

PROCUREMENT

Prior to the expiry of the original contract, and after any options for renewal or extension included in the original contract have been exercised, the City is required to review the purchasing requirements and commence a new competitive purchasing process in accordance with this Policy.

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5.75.9 Procurement Planning

A Procurement Plan is required for all procurement activities above \$50,000. Governance Services will facilitate this process in most instances.

5.85.10 Conflict of Interest

Actual or perceived interests are to be declared using the City's prescribed form. Where there is a perceived or actual conflict of interest in accordance with the Act, the Officer may be removed from any further procurement activity.

For purchases over \$5,000 to \$50,000 employees must sign the applicable procurement threshold documentation relating to conflict of interests, complete and sign the Conflict of Interest Declaration form.

5.95.11 Terms and Conditions

City of Mandurah Standard Terms and Conditions will apply unless a formal contract has been used. Any terms and conditions that are required to be varied must be approved by Manager Governance Services.

5.105.12 Probity Advisors and Audit

The Chief Executive Officer (CEO) may appoint an organisation to undertake a probity audit of the tender process conducted, or parts thereof, if required. The CEO may appoint a probity advisor to observe or participate in the procurement process that will be conducted.

5.115.13 Education and Training

- a. The CEO is required to implement a procurement education and training program. This will include both induction and refresher training to be delivered on an annual basis.
- b. Employees who undertake procurement activities will be required to attend training.

6 EXCEPTIONS TO PROCUREMENT REQUIREMENTS

6.1 Tender Exempt Supply Arrangements

- a. Procurement activities above tender threshold, sourced through tender exempt supply arrangements, must be in accordance with the Regulations and the City's Policies and Procedures. These are set out in regulation 11(2) of the Regulations and include:
 - i. pre-qualified suppliers under the WALGA PSP;
 - ii. suppliers under State Government CUA;
 - iii. suppliers on a Panel of Pre-qualified Suppliers established by the City;
 - iv. a Regional Local Government or another Local Government;

PROCUREMENT

- v. an Australian Disability Enterprise and where the procurement represents value for money;
- vi. where the contract is for petrol, oil, or other liquid or gas used for internal combustion engines; or
- vii. where the supply of goods or services is to be obtained from expenditure authorised in a local emergency under 6.8 (1)(c) of the Act; or
- vi.viii. the supply of the goods or services associated with a State of Emergency in accordance with 11 (2)(aa), (ja) and (3) of the Regulations; or
- vii.ix. procurements covered by any other exclusion under regulation 11 of the Regulations.

6.2 Use of Tender Exempt Suppliers under \$1250,000

- a. Procurements valued under \$1250,000 may be sourced from suppliers through the above tender exempt arrangements. Quotes should only be sourced from a single panel arrangement on each occasion i.e. PSP or a CUA. Written records of the justification and the approval obtained must be recorded in accordance with Procurement Procedures.

6.3 Goods and/or Services required in an Emergency (Local or State)

- a. An "emergency" is defined in the *Emergency Management Act 2005* as "the occurrence or imminent occurrence of a hazard which is of such a nature or magnitude that it requires a significant and coordinated response". Section 6.8(1)(c) of the Act makes provisions for unbudgeted expenditure in a local emergency to be incurred if approved in advance by the Mayor. Regulations 11 (2)(aa),(i) makes provisions where a State of Emergency is declared.
- b. The City's Procurement Procedures provides further information when expenditure is within budget or where a State of Emergency has been declared.
- c. A State of Emergency applies when it is declared under the Emergency Management Act 2005.
- d. The City's own contracts or WALGA's Hazardous and Emergency Event Services PSP should be used wherever possible. The City's Procedures make provision for services that are required urgently or out of hours.
- b. A State of Emergency applies when it is declared under the Emergency Management Act 2005

6.4 Sole Source of Supply

- a. Goods and/or services of a unique nature that can only be supplied from one supplier may be procured using a formal quotation process. Sufficient market testing and investigation of alternative sources of supply must be demonstrated and evidence documented.
- b. The City's Procurement Procedures detail the requirements for procurements under \$1250,000.
- c. The application of the provision of sole source of supply must only occur in limited circumstances with procurement experience indicating that generally more than one supplier is able to be found to provide the requirements of the specification.

PROCUREMENT

6.5 Waiver of Quotation Requirements under \$1250,000

A waiver to seek the required number of quotes (for budgeted expenditure), may be granted at the sole discretion of the CEO and/or Directors. Written records of the justification and the approval obtained must be recorded.

7 PANELS OF PRE-QUALIFIED SUPPLIERS

Where there is a continuing need for a particular type of goods and/or services to be supplied, the City may determine it is beneficial to do so by means of a Panel of Pre-Qualified Suppliers (PQS's). The creation and operation of a PQS must be undertaken in accordance with Part 4, Division 3 of the Regulations.

7.1 Establishing a Panel

- a. State-wide public notice of the invitation to apply to join a PQS is required;
- b. PQS may be established for one supply requirement, or a number of similar supply requirements under defined categories;
- c. Each Request for Application (RFA) issued will describe further the supply type, how the PQS will operate and the minimum number of suppliers to be maintained;
- d. Evaluation criteria will be pre-determined;
- e. Suppliers appointed to a panel as members will be subject to the City's panel terms;
- f. The Regional Price Preference Council Policy may be applied when assessing applications to join a PQS.

7.2 Procuring from the Panel

Procuring from PQS will be outlined in detail in the RFA but in general will be undertaken as follows:

- a. Each panel member will be requested to quote for each item of work under the panel unless the panel is operating using a ranking system (see (b)). Quotes received will be assessed using pre-determined evaluation criteria to evaluate each quote.
- b. Where panel members are ranked, prices may be fixed by means of a pricing schedule or through a quotation on each occasion. The City will invite the highest ranked panel member, who will accept or decline the request. If declined, the next ranked panel member will be invited and so forth until a panel member accepts a Contract.
- c. The City may award any quantity of work to any member on the basis of their quote or any other pre-determined criteria stated in the RFA.
- d. Award of work shall be evidenced by an official Purchase Order, which will represent the "contract", governed by the panel terms.
- e. Contracts issued must not be formed for the supply of goods and/or services for a term exceeding 12 months nor contain an option to renew or extend its term.

7.3 Distributing work amongst panel members

PROCUREMENT

Unless otherwise specified in the RFA, when considering the distribution of work amongst panel members the City will generally take into account such factors as:

- a. accepted pricing schedule or price;
- b. value for money considerations;
- c. ranking (if applicable);
- d. performance during the term of the Panel;
- e. equipment, plant, or capability relative to the particular item of work;
- f. response time and/or availability;
- g. vicinity to the work location;
- h. ability to provide speciality products or services; or
- i. ability to respond to the quote request within the specified timeframe.

7.4 Panel Communication

To ensure clear, consistent, and regular communication between all parties to a panel, the City will allocate to each panel a dedicated contact person for the term of the panel. A communication plan will be developed by the contact person which will include a requirement for scheduled performance review meetings with the City.

7.5 Record Keeping Requirements for Panels

- 8 Each quotation process, including the invitation to quote, communications with panel members, quotations received, evaluation of quotes and award notifications must be captured in the City's electronic records system in a separate file, attached to a nominated electronic quotation system (if available) or to the applicable purchase order in the City's financial software system. Purchase orders raised must reference the PQS reference number for the purposes of monitoring expenditure.

98 AUTHORISATION

a. The following positions are authorised to approve and issue purchase orders or otherwise procure in accordance with this policy, subject to:

i) the general authorisation limits set out in the table below; and

ii) the individual position financial limits set out in the Authorisation Limit Listing; Authorisation to approve purchase requisitions and orders has been assigned to selected positions and is noted on the relevant position description in accordance with the following indicative levels:

POSITION	AUTHORISATION LIMIT (exclusive of GST)
Director/Executive Leadership Team Deputy CEO/Director	As determined by the CEO
Executive Manager/ Manager	Up to \$50,000

PROCUREMENT

Coordinator/Supervisor	\$15,000 to \$40,000
Other <u>Staff</u>	Up to \$5,000

a.b. The conditions of approving purchase requisitions and orders is in accordance with the City's Policies and Procedures and purchases must be within the approved budget adopted by Council. The Authorisation Limit is the value of the contract, inclusive of extensions, variations and options (exclusive of GST).

b.c. An employee cannot exceed their financial authorisation as set out in the Authorisation Limit Listing unless specifically authorised in writing by the CEO i.e. under periods of higher duties. The City's Authorisation Limit Listing, and relevant Policy apply.

e.d. The Authorisations Limit Listing is subject to annual review and approval by the CEO such review to occur annually or as otherwise required, or as required.

9-48.1 Purchasing Cards

- The CEO will develop Procedures for the authorisation and payment of accounts to ensure there is effective security and appropriate authorisations in place for the use of purchasing cards.
- Council approves that the CEO has a purchasing card of a monthly limit of \$20,000 and a maximum transaction limit of \$10,000.
- The Mayor will approve the CEO purchasing card on a monthly basis.
- The CEO will authorise the issue of purchase cards to other City officers following applicable procedures.

9-28.2 Petty Cash

- Petty cash transactions under \$50 are to be authorised by Managers in accordance with City's Procedure.

499 POLICY NON-COMPLIANCE

- Procurement activities are subject to financial and performance audits to review compliance with legislative requirements and the City's Policies and Procedures. Failure to comply with the requirements of this Policy or prescribed processes will be subject to investigation, with findings to be considered in context of the employees training, experience, seniority and reasonable expectations of the performance of their role.
- Where a breach is substantiated it may be treated as:
 - an opportunity for additional training to be provided;
 - a disciplinary matter, which may or may not be subject to reporting requirements under the *Public Sector Management Act 1994*;
 - misconduct in accordance with the *Corruption, Crime and Misconduct Act 2003*.

PROCUREMENT

Responsible Directorate:	Corporate Services
Reviewer:	Manager Governance Services
Creation date:	Minute G.28/3/07, 20 March 2007
Amendments:	Minute G.37/5/12, 22 May 2012 Minute G.28/7/12, 24 July 2012 Minute G.36/9/13, 24 September 2013 Minute G.35/2/15, 24 February 2015 Minute G.10/7/19, 23 July 2019 Minute G.17/2/20, 25 February 2020
Related Documentation and or/legislation:	<i>Local Government Act 1995 (Act) and Part 4 of the Local Government (Functions and General) Regulations 1996</i>



MINUTES OF AUDIT AND RISK COMMITTEE MEETING

Held on

**Tuesday 19 May 2020
5.30 pm**

**at Council Chamber, 83 Mandurah Terrace and via
eMeeting**

PRESENT:

COUNCILLOR	P JACKSON [CHAIRMAN]	NORTH WARD
MAYOR	R WILLIAMS	
COUNCILLOR	J GREEN	COASTAL WARD
COUNCILLOR	A ZILANI	NORTH WARD
COUNCILLOR	P ROGERS	TOWN WARD
MR	W TICEHURST	INDEPENDENT MEMBER

ELECTED MEMBERS OBSERVING:

COUNCILLOR	C KNIGHT
COUNCILLOR	D PEMBER

OFFICERS

MR	M NEWMAN	CHIEF EXECUTIVE OFFICER
MR	G DAVIES	DEPUTY CHIEF EXECUTIVE OFFICER
MRS	C MIHOVLOVICH	DIRECTOR CORPORATE SERVICES
MR	A CLAYDON	DIRECTOR WORKS AND SERVICES
MRS	T JONES	MANAGER GOVERNANCE SERVICES
MRS	L SLAYFORD	MINUTE OFFICER

OPENING OF MEETING [AGENDA ITEM 1]

Prior to commencement of this electronic meeting Committee Member connections by electronic means were tested and confirmed.

The Chairman declared the meeting open at 5.30pm.

APOLOGIES [AGENDA ITEM 2]

Leave of Absence
Councillor Lee

Apologies

IMPORTANT NOTE [AGENDA ITEM 3]

The purpose of this Committee Meeting is to discuss and make recommendations to Council about items appearing on the agenda and other matters for which the Committee is responsible. The Committee has no power to make any decisions which are binding on the Council or the City of Mandurah unless specific delegation of authority has been granted by Council.

No person should rely on or act on the basis of any advice or information provided by a Member or Officer, or on the content of any discussion occurring, during the course of the meeting. The City of Mandurah expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any advice or information provided by a Member or Officer, or the content of any discussion occurring, during the course of the Committee meeting.

RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE [AGENDA ITEM 4]

Nil.

PUBLIC QUESTION TIME [AGENDA ITEM 5]

The Committee Chairperson advised of processes, information and advertising undertaken to permit the electronic submission of questions by members of the public. No public questions were submitted for the meeting.

PRESENTATIONS AND ANNOUNCEMENTS [AGENDA ITEM 6]

AR.1/5/20 SUSPENSION OF STANDING ORDERS

Councillor Jackson advised the meeting that the *City of Mandurah Standing Orders Local Law 2016* will be modified to ensure Committee Members and the public can participate in and follow the meeting as it progresses.

MOTION

Moved: Councillor Jackson
Seconded: Mayor Williams

That the Audit and Risk Committee:

- 1. Suspend the operation of the following provisions of the *City of Mandurah Standing Orders Local Law 2016* for the duration of this meeting to ensure Council Members and the public can follow and participate in the meeting as it progresses:**

- 1.1. Standing Orders 3.3 Public Question Time pertaining to public participation in meetings continues via electronic means only with public submissions received to be read aloud by the Presiding Member at the relevant agenda item.**
- 1.2. Standing Order 7.2 Members to occupy own seats whilst present in meeting room. Relevant only for Members comprising the Committee.**
- 1.3. Agree under Standing Orders 8.1(1) and 12.2, that instead of requiring a show of hands, a vote will be conducted by exception with the Presiding Member calling for those Members against each motion. If no response is received the motion will be declared carried and minuted accordingly.**
- 1.4. Reiterate the requirement as per Standing Order 7.3 for Members to advise the Presiding Member when leaving or entering the meeting at any time.**

CARRIED: 6/0

AR.2/5/20 GOVERNANCE SERVICES: RISK MANAGEMENT FRAMEWORK

The City's Governance, Compliance and Risk Officer delivered a summary update of the new Risk Management Framework and informed on its purpose and value; alignment with Australian Standards ISO 31000:2018 Risk Management Guidelines; how the risk management framework will integrate within the organisation; roles and responsibilities and risk reporting. .

Mayor Williams left the Chamber at 6.00pm, returning at 6.02pm.

DEPUTATIONS [AGENDA ITEM 7]

The Chairperson advised of processes, information and advertising undertaken to permit the electronic submission of deputations by members of the public. No deputations were received for the meeting.

CONFIRMATION OF MINUTES [AGENDA ITEM 8]

AR.3/5/20 CONFIRMATION OF MINUTES TUESDAY 17 MARCH 2020

MOTION

Moved: Councillor Zilani

Seconded: Councillor Green

That the Minutes of the Audit and Risk Committee meeting of Tuesday 17 March 2020 be confirmed.

CARRIED: 6/0

DECLARATIONS OF INTERESTS [AGENDA ITEM 9]

Nil.

QUESTIONS FROM COMMITTEE MEMBERS [AGENDA ITEM 10]

Questions of Which Due Notice Has Been Given

Nil.

Questions of Which Notice Has Not Been Given

Nil.

BUSINESS LEFT OVER FROM PREVIOUS MEETING [AGENDA ITEM 11]

Nil.

6.07pm: At this juncture in the meeting the Presiding Member, Councillor Jackson, verified with the electronically connected attendee that the connection remained and he was in attendance at the electronic meeting for report discussion.

REPORTS FROM OFFICERS [AGENDA ITEM 12]

AR.4/5/20 OFFICE OF THE AUDITOR GENERAL PURCHASING CARDS (REPORT 1)

Summary

The Office of the Auditor General (OAG) has released a report on Controls Over Purchasing Cards that was tabled on 27 March 2020. The OAG selected a sample of nine state government entities to conduct the audit. These entities had a number of purchasing cards ranging from 8 to 1,022. The City currently holds 116 active cards.

Comment

The City officers have commented on the City's current practice to the following audit findings:

- *All entities had up to date and approved policies and procedures for the use of purchasing cards, however some aspects were not included*
 - *In five entities, there was no policy or clarification regarding the return of cards while on extended leave*
City officer comments - This does not exist at the City. The cardholder is responsible for notifying Finance of their extended leave. The Finance team will also be implementing a procedure when an officer is on extended leave.

- *Four entities did not have a policy regarding the use of Paypal.*
City officer comments - The City does not currently refer to payment gateways in its current CEO Purchasing Card Policy. A section will be added to the CEO policy for purchasing cards outlining the requirements of using payment gateways such as Paypal.
- *Four entities needed clearer policy around hospitality and entertainment expenses*
City officer comments - The City adopted a CEO policy on the use of purchasing cards and petty cash for entertainment expenses that is very clear on acceptable use and limits for these types of expenditure.
- *Most entities need to apply better controls over the use of cards:*
 - *Two entities had instances of rewards cards being used. Public sector guidelines on gifts, benefits and hospitality require that purchasing cards should not be used to gain private advantage through the transaction.*

City officer comments - The City does not allow the use of personal rewards/use of personal loyalty cards when the expenditure relates to public purposes. Finance conduct a monthly audit on receipts through purchasing cards and there has been no evidence in the last 12 months that City officers have used their own personal rewards to gain private advantage.
 - *Sharing a card. The risk of sharing a card is that an entity cannot hold a cardholder accountable for all of the transactions paid for using that card.*

City officer comments - The City does not allow City officers to share a card and this is included in the terms and conditions the City officer signs when receiving the purchasing card.
 - *Splitting of payments. The risk of splitting a payment is that the cardholder is making a purchase at a value that they are not delegated to make.*

City officer comments - The City does not allow City officers to split payments unless approved by the Manager Finance (exceptional circumstances). All transactions are reviewed by finance staff.
 - *Personal use on purchasing cards*

City officer comments - All City purchasing card transactions are reviewed by finance and the relevant Manager.
- *Purchases not acquitted and approved in a timely manner:*
 - *155 out of 600 transactions tested were not acquitted and approved in a timely manner.*

City officer comments - The City's terms and conditions on the use of credit cards state a transaction must be coded and approved five days after the end of the monthly billing statement cycle.
 - *Transaction limits not applied to purchasing cards in 7 of the 9 entities sampled.*

City officer comments - The City has transaction limits on all purchasing cards.
- *None of the entities sampled had a formal review process to identify any shortcomings:*
 - *Most of the entity's samples stated they performed a formal review but had no formal evidence.*

City officer comments - The City reviews cards and card limits on a quarterly basis and presents to the CEO for approval. The finance team should undertake a review of the under use and inactivity and present to the CEO for cancellation.

There are two actions the City needs to take as a result of this report.

1. Update the CEO Purchasing Card policy to include the process and timeframes during leave periods as well as including the City's requirements for payment gateways such as Paypal transactions.
2. Introduce a formal three monthly review of monthly spend on cards and identify areas of under use and inactivity for recommendation to the CEO for cancellation.

Officer Recommendation

That the Audit and Risk Committee note the City officers' responses in the Comment section of this report in relation to the Office of the Auditor General's report on Controls Over Purchasing Cards.

Committee Recommendation

MOTION

Moved: Mayor Williams
Seconded: Councillor Zilani

That the Audit and Risk Committee note the City officers' responses in the Comment section of this report in relation to the Office of the Auditor General's report on Controls Over Purchasing Cards.

CARRIED UNANIMOUSLY: 6/0

AR.5/5/20 OFFICE OF THE AUDITOR GENERAL FINANCIAL CONTROL MATTERS (REPORT 2)

Summary

The Office of the Auditor General (OAG) has released a COVID-19 Financial Control Matters circular to local governments with the view of conducting a self-assessment on the internal controls in place throughout the COVID-19 pandemic. In these uncertain times, there is an increased risk of an entity taking advantage and good controls over finances and key decisions during this period will help to mitigate that risk.

Comment

Assets – Risk of misappropriation, unauthorised purchases or disposals

Entities should ensure:

- all purchases are in line with their procurement policy and any temporary divergence from the policy is approved by the DG or CEO and recorded in a central registry
 - City Officer comments - Communication has been provided to staff that even with COVID-19, the procurement process must be followed. Any requests that are not in accordance with the Procurement Council Policy, must go to Council for approval. There have been no such instances to date.

- asset acquisitions are approved in line with the delegation of authority
 - City Officer comments – Asset acquisitions remain in line with the delegation of authority and this is part of the purchase order controls settings that are in place.
- asset reconciliations between the register and the general ledger are prepared and reviewed on a timely basis
 - City Officer comments – Currently asset reconciliations are prepared on a yearly basis due to the complexities of the corporate business system. This has also been noted in the year end audit report. The reconciliations are due to go monthly with the implementation of the new corporate business system (often referred to as the ERP).
- asset disposals/write-offs are appropriately authorised
 - City Officer comments – Asset disposals are in line with the delegated authority that is in place.
- loans of assets to other entities are properly recorded and authorised
 - City Officer comments – The City has a register however this has not occurred yet and if the City approves an organisation to use an asset, it would enter into an agreement to do so to ensure the City is protected from any liability claims while the third party is using the asset.
- where necessary, key responsibilities continue to be segregated in relation to asset acquisition, recording, custody, disposal and reconciliation
 - City Officer comments – There are no changes to the segregation of duties. All Officers are undertaking their normal duties and therefore the City has sufficient segregation of duties controls in place.
- appropriate records of portable and attractive assets are maintained, particularly those that staff may take home to use when working from home.
 - City Officer comments – The City has recorded the portable assets that have been taken home by City officers during this time.

Cash – Risk of misappropriation

Entities should ensure:

- regular bank reconciliations are prepared and reviewed, reconciling items are investigated and resolved
 - City Officer comments – Daily bank reconciliations remain as a daily task as well as the monthly bank reconciliation. Any issues are investigated and resolved.
- all bank accounts have at least 2 signatories
 - City Officer comments – The current controls of two signatories to make payments from the bank are still required and there will be no changes to this significant control that is in place.
- online purchasing policies are reviewed to reflect the current period
 - City Officer comments – City officers have not seen any increase in online purchasing. This is reviewed and any irregular purchases would be investigated.
- increases in purchasing card limits are appropriately approved
 - City Officer comments – There has been no increases in purchasing card limits. It has been timely that some City officers have recognised their limited use and as a result their purchasing cards have been cancelled.
- there are appropriate and timely reviews of credit card usage.
 - City Officer comments – Managers review City officer statements monthly. The financial team also review transactions and present a list of City officers to the CEO for approval on a quarterly basis to ensure there is a regular review of the City Officers who require a purchasing card.

Expenditure – Risk of unauthorised or invalid payments, incorrect or invalid suppliers, and increased risk of fraudulent payments

Entities should ensure:

- all purchases are in line with their procurement policy and any temporary divergence from the policy is approved by the DG or CEO and recorded in a central registry

- City Officer comments – As stated above in the assets section, communication has been provided to staff that even with COVID-19, the procurement process must be followed. Any requests that are not in accordance with the Procurement Council Policy, must go to Council for approval. There have been no such instances to date.
- changes to vendor master files are documented and approved (for better practice guidance see our March 2019 report Management of Supplier Master Files)
 - City Officer comments – The finance team do not document that the changes have been checked by a supervisor. There is an informal check of the changes. The new ERP has been configured so that it will document the approvals.
- there is separation between the vendor creation and payment approval functions
 - City Officer comments – This is in place
- a 3-way match is performed of invoices, receipt of goods and purchase orders
 - City Officer comments – This is in place
- payment authorisation is made in line with the delegation of authority and requires 2 to sign. Signatories should pay *particular attention* to the delivery addresses of goods received
 - City Officer comments – This is in place
- purchase orders are prepared and appropriately authorised
 - City Officer comments – This is in place. Where a purchase order has not been raised requisitioners are required to raise one before the invoice is paid.
- appropriate security and checks are in place over EFT payment data
 - City Officer comments – This is in place

Officer Recommendation

That the Audit and Risk Committee note the City officer responses in the Comment section of this report to the Office of the Auditor General's COVID-19 Financial Control Matters.

Committee Recommendation

MOTION

Moved: Mr Ticehurst

Seconded: Councillor Peter Rogers

That the Audit and Risk Committee note the City officer responses in the Comment section of this report to the Office of the Auditor General's COVID-19 Financial Control Matters.

CARRIED UNANIMOUSLY: 6/0

AR.6/5/20 OFFICE OF THE AUDITOR GENERAL 2019 AUDIT (REPORT 3)

Summary

The Office of the Auditor General (OAG) responsibility for the audits of local governments began in the 2017/18 financial year with a four-year transition. For the 2018/19 year, the OAG audited 112 of 148 WA local governments. Accordingly, they have released their report on the audits for the 2018/19 year to State Parliament. As the OAG now audits the majority of local governments, their report includes finding and recommendations that are relevant for the City to consider. OAG will undertake the City's financial audits with the OAG in the 2020/21 year.

It is recommended that the Audit and Risk Committee note the City officer's comments to the OAG recommendations.

Comment

City officers have provided comments to the recommendations made by the OAG in the report:

Recommendation One

Local government entities should ensure they maintain the integrity of their financial control environment by:

- a. periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures, and communicating these to staff*
- b. conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments*
- c. regularly monitoring compliance with relevant legislation*
- d. promptly addressing control weaknesses brought to their attention by our audits, and other audit and review mechanisms.*

Officer Comment - The City is undertaking a review of all treatment of financial transactions, policies and procedures to ensure compliance with legislation. The financial team implemented a new staffing structure in October 2019 to gain efficiencies and ensure a greater knowledge of the business is shared by all. The Audit and Risk Committee has been presented with the City's internal audit strategy for endorsement, which will periodically review and identify weaknesses in internal controls and compliance. When reports such as this OAG report are received, the City intends to review the report and implement any recommendations that are necessary to ensure there is continuous improvement.

Recommendation Two

Entities should ensure that reports from their valuers clearly explain key aspects of the valuations, and that management has a comprehensive understanding of the reports.

Officer Comment - The City's revaluation of assets occurs every three to five years. Valuation reports are reviewed by City officers and management for correctness and any issues are raised with the valuer prior to the final report being issued.

Recommendation Three

Management should annually review the estimated useful lives of assets used for calculating depreciation, if necessary in consultation with their valuers or other experts. In addition, for greater consistency across entities, the Department of Local Government, Sport and Cultural Industries (DLGSC) should review its guidance regarding potential ranges for useful lives of assets, and entities should consider the guidance when doing their annual reviews.

Officer Comment - City Officers are preparing an Asset Depreciation and Capitalisation Council Policy that will outline the useful lives of assets. The City also supports the OAG's view that the Department should review its guidance for local government.

Recommendation Four

Entities who have not yet done so, should implement the recommendations of our local government position paper number 1 'Accounting for work bonds, building bonds and hire bonds'.

Officer Comment - The City is currently implementing the recommendations in this position paper for the 2020 year.

Recommendation Five

Local government entities should, where necessary, seek advice in advance of year end if uncertain about appropriate accounting treatments.

Officer Comment - The City does occasionally seek advice if uncertain about appropriate accounting treatments. The City has five professional qualified accountants (either Chartered Accountant or Certified Practising Accountant memberships) with considerable experience in interpreting accounting standards.

Recommendation Six

To facilitate timely preparation of annual financial reports, and to minimise the additional audit costs associated with Australian Accounting Standards on revenue, income and leases (AASB 15, AASB 1058 and AASB 16), entities should complete preparations for those new standards by 30 June 2020.

Officer Comment - The City is close to completing the preparation for the new accounting standards and they will be in place by 30 June 2020.

The recommendations from the report for the Department of Local Government, Sport and Cultural Industries are detailed below:

1. DLGSC should consider extending existing declaration processes to include annual related party declarations for councillors and key management personnel that assist compliance with Australian Accounting Standard AASB 124 and that are fit-for-purpose to the local government environment.
2. To improve the quality of financial reports and achieve greater consistency across entities, DLGSC should consider providing an accounting advice helpdesk to the local government sector.
3. DLGSC should re-assess the amount of detail required to be included in annual financial reports, in particular for small and medium sized entities.
4. DLGSC should re-assess the potential advantages and disadvantages if smaller local government entities reported some asset classes such as plant and equipment using the cost model, rather than periodically re-valuing those assets.
5. Entities and DLGSC should monitor the progress of the Australian Accounting Standards Board (AASB) and the International Public Sector Accounting Standards Board (IPSASB) public sector fair value projects relating to the valuation of assets.
6. DLGSC should consider facilitating a shared internal audit service for the local government sector, as a service available to small and medium entities who do not have their own internal audit function.

The City supports the OAG's recommendations to the DLGSC.

Officer Recommendation

That the Audit and Risk Committee note the officer's responses to the Office of the Auditor General's (OAG) recommendations in the OAG's Audit Results Report – Annual 2018-19 Financial Audits of Local Government Entities.

Committee Recommendation

MOTION

Moved: Councillor Green
Seconded: Councillor Jackson

That the Audit and Risk Committee note the officer's responses to the Office of the Auditor General's (OAG) recommendations in the OAG's Audit Results Report – Annual 2018-19 Financial Audits of Local Government Entities.

CARRIED UNANIMOUSLY: 6/0

AR.7/5/20 AUDIT 2020 CONSIDERATIONS (REPORT 4)

Summary

The City's auditor, Deloitte, have asked City officers to review certain assumptions and considerations used in the financial reporting process for this year's financial statements (financial year ending 30 June 2020). City officers have reviewed the supplied document and determined that while many of these issues are not reflected in local government, there are several that need consideration.

Comment

From the International Financial Reporting Standards (IFRS) in focus report, the following points require consideration:

- Preparation of forecast cash flow estimates
 - The City has prepared a COVID-19 budget adjustment to account for the loss in revenue and consequent decrease in expenditure as a result. This report will be presented to the May Ordinary Council Meeting as part of the April monthly financial report.
- Recoverability and impairment of assets
 - The City's asset values are not expected to be impaired from the COVID-19 pandemic as the majority are infrastructure assets such as roads, drainage and parks. Under AASB 13 *Fair Value measurement*, these classes of assets are valued using replacement cost less depreciation as there are no available market participants to obtain a value that the asset would sell for.
- Accounting for financial assets
 - Under AASB 9 – *Financial Instruments* the City needs to assess trade debtors, loans receivables and rent/lease receivables to establish the expected credit losses for each category. The City does not calculate expected credit losses on rate debtors as these charges are statutory and a charge on land is eventually recoverable with the sale of that land. This recognition came into effect in the 2019 financial year and replaces the accounting treatment for doubtful debts provision. As part of the end of financial year planning the expected credit loss calculations will be undertaken and included as a note in the financial statements.
- Contract Modifications
 - The pandemic has resulted in contract variations for the City. These changes will result in financial adjustments that will be made in the budget and the COVID-19 budget adjustments. The City is expecting a delay in the roll out of the new Enterprise Resource Planning (ERP) software and are in discussions with the supplier to determine if the City can position itself in a more advantageous position. This may impact the lease asset and liability amounts.

- *Going Concern*
 - The City has assessed the budget for the COVID-19 pandemic and have identified reduced expenditures to match the loss in revenue. The City's cashflow position remains viable and it is expected that the City will be operating well into the future.

All other issues raised in the document, detailed in Attachment 4.1, have been assessed by City officers and do not apply to the City's business, as a local government.

Officer Recommendation

That the Audit and Risk Committee note the City officer responses outlined in the Comment section of the report.

Committee Recommendation

MOTION

Moved: Mr Ticehurst

Seconded: Mayor Williams

That the Audit and Risk Committee note the City officer responses outlined in the Comment section of the report.

CARRIED UNANIMOUSLY: 6/0

AR.8/5/20 STRATEGIC INTERNAL AUDIT PLAN 2020/21 – 2022/23 (REPORT 5)

Summary

Internal audit is a dynamic function involved in helping an organisation achieve its objectives. It is concerned with evaluating and improving the effectiveness of risk management, control and governance processes. Although it is not an activity required by the *Local Government Act 1995* (Act), it is considered to be an essential part of achieving best practice in risk management and effective and efficient internal controls.

The City of Mandurah's (the City) internal audit function has now been established and is due for implementation in 2020/21 financial year.

The Audit and Risk Committee are requested to review the City's Strategic Internal Audit Plan 2020/21 -2022/23, Internal Audit Charter, Internal Audit Plan and amendments to the Audit and Risk Committee Terms of Reference before the documents are presented to Council for adoption.

Officer Recommendation

That the Audit and Risk Committee recommend that Council adopts the:

- 1 Amended the Audit and Risk Committee Terms of Reference as per Attachment 5.1.
- 2 Strategic Internal Audit Plan 2020/21 – 2022/23 as per Confidential Attachment 5.2.
- 3 Amended Internal Audit Charter as per Confidential Attachment 5.3.
- 4 Amended Internal Audit Manual as per Confidential Attachment 5.4.

Committee Recommendation

MOTION

Moved: Councillor Peter Rogers

Seconded: Councillor Ahmed Zilani

That the Audit and Risk Committee recommend that Council adopts the:

- 1 Amended the Audit and Risk Committee Terms of Reference as per Attachment 5.1.**
- 2 Strategic Internal Audit Plan 2020/21 – 2022/23 as per Confidential Attachment 5.2 with the following amendments:**
 - 2.1 Defer the Contract Management (city wide) Internal Audit from 2020/21 to take place in the 2021/22 financial year; and**
 - 2.2 Insert new auditable area of Crisis Governance and Response Internal Audit to be undertaken in 2020/21.**
- 3 Amended Internal Audit Charter as per Confidential Attachment 5.3.**
- 4 Amended Internal Audit Manual as per Confidential Attachment 5.4.**

CARRIED UNANIMOUSLY: 6/0

Reason: The Committee agreed to the amendment to resolution point 2. Note: Council will be required to approve the scope and objective of the Crisis Governance and Response Internal Audit to be undertaken in 2020/21 at the Ordinary Council Meeting of 26 May 2020.

AR.9/5/20 CEO REVIEW OF RISK MANAGEMENT, INTERNAL CONTROLS AND COMPLIANCE (REPORT 6)

Summary

In accordance with Regulation 17(1) of the *Local Government (Audit) Regulations 1996* (Regulations), the Chief Executive Officer (CEO) is required to review the appropriateness and effectiveness of the City of Mandurah (the City) systems and procedures in relation to risk management, internal controls and legislative compliance at least once every three calendar years.

An independent internal audit service provider was appointed by the CEO to undertake the review in April 2020. The findings from the review represent an opportunity for continuous improvement to the City's governance systems. Over the next 18 months the review improvements will be implemented and the progress monitored in accordance with the City's Internal Audit Function.

The report is now being presented to Audit and Risk Committee for consideration and review of the improvement actions identified.

In accordance with Regulation 16, the Audit and Risk Committee is required to receive the review report and report to Council the results of the Committees review.

Officer Recommendation

That the Audit and Risk Committee recommend that Council:

1. Endorses the CEO's review of risk management, internal controls and legislative compliance as per Confidential Attachment 6.1.
2. Notes the action plan for implementation of the improvements identified as per Confidential Attachment 6.2.
3. Adopts one amendment to the 2019 Local Government Compliance Audit Return for the period 1 January 2019 to 31 December 2019 as per Attachment 6.3 and submits the amendment to the Department of Local Government, Sport and Cultural Industries.

Councillor Zilani left the Chamber at 6.47pm returning at 6.51pm.

Committee Recommendation

MOTION

Moved: Mayor Rhys Williams

Seconded: Councillor Peter Rogers

That the Audit and Risk Committee recommend that Council:

1. Notes the CEO's review of risk management, internal controls and legislative compliance as per Confidential Attachment 6.1.
2. Notes the action plan for implementation of the improvements identified as per Confidential Attachment 6.2.
3. Adopts one amendment to the 2019 Local Government Compliance Audit Return for the period 1 January 2019 to 31 December 2019 as per Attachment 6.3 and submits the amendment to the Department of Local Government, Sport and Cultural Industries.

CARRIED UNANIMOUSLY: 6/0

Reason: The Committee agreed to amend resolution point 1 to note the CEO's review.

REPORTS FROM AUDITORS [AGENDA ITEM 13]

Nil.

LATE AND URGENT BUSINESS ITEMS [AGENDA ITEM 14]

Nil.

6.58pm: Prior to concluding the meeting Councillor Jackson checked with the electronic attendee and confirmed the attendee remained connected and in attendance at the electronic meeting.

CLOSE OF MEETING [AGENDA ITEM 15]

There being no further business, the Chairman declared the meeting closed at 6.58pm.

CONFIRMED:[CHAIRMAN]

Attachments to Audit and Risk Committee Minutes:

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AR.8/5/20	Audit and Risk Committee Terms of Reference Attachment 5.1	26 – 31
AR.9/5/20	Amendment to the 2019 Local Government Compliance Audit Return Attachment 6.3	32

Confidential Attachments to Audit and Risk Committee Minutes:

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AR.8/5/20	Internal Audit Charter Confidential Attachment 5.3	19 – 25
AR.8/5/20	Internal Audit Manual Confidential Attachment 5.4	26 – 45
AR.9/5/20	CEO Review of Risk Management, Legislative Compliance and Internal Controls Confidential Attachment 6.1	46 – 88
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IFRS in Focus

Accounting considerations related to the Coronavirus 2019 Disease

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Introduction

The coronavirus 2019 (COVID-19) pandemic is affecting economic and financial markets, and virtually all industries are facing challenges associated with the economic conditions resulting from efforts to address it. For example, many entities in the travel, hospitality, leisure, and retail industries have seen sharp declines in revenues due to regulatory and organisational mandates (e.g. "shelter in place" mandates, school closures) and voluntary changes in consumer behaviour (e.g. "social distancing").

As the pandemic increases in both magnitude and duration, entities are experiencing conditions often associated with a general economic downturn. This includes, but is not limited to, financial market volatility and erosion, deteriorating credit, liquidity concerns, further increases in government intervention, increasing unemployment, broad declines in consumer discretionary spending, increasing inventory levels, reductions in production because of decreased demand, layoffs and furloughs, and other restructuring activities. The continuation of these circumstances could result in an even broader economic downturn which could have a prolonged negative impact on an entity's financial results. This *IFRS in Focus* discusses certain key IFRS accounting considerations related to conditions that may result from the COVID-19 pandemic. The significance of the individual issues discussed below will of course vary by industry and by entity, but we believe that the following topics will be the most pervasive and difficult to address.

- *Preparation of forecast cash flow estimates*—The use of forecast information is pervasive in an entity's assessment of, among other things, the impairment of non-financial assets, expected credit losses, the recoverability of deferred tax assets and the entity's ability to continue as a going concern. Unique complexities associated with preparing forward-looking information as a result of the pandemic and economic downturn include the following:
 - There is an extremely wide range of possible outcomes, resulting in a particularly high degree of uncertainty about the ultimate trajectory of the pandemic and the path and time needed for a return to a "steady state."
 - The associated economic impact of the pandemic is highly dependent on variables that are difficult to predict. Examples include the degree to which governments prohibit business and personal activities, the associated level of compliance by citizens, the degree to which "flattening the curve" is successful, and the nature and effectiveness of government assistance.
 - Each entity must then translate the effect of those macro conditions into estimates of its own future cash flows.

Nevertheless, entities will need to do their best to make reasonable estimates, prepare comprehensive documentation supporting the basis for such estimates and provide robust disclosure of the significant judgements exercised, the key assumptions used and, potentially, their sensitivity to change.

- *Recoverability and impairment of assets*—Perhaps the most acute example of the increased challenge associated with forecast information is the impairment testing for non-financial assets (for example, property, plant and equipment (PP&E), right-of-use assets, intangible assets and goodwill). The impairment test for these assets often requires the development of cash flow projections that are subject to the significant uncertainties noted above.
- *Accounting for financial assets*—There has been a severe decline in the fair value of many financial assets, particularly equity securities. Likewise, the ability of debtors to comply with the terms of loans and similar instruments has been adversely affected. Entities will need to carefully consider and apply the appropriate measurement and impairment loss recognition requirements.
- *Contract modifications*—Changes in the economic activity caused by the pandemic will cause many entities to renegotiate the terms of existing contracts and arrangements. Examples include contracts with customers, compensation arrangements with employees, leases and the terms of many financial assets and liabilities. Entities will need to ensure that the relevant requirements in IFRS Standards are applied.
- *Events after the end of the reporting period*—It may be challenging for an entity to determine if an event after the end of the reporting period is adjusting or non-adjusting in a global marketplace that is extremely volatile and in which major developments occur daily (e.g. announcements of government stimuli and restrictions) and the stock market's daily reaction to new information. Although entities may not have all facts "on hand" at the reporting date, once such facts are gathered an assessment must be based on conditions as they existed at the reporting date. The amounts in the financial statements must be adjusted only to reflect subsequent events that provide evidence of conditions that existed at the reporting date. With respect to reporting periods ending on or before 31 December 2019, it is generally appropriate to consider that the effects of the COVID-19 outbreak on an entity are the result of events that arose after the reporting date, for example decisions made in response to the COVID-19 outbreak, that may require disclosure in the financial statements, but would not affect the amounts recognised. For subsequent reporting periods, the effects of the COVID-19 pandemic may affect the recognition and measurement of assets and liabilities in the financial statements. This will be highly dependent on the reporting date, the specific circumstances of the entity's operations and the particular events under consideration.
- *Going concern*—As a result of COVID-19 and its associated effects, entities need to consider whether, in their specific circumstances, they have the ability to continue as a going concern for at least, but not limited to, 12 months from the reporting date. Management's assessment of the entity's ability to continue as a going concern involves making a judgement, at a particular point in time, about inherently uncertain future outcomes of events or conditions. This will require an entity to consider, among other things, (1) the extent of operational disruption; (2) potential diminished demand for products or services; (3) contractual obligations due or anticipated within one year; (4) potential liquidity and working capital shortfalls; and (5) access to existing sources of capital (e.g., available line of credit, government aid). In making its going concern assessment, IAS 10 *Events after the Reporting Period* requires an entity to consider events up to the date of authorisation of the financial statements. In certain jurisdictions, regulations may extend this period (e.g. until presentation of the financial statements at an annual shareholders' meeting).

Entities must carefully consider their unique circumstances and risk exposures when analysing how recent events may affect their financial statements. Specifically, financial statement disclosures will need to convey the material effects of the COVID-19 pandemic.

Material judgements and uncertainties

As a result of the uncertainty associated with the unprecedented nature of the COVID-19 pandemic, entities are likely to face challenges related to selecting appropriate assumptions and developing reliable estimates. Nevertheless, they will still be required by IFRS Standards to develop estimates that underlie various accounting conclusions. To develop estimates, entities will need to consider all available information as well as whether they have met all applicable disclosure requirements, including those in IAS 1 *Presentation of Financial Statements*.

A number of assumptions or estimates may be required for more than one purpose (e.g. forecast revenues may be relevant to impairment tests and recognition of deferred tax assets). Consistent assumptions should be used for all relevant assessments.

When reporting in uncertain times, it is particularly important to provide users of the financial statements with appropriate insight into the entity's resilience in the face of the current uncertainty and to understand the key assumptions and judgements made when preparing financial information.

Depending on an entity's specific circumstances, each of the areas discussed in this publication may be a source of material judgement and uncertainty that requires disclosure applying IAS 1. Where this is the case, the entity should provide disclosures, distinguishing between:

- Significant judgements (disclosure required by IAS 1:122), i.e. judgements other than estimations made in applying an entity's accounting policies, often as to how an item is characterised; and
- Significant sources of estimation uncertainty (disclosure required by IAS 1:125, if the source of estimation uncertainty results in a significant risk of material adjustment to assets or liabilities within the next financial year), i.e. assumptions or other sources of estimation uncertainty (including judgements involving estimation), primarily over the carrying amount of an item.

In the current situation, it would appear reasonable for entities not to be bound by a narrow interpretation of what constitutes a significant source of estimation uncertainty and provide as much context as possible for the assumptions and predictions underlying amounts recognised in the financial statements, in line with the spirit of the requirements of IAS 1:125.

Relevant judgements and assumptions might include the:

- availability and extent of support through government support measures that have been announced;
- availability, extent and timing of sources of cash, including compliance with banking covenants or reliance on those covenants being waived;
- duration of social distancing measures and their potential impacts.

There is not a single view on how the COVID-19 pandemic will evolve and its impact on the economy. This lack of consistency makes the need for full disclosure of judgements, assumptions and sensitive estimates significantly more important than usual.

A Deloitte [IFRS in Focus](#) publication provides more detail on the disclosure of significant judgements and sources of estimation uncertainty.

Going concern

COVID-19 is disrupting operations of many businesses. Entities will need to consider whether such disruption will be prolonged and result in diminished demand for products or services or significant liquidity shortfalls (or both) that, among other things, cause management to assess whether the entity may be able to continue as a going concern for at least, but not limited to, 12 months from the reporting date.

Financial statements are prepared on a going concern basis unless management intends either to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When making its assessment, if management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity must disclose those uncertainties.

If management identify events or conditions (other than those with a remote probability of occurring) that could lead to corporate failure, these should be disclosed. In identifying such events or conditions, management should consider both the uncertainty and the likely success of any realistic possible response to mitigate this uncertainty.

An entity's current facts and circumstances may challenge the going concern basis of preparation. Assessing whether an entity is a "going concern" typically requires the following factors to be considered:

- Whether the forecast performance would result in an adequate level of headroom over the entity's available borrowing facilities and compliance with relevant loan covenants; and
- The availability of sufficient committed borrowing facilities for the foreseeable future and whether there are indicators that the lending counterparty will be unable to provide this funding.

In the current situation, the assessment is made more difficult given the uncertainties about the impact of the COVID-19 pandemic, the extent and duration of social distancing measures in effect in many jurisdictions and the impact on the economy. Management should consider the impact of these matters on the *entity's specific circumstances*, in particular current and potential cash resources including access to existing and new financing facilities, and factoring and reverse factoring arrangements. Access and use of such facilities and arrangements should be disclosed.

The assessment as to whether the going concern basis is appropriate takes into account events after the end of the reporting period. For example, for 31 December 2019 reporters that are severely affected by COVID-19, even though the significant impact on operations occurred after year-end, will need to consider the appropriateness of preparing financial statements on a going concern basis.

In making this assessment, management will need to take into account all information available up to the date of authorisation of the financial statements (in certain jurisdictions, local regulations may extend this period). The information to be considered includes government announcements affecting the ability of an entity to operate and of any government assistance programmes to which the entity may be entitled. When management is aware of material uncertainties that cast a significant doubt on the entity's ability to continue as a going concern, IAS 1:25 requires the entity to disclose those material uncertainties in the financial statements. The disclosure should be specific to the entity's own situation, for example explaining how and when the uncertainty may crystallise and its impact on the entity's resources, operations, liquidity and solvency.

When an entity has applied significant judgement in the process of concluding that no material uncertainty exists that meets criteria for disclosure, that circumstance requires disclosure under IAS 1:122 on disclosures of significant judgements in order to provide users of the financial statements with sufficient information to understand the pressures on liquidity, viability and solvency.

Events after the end of the reporting period

Given the economic environment and the likelihood that events may occur rapidly or unexpectedly, entities should carefully evaluate information that becomes available after the end of the reporting period but before the date of authorisation of the financial statements. The amounts in the financial statements must be adjusted to reflect events after the end of the reporting period that provide evidence of conditions that existed at the end of the reporting period. Events that are indicative of conditions that arose after the reporting period are non-adjusting events. They are not reflected in the recognition or measurement of items in the financial statements, but require disclosure when material.

Often the “events” are (1) company-specific; and (2) associated with a specific account that permits a more precise analysis. However, sometimes the “events” are macroeconomic in nature (such as those resulting from COVID-19) and have a pervasive impact on many estimates in a set of financial statements which may make it difficult to ascertain whether such conditions “existed” at the reporting date. The full impact of the COVID-19 pandemic on short-term, medium-term, and long-term economic activity is still unknown, and major developments are occurring frequently. However, COVID-19 will be a factor in an entity’s analysis of estimates made in the preparation of the financial statements, including those related to the expected credit loss on receivables, inventory obsolescence, impairment analyses, variable and contingent consideration estimates, and other factors. Whilst the events stemming from COVID-19 are extremely volatile, entities will nevertheless be required to consider conditions as they existed at the reporting date when evaluating subsequent events.

With respect to reporting periods ending on or before 31 December 2019, it is generally appropriate to consider that the effects on an entity are the result of events that arose after the reporting date that may require disclosure in the financial statements but would not affect the amounts recognised.

For subsequent reporting dates, entities will need to judge how much of the impact of COVID-19 should be considered to arise from non-adjusting events. This will be highly dependent on the reporting date, the specific circumstances of the entity’s operations and the particular events under consideration. In other words, there is no universal ‘flip’ point at which entities should view all COVID-19 related impacts to be adjusting events. Instead, each event should be assessed to determine whether it provides evidence of conditions that existed at the end of the reporting period or whether it reflects a change in conditions after the reporting date.

If non-adjusting events are material, an entity is required to disclose the nature of the event and an estimate of its financial effect. The estimate does not need to be precise. It is preferable to provide a range of estimated effects as an indication of impact to not providing any quantitative information at all. However, where quantitative effect cannot be reasonably estimated, qualitative description should be provided, along with a statement that it is not possible to estimate the effect.

Impairment of non-financial assets

Assets subject to the requirements of IAS 36

Entities will need to assess whether the impact of COVID-19 has potentially led to an asset impairment. Financial performance, including estimates of future cash flows and earnings, may be significantly affected by the direct or indirect impacts of recent and ongoing events.

IAS 36 *Impairment of Assets* seeks to ensure that an entity’s assets are carried at not more than their recoverable amount (i.e. the higher of fair value less costs of disposal and value in use). Entities are required to conduct impairment tests when there is an indication of impairment of an asset at the reporting date. The test is conducted for a ‘cash-generating unit’ (CGU) when an asset does not generate cash inflows that are largely independent of those from other assets. The CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The scope of assets subject to the requirements in IAS 36 is broad. It includes property, plant and equipment (carried at cost or revalued amount), intangible assets (carried at cost or revalued amount), goodwill, right-of-use assets (if carried at cost), investment property (if carried at cost), biological assets (if carried at cost) and investments in associates and joint ventures accounted for using the equity method. Note that interests in associates and joint ventures not subject to the equity method, such as loans, are subject to the impairment requirements in IFRS 9 *Financial Instruments*. In an entity’s separate financial statements, investments in subsidiaries, associates and joint ventures (other than those accounted for in accordance with IFRS 9) are also subject to the requirements of IAS 36.

Indicators of impairment include (but are not limited to) significant changes with an adverse effect on the entity that have taken place during the period, or will take place in the near future in the market or economic environment in which the entity operates. An entity will also need to consider the extent to which, or the manner in which, an asset is used or is expected to be used (for example, an asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs or plans to dispose of an asset before the previously expected date).

Factors resulting from the COVID-19 pandemic which indicate that the carrying amount of a CGU may not be recoverable may include (1) decreased demand for the entity's products or service; (2) increased costs/business interruptions due to supply chain issues; (3) cancellations or postponements of orders by customers; (4) need to provide significant concessions to customers; (5) significant customers experiencing financial difficulties or cash flow difficulties. These factors may indicate that the entity may be forced to liquidate some of its assets rapidly.

In addition, given recent stock market price declines, the carrying amount of net assets of an entity may exceed its market capitalisation. IAS 36 notes that this situation is a further indicator of impairment.

As a result of the impact of COVID-19, certain entities may need to perform an impairment assessment of assets in addition to the requirement to perform an impairment test at least annually of goodwill and intangible assets with an indefinite useful life. Entities often rely on discounted cash flows in estimating recoverable amounts. Careful consideration of the cash flow projections, growth rate(s) and discount rate(s) will be critical in terms of the supportability and reasonableness of the calculations given the current market conditions. In particular, the projected cash flows should be based on what could have reasonably been known at the reporting date of the conditions that existed at that date. However, in a value in use calculation, they should not reflect the effects of restructuring plans that are not committed at the reporting date or the benefits of the possible government assistance as this would be inconsistent with the requirement to determine the value in use of the CGU in its current condition at the end of the reporting period.

The discount rate to be used is an estimate of the rate that a market participant would expect on an equally risky investment. Hence, to the extent that risk and uncertainties about the future impact of the COVID-19 pandemic are not reflected in the projected cash flows of the CGU being tested, they should be reflected in the discount rate applied.

In these uncertain times, management may face significant challenges in preparing the budgets and forecasts necessary to estimate the recoverable amount of an asset (or CGU). Management may determine that using an expected cash flow approach is the most effective means of reflecting the uncertainties of the COVID-19 pandemic in its estimates of recoverable amount. This approach reflects all expectations about possible cash flows instead of the single expected outcome. For example, a cash flow might be CU100, CU200 or CU300, with probabilities of 10 per cent, 60 per cent and 30 per cent, respectively, giving an expected cash flow of CU220, i.e. $(CU100 \times 10\%) + (CU200 \times 60\%) + (CU300 \times 30\%)$. While an expected cash flow approach is highly dependent on assigning probabilities to estimates of future cash flows, such judgements on the inputs may nevertheless be more transparent and more readily tied to underlying commercial expectations than the addition of a "COVID-19" risk premium to the discount rate that may be more arbitrary and for which there is no evidential base to support the quantum of the adjustment.

Key principles to bear in mind are:

- Estimated cash flows and discount rates should be free from both bias and factors unrelated to the asset in question.
- Estimated cash flows should reflect a range of possible outcomes, rather than a single expected outcome.
- Cash flow projections should reflect the conditions in existence at the reporting date and be based on the most recent financial budgets/forecasts, approved by management at the appropriate level of authority, covering a maximum period of five years, unless a longer period can be justified. In these uncertain times, reliable detailed budgets may only be available for a shorter period.
- Projections of cash flows beyond the period covered by the most recent budgets/forecasts should be estimated by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified based on objective information about patterns over a product or industry lifecycle. This growth rate should not be overly optimistic and should not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified. In some cases, it may be appropriate for the growth rate to be zero or negative.

- Future cash flows should be estimated for the asset in its current condition and should not include estimated future cash inflows or outflows expected to arise from improving or enhancing the asset's performance or future restructuring to which the entity is not yet committed (when the recoverable amount is determined as the value in use).
- The entity's weighted average cost of capital (WACC) may be used as a starting point for estimating a market discount rate, but this should then be adjusted to reflect the way the market would assess the cash-generating unit's cash flows (unless that risk is already included in the estimated cash flows). When considering the underlying individual inputs into a traditional capital asset pricing model ("CAPM") consideration must be given to the interplay between inputs (i.e. the risk free rate assumption and the equity risk premium) and how the changes in some inputs may be offset by the change in other inputs. The expectation of a falling risk free rate environment does not necessarily translate into a lower cost of capital.
- Care should be taken as to consistency of the data being prepared and compared to avoid double counting or omission of some data.

If information is received after the end of the reporting period, but before the financial statements are authorised for issue, indicating that an asset is impaired, management should consider whether that information is indicative of impairment that existed at the end of the reporting period. If so, an impairment review (or a re-performance of any impairment test already performed) should be carried out. If the information received after the reporting period is not indicative of conditions existing at the end of the reporting period, it should not trigger an impairment test (or the re-performance of any impairment test already carried out). Rather, the information should be disclosed as a non-adjusting event after the reporting period when it is of such importance that non-disclosure would affect decisions of users of the financial statements.

If there is indication that the asset may be impaired, the underlying facts should be kept in mind when performing the annual reviews of the useful life of the asset, the depreciation or amortisation method used and the estimated residual value. These items may need to be adjusted even if no impairment loss is recognised.

Information about asset impairments will be critical in helping users of the financial statements understand the impact of the COVID-19 pandemic on an entity's financial performance and position. Disclosure of the key assumptions used to determine the recoverable amount, together with a description of management's approach to determining the value assigned to each key assumption, must be provided in sufficient detail. These include assumptions on the duration and intensity of effects of the suspension of activities and of the recovery phase. Key assumptions used in performing impairment tests are likely to represent a source of significant estimation uncertainty and therefore the information required by IAS 36 may need to be supplemented by the information required by IAS 1:125-133, such as a sensitivity analysis.

Valuation of inventories

The COVID-19 pandemic may affect the recoverability of inventory balances. Some entities with inventories that are seasonal or are subject to expiration may have to assess whether a write-down for obsolescence or slow-moving stock may be necessary at an interim or annual period as a result of a slower sales pace. Other entities may have to assess whether a decline in their future estimated selling price is expected, which may require a write-down in the cost of inventory in an interim or annual period.

Applying IAS 2 *Inventories*, inventories are measured at the lower of their cost and net realisable value (NRV). In a difficult economic environment, the NRV calculation may be more challenging and require more detailed methods or assumptions. Interim inventory impairment losses should be reflected in the interim period in which they occur, with subsequent recoveries recognised as gains in future periods.

In addition, manufacturing entities may have to reassess their practices for fixed overhead cost absorption if production volumes become abnormally low during the year as a result of plant closures or lower demand for their products. IAS 2 requires that variable production overhead costs should be allocated to each unit of production based on the **actual use** of the production facilities. It also calls for the allocation of fixed overhead costs to each unit of production based on the **normal capacity** of the production facilities. The COVID-19 pandemic may affect manufacturing entities in a number of ways (e.g. shortages of labour and materials or unplanned factory downtime) that, if sustained, may result in an abnormal reduction of an entity's production levels. In such circumstances, an entity should not increase the amount of fixed overhead costs allocated to each inventory item. Rather, the unallocated fixed overhead costs are recognised in profit or loss in the period in which they are incurred.

Costs to obtain or fulfil a revenue contract and up-front payments to customers

An entity may have recognised costs to obtain or fulfil a contract as an asset in accordance with IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 provides guidance on determining the appropriate amortisation period and on recognising any impairment loss on such an asset. An entity may need to update its amortisation approach to reflect any significant changes in the expected timing of the transfer of the related goods or services. In addition, an entity must recognise an impairment loss if the carrying amount of the asset exceeds (1) the sum of the amount of consideration expected to be received and the amount of consideration already received but not yet recognised as revenue, less (2) the costs that are directly related to providing the remaining promised goods or services under the contract that have not been recognised as expenses. The consideration determined in (1) above should be adjusted to account for the customer's credit risk, and the amounts determined under both (1) and (2) should include the effects of expected contract renewals from the same customer. An entity may also need to consider whether contract modifications or changes in expectations regarding customer renewals affect the amortisation or recoverability of these revenue-related costs.

An entity may also have recognised up-front payments to customers as an asset that are reflected as a reduction in the transaction price. If so, it would be reasonable for the entity to perform similar analyses for any asset recognised for such up-front payments.

Further, an entity should evaluate contract assets for impairment by using the same model as customer receivables. See Financial Instruments for more information.

Financial Instruments

Allowance for expected credit losses (ECL)

COVID-19 can affect the ability of borrowers, whether corporate or individuals, to meet their obligations under loan relationships. Individual and corporate borrowers may have a particular exposure to the economic impacts in their geography and industry sector. More broadly, reductions in forecasts in economic growth increase the probability of default across many borrowers and loss rates may increase due to the fall in value of collateral evident more generally by falls in prices of assets.

Applying IFRS 9 *Financial Instruments*, an entity should measure ECL in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The impact of COVID-19 on ECL will be particularly challenging and significant for banks and other lending businesses. The effect could also be significant for non-financial corporates. This is because ECL does not only apply to loans but also applies to many investments in interest bearing financial assets (e.g. bonds and debentures), trade receivables, contract assets, lease receivables, issued loan commitments and issued financial guarantee contracts. The extent of these exposures in non-financial corporates may also be greater in individual company financial statements due to intra-group transactions such as intra-group loans or guarantees provided by the reporting entity on other entities' debt obligations.

Under the general model for impairment ECL is recognised for 12-month ECL or lifetime ECL dependent on whether there has been a significant increase in credit risk ("SICR") of a financial asset (or other exposure) since initial recognition (a "staging" analysis). This analysis requires the estimate of lifetime probability of default at initial recognition of a financial asset and at each reporting date thereafter, based on an assessment of forward-looking information which is particularly challenging given uncertainties of the eventual impact of COVID-19. Despite the challenges, entities are still required to make estimates based on reasonable and supportable information that is available without undue cost or effort at the reporting date. Sources of such information can include information used in the entity's ongoing credit evaluation processes and financial forecasts for economies or industries that are becoming available over time. It is not expected that the difficulties associated with making estimates and assumptions in these uncertain times would be a basis for entities not to update ECL measurements.



Trade receivables

For entities with certain financial assets such as short term trade receivables and contract assets the complexity of the estimate of ECL is reduced due to the application of the simplified approach. Under this approach there is no requirement for a complex staging analysis to be performed as lifetime ECL is recognised from the date of initial recognition. However, measurement of lifetime ECL follows the same principles as under the general model.

In practice the measurement of ECL for portfolios of trade receivables does not usually require complex analysis. The average historical credit losses on a large group of trade receivables with shared risk characteristics may until now have been a reasonable estimate of the probability-weighted expected loss amount. A common example of a loss rate approach used for trade receivables is a provision matrix developed using historical credit loss experience. IFRS 9 requires that historical loss rates are adjusted as appropriate to reflect current conditions and estimates of future economic conditions. However, until now such adjustments may have been limited.

COVID-19 will require entities to revisit the provision matrix approach and consider the following:

- The amount and timing of the expected credit losses as well as the probability assigned to alternative scenarios must be based on reasonable and supportable information that is available without undue cost or effort at the reporting date without the use of hindsight. Entities will need to reconsider their previous credit loss expectations if these are based on unadjusted historical experience that is not reflective of the current market conditions and forward looking information. In many cases, this may require significant judgement given the uncertainties present (e.g. financial viability of debtors, levels of government support, etc.).
- There may be a lack of relevant historical data reflecting sufficiently adverse economic conditions on which to base the estimate. An entity may already be observing the default of debtors and will need to determine the impact that these observations have on expectations of recoveries and future default of other debtors.
- Operational disruption experienced by both customers and suppliers as well as moratoriums on debt repayments or enforcement actions may result in delays in the processing and settlement of transactions. Short-term trade receivables are recognised at their transaction price and consequently have an effective interest rate (EIR) of nil, and therefore a delay in collection will not result in an increase in the reported loss allowance (measured by discounting expected shortfalls at the asset's EIR). However, these delays introduce uncertainty as to whether the full amount will be recovered and this uncertainty is required to be reflected in the ECL measurement. In some cases the delays may be considered temporary. This may mean that previously determined loss rates for the individual "days-past-due" categories included in an entity's provision matrix may not be reflective of expected recoveries.
- Greater volatility in potential economic conditions, even over the relatively short exposure period of trade receivables, will increase the importance of considering multiple economic scenarios in determining expected loss rates.
- With greater incidence of individual receivables in default, loss rates may need to be applied to individual receivables or sub-portfolios of receivables if the receivables in the overall portfolio no longer exhibit similar credit risk characteristics. This may result in a requirement to apply the provision matrix at a more granular level or to assess a greater number of receivables on an individual basis. Entities should ensure that any estimate of ECL on an individual debtor reflects a probability-weighted outcome and that an appropriate loss allowance continues to be recorded on a collective basis for all receivables that are not assessed individually.

The above considerations also apply to contract assets.

Other receivables

Although a staging analysis may not be required for trade receivables and contract assets, most entities will have some financial assets that are accounted for under the general model rather than the simplified model for which a staging analysis will be needed. For example, intercompany receivables, lending balances with entities outside the group and receivables relating to business disposals. The impact of forward-looking information and multiple economic scenarios is also likely to be more significant for such assets.

Low probabilities of default may have meant in the past that ECL for these has not been material. This may no longer be the case given the increased weighting to negative economic scenarios and exposures to specific industry sectors or geographical areas that are most significantly affected by COVID-19. Entities will therefore need to reconsider the appropriateness of past methods for assessing ECL and ensure up to date inputs are used.

Credit Enhancements

Credit enhancements may become increasingly prevalent, particularly as a result of various central government and central bank programmes designed to support debtors and/or creditors. Such schemes should be carefully analysed to assess whether they affect the measurement of ECL. Only credit enhancements integral to the receivable and that are not separately recognised should be reflected in the measurement of the ECL. Amounts receivable from non-integral credit enhancements are not included in ECL measurement and are recognised separately.

Support of the economy in general or that is expected to be given directly to a debtor to assist them with repaying the amounts owed does not represent a credit enhancement but could nevertheless affect the ECL measurement (e.g. through reduced probability of default or reduced loss given default).

Issued financial guarantee contracts

Parent entities sometimes issue financial guarantee contracts (FGC) to lenders of their subsidiaries, associates or joint ventures that allow the lender to claim any losses suffered due to non-payment of those entities. These parent entities are required to recognise a liability for the issued FGC for the higher of the unamortised premium and the ECL determined in accordance with IFRS 9. When COVID-19 results in a higher risk of default this will lead to increased ECL amounts.

Fair value measurements

Fair value measurements of financial instruments should reflect market participant views and market data at the measurement date under current market conditions. Observable market data cannot be ignored even if depressed prices are considered temporary. Entities will need to pay particular attention to fair value measurements based on unobservable inputs (sometimes referred to as level 3 measurements) and ensure that the unobservable inputs used reflect how market participants would reflect the effect of COVID-19, if any, in their expectations of future cash flows, discount rates and other significant valuation inputs related to the asset or liability at the reporting date.

Liquidity risk management

Disruptions in production and reduced sales can have implications on an entity's working capital and could lead to a breach of a debt covenant resulting in the liability becoming current.

Entities may look for ways to manage this risk, including the use of alternative sources of funding, such as later payment to suppliers and arrangements with financial institutions such as supplier finance and reverse factoring which may permit the entity to draw down on finance in exchange for the financial institution paying the entity's suppliers. When entities have previously determined that liabilities to banks in these scenarios are presented as trade or other creditors rather than as borrowings, any increase in the repayment term will require a reassessment of the classification to ensure it remains appropriate. Disclosure of these facilities will be critical particularly when they are material to the entity's funding or viability.



Entities may also seek to obtain early settlement of their trade receivables via a financial institution buying the receivables at a discounted amount to the invoice amount. Such transactions should be carefully assessed to determine if derecognition of the factored receivables is appropriate.

Concentration risk may be particularly significant to some entities when customers are concentrated in an adversely affected industry such as the hospitality and tourism and airline industries. Such entities will need to give clear disclosure of the potential impact on liquidity if significant.

Entities should consider how the use of working capital enhancement or management techniques is reflected in the entity's disclosure of its liquidity risk management as required by IFRS 7 *Financial Instruments: Disclosures*. Entities should also consider the specific disclosure requirements for transfers of financial assets as required by IFRS 7 when financial assets are sold to fund working capital needs, and the accounting policies and judgements applied in determining the balance sheet and cash flow statement presentation of amounts due and paid when supplier finance and reverse factoring arrangements are used.

Entities may also need to reconsider the existing classification of certain investments as cash equivalents under IAS 7 *Statement of Cash Flows*. To be classified as a cash equivalent, an investment, for example in a money market fund, must be held for the purpose of meeting short-term cash commitments and must be readily convertible to known amounts of cash and subject to insignificant changes in value. Current economic conditions are likely to increase the volatility in prices of many investments and reduce their liquidity.

Classification of financial assets

Some entities may decide to sell receivables as part of their strategy to manage their credit and liquidity risks. Where such receivables are treated as "held to collect" and measured at amortised cost an increase in frequency and value of sales may result in the need to consider whether there has been a change in the entity's business model or whether a new business model has been initiated.

Entities should analyse any increase in sales to determine, among other things, whether the increase is expected to persist (for example if the sales are in response to temporary increases in credit or liquidity risk) or whether future sales volumes will be lower in frequency or value. Irrespective of their frequency and value, sales due to an increase in the assets' credit risk are not normally considered to be inconsistent with a held to collect business model because the credit quality of financial assets is relevant to the entity's ability to collect contractual cash flows. Credit risk management activities that are aimed at minimising potential credit losses due to credit deterioration are integral to such a business model.

Some entities that have assets that are held under a "held to collect and sell" or "held to sell" business model may find that previously anticipated sales are no longer expected to take place due to a reduction in asset values or in the liquidity of the relevant market. IFRS 9:B4.4.3 states that neither a change in intention related to a particular asset (even in circumstances of significant changes in market conditions), nor a temporary disappearance of a particular market represent a change in an entity's business model.

Reclassifications triggered by a change in business model are expected to be highly infrequent and to incur only when the activity is significant to the entity's operations; they are applied prospectively from the reclassification date.

Debt modifications

In response to liquidity challenges, an entity's debtors may seek to renegotiate the terms of their arrangements with the entity. Where the entity grants such concessions and modifies the related contractual arrangements, the accounting impact of the modification must be assessed. Similarly, a reporting entity may itself experience liquidity or solvency challenges and seek to renegotiate terms of its borrowings or other liabilities resulting in amendments to existing agreements (either amendments to the cash flows or related covenants).

In respect of financial liabilities the entity must consider whether the modifications are substantial which typically involves qualitative factors as well as an assessment of whether the modifications result in a change in the net present value of the instrument's cash flows of more than 10 per cent (the "10 per cent test"). When a modification is substantial the existing financial liability is derecognised and the new liability is recognised at fair value resulting in a gain or loss. It is particularly important to note, however, that an adjustment to the carrying value will result even when the modification is not substantial (determined by discounting the revised cash flows at the original EIR).

Although IFRS 9 includes no specific guidance on accounting for modifications of financial assets and when they should result in derecognition, some entities have an accounting policy of applying the 10 per cent test to financial assets and accounting for a substantial modification as the extinguishment of the old asset and recognition of a new asset.

IFRS 9:5.5.12 provides specific guidance on how to apply the impairment requirements to scenarios when a modification of a financial asset does not lead to derecognition.

When intragroup funding arrangements are modified, consideration should be given to the identification of intergroup capital contributions or distributions. Entities should determine whether there has been impairment of a financial asset in advance of its modification. Thereafter, the difference between the carrying amount of the financial instrument derecognised and the fair value of the new financial instrument recognised may need to be allocated between a derecognition gain or loss and a capital contribution or distribution between parties under common control.

Changes in estimated cash flows

COVID-19 may result in a change in expectations regarding the exercise of prepayment, extension or conversion features in debt agreements. When such features are accounted for as bifurcated embedded derivatives or when the entire instrument is measured at fair value through profit or loss (FVTPL), changes in the likelihood of those features being exercised will be reflected in the fair valuation. When such features are accounted for as part of a host debt instrument that is measured at amortised cost, remeasurement adjustments recognised in profit or loss may still arise as the revised expected cash flows are discounted at the instrument's original effective interest rate. When a conversion feature is classified as equity, changes in expectations regarding its exercise would have no impact on the amount originally recorded in equity.

Hedge accounting

When a transaction has been designated as the hedged item in a cash flow hedge relationship the entity will need to consider whether the transaction is still a "highly probable forecasted transaction" and if not, whether it is still expected to occur. Hedged items in a cash flow hedge that could be affected due to COVID-19 include:

- Sale or purchase volumes that fall below the levels originally forecasted;
- Planned debt issuances that are delayed or cancelled such that interest payments fall below levels originally forecasted; and
- Business acquisitions or disposals that are delayed or cancelled.

If an entity determines that a forecasted transaction is no longer highly probable, but still expected to occur, the entity must discontinue hedge accounting prospectively and defer the gain or loss on the hedging instrument that has been recognised in other comprehensive income accumulated in equity until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur the entity must immediately reclassify to profit or loss any accumulated gain or loss on the hedging instrument.

When the expected timing of a designated hedged transaction changes, an entity is required to reassess whether the hedged transaction identified in the entity's hedge documentation is still the same hedged transaction (i.e. assess whether the hedged transaction is still expected to occur).

A change in the timing of a hedged forecast transaction when its occurrence remains highly probable may also have an effect on profit or loss. Hedge ineffectiveness can exist because a difference arises in the amount and/or timing of the hedged item and the hedging instrument. It is common for entities to determine a 'hypothetical derivative' to reflect the timing and amount of the hedged item and use the fair valuation of this to compare with the hedging instrument to determine the amount of hedge ineffectiveness to be recognised in profit or loss. As the timing and/or amount of the hedged item changes in response to economic conditions, entities should redefine the hypothetical derivative to ensure hedge ineffectiveness is appropriately recognised.

Finally, increases in credit risk may cause a hedge relationship to fail its hedge effectiveness assessment if credit risk dominates the value

changes resulting from the economic relationship between the hedging instrument and the hedged item.

Financial vs non-financial assets and liabilities

The significant disruption to supply and demand may result in net cash settlement of contracts to buy or sell commodities or other non-financial assets that were previously expected to be physically settled and were accounted for as own use contracts. The expected net cash settlement of contracts to buy/sell non-financial items (e.g. commodities) will bring those contracts in scope of IFRS 9 and may result in classification of the contracts as financial assets or liabilities.

Entities sometimes enter into transactions where cash is prepaid for the supply of non-financial items, e.g. for commodities such as oil. For the payer of the prepayment this may result in the recognition of a non-financial asset because it expects to receive the non-financial item and it meets the own use requirements in IFRS 9. Likewise, the receiver of the cash may recognise a non-financial liability because it expects to deliver the non-financial item and it meets the own use requirements in IFRS 9. Expected cash settlement of such contracts would result in them being treated as a financial instruments and classified as a financial asset or financial liabilities.

Revenue from contracts with customers

Business disruptions associated with the COVID-19 pandemic may prevent an entity from entering into customer agreements by using its normal business practices, which may make the determination of whether it has enforceable rights and obligations challenging. In addition, because many of its customers are experiencing financial difficulties and liquidity issues, an entity may need to develop additional procedures to properly assess the collectability of its customer arrangements and consider changes in estimates related to variable consideration (e.g. because of greater returns, reduced usage of its products or services, or decreased royalties). To help its customers or to provide incentives for them to continue purchasing its goods or services, an entity may (1) revise its agreements to reduce any purchase commitments; (2) allow customers to terminate agreements without penalty; or (3) provide price concessions, discounts on the purchase of future goods or services, free goods or services, extended payment terms or extensions of loyalty programmes. Further, because the entity itself may be experiencing financial difficulties and supply disruptions, it may (1) request up-front payments from its customers; (2) delay the delivery of goods or services; (3) pay penalties or refunds for failing to perform, not meeting service-level agreements, or terminating agreements; or (4) incur unexpected costs to fulfil its performance obligations. Therefore, as a result of the changes in circumstances experienced by both an entity and its customers due to the COVID-19 pandemic, an entity may need to consider the following when assessing revenue from contracts with customers:

- *Contract enforceability*—IFRS 15:9 provides criteria that need to be met to account for a contract with a customer, including the approval of the parties to the contract and a commitment to perform their respective obligations. If the criteria are not met, no revenue can be recognised until one of the following occurs: (1) the criteria are met; (2) no obligations to transfer goods or services remain and substantially all of the consideration promised by the customer has been received and is non-refundable; (3) the contract has been terminated and the consideration received is non-refundable.

In certain circumstances, the parties may not be able to approve a contract under an entity's normal and customary business practices. For example, the entity may not be able to obtain the signatures it normally obtains when entering into a contract because personnel from the entity or customer are unavailable or otherwise unable to provide signatures. Therefore, it is important to carefully evaluate whether the approval process creates a contract with enforceable rights and obligations between the entity and its customer. In making this determination, an entity may consider consulting with its legal counsel. If enforceable rights and obligations do not exist, revenue cannot be recognised until certain conditions are met (see above paragraph).

The effect of a "force majeure" clause allowing the parties to terminate a contract without incurring penalties in certain extraordinary circumstances will also need to be considered.



- **Collectability**—A contract with a customer does not exist unless it is probable that the entity will collect substantially all the consideration to which it will be entitled in exchange for the promised goods or services that will be transferred. The collectability of that consideration should be assessed after taking into account expected price concessions (including implied concessions), which are evaluated as variable consideration, even if those concessions are provided as a result of credit risk. In addition, whilst the collectability analysis is performed at the individual contract level, an entity may look to a portfolio of similar contracts (e.g., by risk profile, size of customer, industry, geography, etc.) in its assessment. For example, if it is probable that an entity will collect substantially all the consideration for 90 per cent of a portfolio of similar contracts, and the entity is unable to identify specific contracts for which consideration is unlikely to be collected (i.e. the risk is the same for all contracts), the entity may conclude that it has met the collectability threshold for all the contracts in the portfolio. However, an entity should not ignore evidence related to specific contracts that do not meet the collectability criterion. In that circumstance, it should evaluate those specific contracts separately.

An entity should not reassess whether a contract meets the criteria in IFRS 15:9 after contract inception unless there has been a significant change in facts and circumstances. If the impacts of the COVID-19 pandemic result in a significant deterioration of a customer's or a portfolio of customers' ability to pay, the entity should reassess collectability. For example, if a customer experiences liquidity issues or a downgrade in its credit rating, the entity would need to carefully evaluate whether those circumstances are short-term in nature or result in a determination that it is no longer probable that the customer has the ability to pay. Because of the significant uncertainty associated with the effects of the pandemic, it is important for the entity to document the judgements it made and the data or factors it considered. If the entity concludes that collectability is not probable, a customer contract no longer exists and, thus, the entity can no longer recognise revenue under IFRS 15's 5-step model. If collectability becomes probable in a subsequent period and the other criteria in IFRS 15 are met, the entity can begin to recognise revenue again. See the discussion on contract enforceability above for conditions that need to be met to recognise revenue when an enforceable contract does not exist.

- **Contract modification**—An entity may modify its enforceable rights or obligations under a contract with a customer. For example, the entity may grant a price concession to a customer. In that circumstance, the entity should consider whether the concession is due to the resolution of variability that existed at contract inception (i.e. a change in transaction price associated with variable consideration) or a modification that changes the parties' rights and obligations. A price concession that is provided solely as a result of the COVID-19 pandemic most likely represents a modification that changes the parties' rights and obligations. In addition, an entity may modify the scope of a contract (e.g. by reducing minimum purchase commitments). If the modification adds goods or services to the contract, the entity should first evaluate whether the modification is accounted for as a separate contract in accordance with IFRS 15:20. However, if the only change to a contract is a reduction of the transaction price or the modification is not otherwise a separate contract applying IFRS 15:20, the entity should evaluate the guidance in IFRS 15:21 to determine whether the modification should be accounted for as (1) a termination of the old contract and the creation of a new contract because the remaining goods or services are distinct (which results in prospective treatment); (2) a cumulative catch-up adjustment to the original contract because the remaining goods or services are not distinct; or (3) a combination of (1) and (2). If all performance obligations have been satisfied, any price concession would be treated as a change in transaction price in accordance with IFRS 15:87-89.
- **Variable consideration**—Variable consideration includes, among other things, rebates, discounts, refunds (including for product returns), and price concessions. In accordance with IFRS 15:56, an entity should only include amounts of variable consideration in the transaction price if (or to the extent that) it is highly probable that doing so would not result in a significant reversal of cumulative revenue recognised when the uncertainty related to the variable consideration is resolved. Further, an entity must update its estimated transaction price in each reporting period. The entity may need to consider any expected changes in (1) its ability to perform; and (2) customer behaviour that results from deteriorating economic conditions. For example, an entity may need to consider updating its estimated transaction price if it expects an increase in product returns, decreased usage of its goods or services or decreased royalties, or to potentially pay contractual penalties associated with its inability to perform (e.g. the inability to deliver goods or services on a timely basis or to meet service-level agreements). If there is a reduction in the estimated transaction price, a change in estimate may result in the reversal of revenue for amounts previously recognised as variable consideration (e.g. as a result of an increase in return reserves). Because of the significant uncertainty associated with the pandemic's effects on an entity and its customers, it may be challenging for the entity to make appropriate estimates of variable consideration. Therefore, in a manner similar to its assessment of contract collectability, an entity must document the judgements it made and the data or factors it considered, and ensure it has carefully considered how to constrain estimates of variable consideration.



Further, an entity may have a right to receive non-cash consideration (e.g. shares) from a customer that has declined in value. If the entity's accounting policy is to measure non-cash consideration at its estimated fair value at contract inception, any changes in the fair value of non-cash consideration after contract inception that are solely due to a decrease in value are not variable consideration and would not be reflected in the transaction price. Rather, the non-cash consideration should be accounted for under the applicable IFRS Standard.

- *Material right*—To mitigate any decline in sales, an entity may offer its customers sales incentives, including discounts on future goods or services. In this circumstance, the entity should evaluate whether a sales incentive on the purchase of future goods or services represents (1) a material right in accordance with IFRS 15:B40 that is associated with a current revenue contract (whether explicit or implicit because there is a reasonable expectation on the part of a customer that he or she will receive a sales incentive at contract inception); or (2) a discount that is recognised in the future upon redemption (i.e. when revenue is recognised for the related goods or services) in a manner consistent with IFRS 15:72.

In addition, an entity may need to update its estimates for new contracts of the stand-alone selling price of a material right (e.g. because the entity extended the periods for use or provided additional incentives to a customer) or to reassess its breakage assumptions (e.g. because of extensions or changes in expected usage patterns). For example, an entity may modify its loyalty programme by extending customers' ability to use points; this change may require the entity to reassess the breakage assumptions it uses.

- *Significant financing component*—To assist customers that are experiencing liquidity issues in purchasing goods and services, an entity may provide extended payment terms. Similarly, an entity with liquidity issues may require its customers to make an up-front payment in order for the entity to fulfil its promised goods or services. In those circumstances, an entity should evaluate whether a significant financing component exists in accordance with IFRS 15:60-65. If an entity modifies payments terms for an existing customer contract, it should consider the guidance on price concessions discussed above.
- *Implied performance obligations*—An entity may assist its customers by providing them with free goods or services that are not explicitly promised in the contract. In a manner consistent with IFRS 15:24, an entity should determine whether its contracts with customers contain promised goods or services that are implied by its customary business practices or published policies or by specific statements that create a reasonable expectation of the customer that the entity will transfer those goods or services.

There may also be instances in which an entity provides free goods or services to its customer that are not part of a prior contract with that customer (i.e. when the prior contract was entered into, there were no explicit or implicit obligations to provide those goods or services). An entity must carefully evaluate whether the additional promised goods or services are a modification of a pre-existing customer contract or a cost incurred that is separate from any pre-existing contracts. In these situations, it may be helpful to consider the contract combination guidance in IFRS 15:17, which specifies that contracts with the same customer (or related party of the customer) are combined, if (1) they are negotiated as a package with a single commercial objective; (2) the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or (3) there are goods or services in one contract that would be a single performance obligation when combined with the goods or services in another contract. In addition, an entity should consider the substance of the arrangement to provide the free goods or services and whether accounting for the arrangement as a separate transaction or as a contract modification would faithfully depict the recognition of revenue related to the goods or services promised to the customer in a pre-existing contract. In many cases, free goods or services provided to a customer solely as a result of the COVID-19 pandemic (that are not part of another newly entered contract with that customer) will not be considered a contract modification. However, an entity may need to determine whether it has developed a practice that creates an implied promise in future contracts.

- *Recognition of revenue*—Because of potential supply disruptions or other circumstances, an entity may need to reconsider the timing of revenue recognition if it is unable to satisfy its performance obligations on a timely basis. In addition, the entity must determine whether there are any contractual penalties that would affect the transaction price. In some cases, an entity may be completely unable to satisfy its performance obligation, which could result in (1) the termination of the contract, (2) a reversal of any revenue it previously recognised for a performance obligation that was not fully satisfied, and (3) the recognition of a refund liability (or additional liability due to a payment of penalties) instead of deferred revenue.



An entity may also incur unexpected costs in fulfilling a performance obligation that is satisfied over time. If the entity is using costs incurred to date as an input method to measure progress towards complete satisfaction of its performance obligation, it should be careful to ensure that revenue attributed to work carried out is not increased to offset additional costs incurred when abnormal or excessive costs arise as a result of inefficiency or error. In particular, IFRS 15:B19(a) states that, when using a cost-based input method, entities may be required to adjust the measure of progress when costs are incurred that are “attributable to significant inefficiencies in the entity’s performance that were not reflected in the price of the contract”.

- *Disclosure requirements*—Many of the circumstances described above could affect an entity’s disclosures. These include, but are not limited to, disclosures of significant changes in the contract asset due to an impairment, significant payment terms (including any significant financing component), and the timing of when an entity expects to recognise revenue for its remaining performance obligations (which would exclude terminated contracts or transactions that do not meet the criteria in IFRS 15:9 to be accounted for as a customer contract). Given the level of uncertainty caused by the COVID-19 pandemic, an entity may find it challenging to make certain critical estimates. Therefore, it is important for the entity to disclose any significant judgements and estimates it makes in accounting for its revenue contracts (e.g. assessing collectability; estimating and constraining variable consideration; measuring obligations for returns, refunds, and other similar obligations; measuring progress toward completion of a performance obligation recognised over time; and determining the stand-alone selling prices and breakage assumptions for material rights).

Restructuring plans

In a difficult economic environment and facing difficulties in obtaining financing, an entity may be considering or implementing restructuring plans such as the sale or closure of part of its businesses or the downsizing (temporarily or permanently) of operations. Plans such as these may require consideration of a number of issues, including whether:

- the entity has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. If, and only if, both of these criteria are met a restructuring provision should be recognised; and
- any part of the business is available for immediate sale in its present condition and completion of such a sale within one year is highly probable. If so, the assets and liabilities to be disposed of are classified as held for sale applying IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and written down to their fair value less costs to sell if this is lower than their carrying amount.

Onerous contracts provisions

At the inception of an executory contract, both parties to the contract expect to receive benefits that are equal to or greater than the costs to be incurred under the contract. Because of the impacts of COVID-19, unavoidable costs of meeting the obligations under the contract may exceed the benefits expected to be received, resulting in an onerous contract. IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires recognition of a provision in respect of an onerous contract.

Examples of contracts for which an onerous contract provision may be required include:

- Revenue from contracts with customers containing penalties for late or non-delivery;
- Increased costs of fulfilling a customer contract due, for example, to the replacement of staff who are infected, subject to quarantine or are otherwise restricted from travel; or having to purchase alternative raw materials at a higher price due to supply chain issues; and
- Lease contracts prior to the commencement date.

The provision recognised for an onerous contract should reflect the least net cost of exiting from the contract, i.e. the lower of:

- The cost of fulfilling the contract; and
- Any compensation or penalties arising from failure to fulfil the contract.



When assets dedicated to a contract are involved, however, a separate provision is recognised only after any impairment loss has been recognised in respect of those assets.

In determining the least net cost of exiting the contract, an entity should pay attention to terms of the contract that allow the entity to terminate the contract without incurring penalties in certain extraordinary circumstances (“force majeure”). If a contract includes such a force majeure provision that can be enacted by the COVID-19 pandemic, it may be that the contract is not onerous because the entity can avoid any further obligations.

Provisions should not be recognised in respect to:

- Penalties for failure to respect the terms of a contract when the event that triggers the penalty has not yet occurred: for example, a late delivery penalty may be incurred when goods are not supplied by a specified delivery date. Even though, at the reporting date, an entity may expect to deliver the goods late, the obligation to pay the penalty should not be recognised before the delivery due date. However, if the remaining part of the contract has, as a whole, become onerous as a result of the penalty clause, a provision should be recognised for any overall net loss expected to result.
- Leases (other than short-term leases and leases of low value assets accounted for in accordance with paragraph 6 of IFRS 16 *Leases*) that become onerous after their commencement date: these leases are dealt with instead applying the general requirements of IFRS 16. For example, an entity will determine and recognise any impairment of ROU assets applying IAS 36. However, an onerous contract provision may need to be recognised for non-lease components that are accounted for separately.
- Future operating losses: IAS 37 sets out two prohibitions on the recognition of provisions for future operating losses:
 - A general prohibition, on the grounds that there is no present obligation and thus no liability (albeit the expectation of future operating losses may indicate a need to test whether assets have been impaired).
 - A specific prohibition in respect of future operating losses up to the date of a restructuring (again on grounds that there is no present obligation, unless the losses relate to an onerous contract).

Insurance recoveries

Entities that incur losses stemming from the COVID-19 pandemic may be entitled to insurance recoveries. For example, losses associated with increased medical claims, asset impairments, or shareholder litigation may be considered insured losses by many entities. Furthermore, entities may have a business interruption insurance that provides coverage for lost profits due to a suspension of their operations. It may also be the case that an entity with a present obligation can seek reimbursement of part or all of the expenditure from another party, for example via an insurance contract arranged to cover a risk, an indemnity clause in a contract or a warranty provided by a supplier.

The basis underlying the recognition of a reimbursement is that any asset arising is separate from the related obligation. Consistent with the requirements of IAS 37 on contingent assets, such a reimbursement should be recognised only when it is virtually certain that it will be received if the entity settles the obligation.

Note that it is the existence of the reimbursement asset that must be virtually certain, rather than its amount. An entity may be virtually certain that it has insurance to cover a particular provision, but it may not be certain of the precise amount that would be received from the insurer. Provided that the range of possible recoveries is such that the entity can arrive at a reliable estimate, it will be able to recognise this as an asset, even though the amount ultimately received may be different.

However, a conclusion that potential insurance recovery is virtually certain will involve significant judgement and should be based on all relevant facts and circumstances. In determining whether the threshold for recognition of a reimbursement asset is met, an entity will most likely, among other factors, need to understand the solvency of the insurance carrier and have had enough dialogue and historical experience with the insurer related to the type of claim in question to assess the likelihood of payment. Other potential challenges an entity may encounter when evaluating whether a loss is considered recoverable through insurance include, but are not limited to, (1) the need to consider whether losses stemming from a pandemic are specifically excluded as a covered event; (2) the extent of coverage and limits, including multiple layers of insurance from different carriers; and (3) the extent, if any, to which the insurance carrier disputes coverage. Consultation with legal counsel may also be necessary.



When a reimbursement asset is recognised, its presentation is as follows:

- In the statement of financial position, a separate asset is recognised (which must not exceed the amount of the provision).
- In profit or loss, a net amount may be presented, being the anticipated cost of the obligation less the reimbursement.

Lease contracts

As a result of the COVID-19 pandemic, certain entities are experiencing significantly reduced consumer traffic in retail stores and shopping areas, or indefinite closures due to quarantine measures and other government directives.

Impairments to right-of use (ROU) assets could occur as a result of business closures, supply chain disruption, or other consequences of the pandemic that negatively affect the future cash flows expected to be derived from the use of the underlying asset. ROU assets measured applying a cost model are carried at cost less any accumulated depreciation and any impairment losses (and adjusted for specific remeasurement of the lease liability). Impairment is assessed applying the requirements in IAS 36 discussed above.

Lessees in some affected markets are receiving rent abatements or other economic incentives.

Generally, the accounting treatment for lease rent concessions will depend on whether (1) the lessee was entitled to the economic relief (i.e. the contractual arrangement or jurisdictional laws provide an enforceable right) or (2) the relief was given or negotiated outside the original agreement. In determining whether the lease contained an entitlement to relief, an entity should consider contractual provisions governing the occurrence of extraordinary events (e.g. a force majeure clause or similar provision). Depending on the complexity of the arrangement and the legal framework in the applicable jurisdiction, the entity may need assistance from legal counsel.

Economic relief that was given or negotiated outside the original agreement most likely represents a lease modification, in which case the lessee applies the requirements in IFRS 16:44-46 and the lessor applies the requirements in IFRS 16:79-80 if the lease being modified is a finance lease and in IFRS 16:88 if it is an operating lease.

For the lessee, this means that if the economic relief affects only the lease payments but does not change the scope of the lease (i.e. there is no change in the assets leased or in the duration of the lease term), the lease liability would be remeasured by discounting the revised lease payments using a revised discount rate, and a corresponding adjustment would be made to the right of use asset.

If the lessee was entitled to the economic relief because of either contractual or legal rights, the relief would be treated as variable rent (i.e., negative variable rent) in the period incurred. The lessee would then recognise variable lease payments in profit or loss when the associated variability or conditionality is resolved.

The above discussion addresses relief received from a lessor (either contractually or through negotiation). In some jurisdictions, tenant relief is provided by governments as subsidies in support of the economy. If the lessee receives the relief directly from the government, the tenant relief is accounted for as a government grant applying IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. If the government relief is provided to the lessor who then passes it to the lessee, careful assessment is needed to establish whether the lessor is acting as an agent and the relief to the lessee is a government grant or whether the relief to the lessee is provided by the lessor and thus is a lease modification.

Consolidation

The COVID-19 pandemic may give rise to specific transactions or events that could change a reporting entity's governance rights over other legal entities and thereby affect accounting conclusions for consolidation.

In particular, loan agreements will commonly confer upon the lender rights that can be exercised in the event of the borrower breaching a loan covenant and/or defaulting on payments due under the loan agreement (e.g. the right to seize an asset provided by a borrower as collateral). Frequently, such rights are regarded as 'protective rights' and, consequently, are not considered to give the lender power over (and consequently control of) the borrower. However, in some circumstances, the rights are not merely protective and may give the lender power over the borrower on the occurrence of a breach or default.



When a lender's rights under a loan agreement are enforceable upon default or breach of a loan covenant by the borrower, in some circumstances the lender will have obtained control of the borrower. In determining whether it has obtained power over a borrower defaulting on a loan or breaching a covenant, a lender should consider:

- Whether the lender's rights are regarded as protective in nature both before and after the default or breach and hence do not give the lender power over the borrower;
- Whether the lender's rights have been amended as a result of the default or breach to give the lender power over the borrower; or
- Whether the terms of the loan agreement were originally designed to give power in the event of a default or breach.

When the rights give the lender power over the borrower in the event of a default or breach, if the other two elements of control exist (i.e. the exposure or rights to variable returns and the ability to use the power to affect the investor's returns), the lender has control over that entity.

Defined benefit plans

The significant economic uncertainty associated with the COVID-19 pandemic will affect the measurement of defined benefit obligations and plan assets.

IAS 19 *Employee Benefits* requires an entity to determine the present value of defined benefit obligations and the fair value of plan assets at the end of each reporting period. It encourages an entity to involve a professionally qualified actuary in measuring the obligations.

An entity's considerations related to the fair value measurement of financial and non-financial assets also apply to the measurement of plan assets under IAS 19. Pension plans may hold significant amounts of assets that do not have an active market, such as investments in hedge funds, structured products, and real estate assets that may become more illiquid, making their valuation more complex. Appropriately determining the fair value of such assets is important in the determination of the funded status of a defined benefit plan.

Share-based payments

Some businesses may cease operations or operate at reduced capacity as a result of the impacts of COVID-19, which could affect the probability that vesting conditions for share-based payments with performance conditions will be met. IFRS 2 *Share-based Payment* requires entities to recognise compensation expense for a share-based payment arrangement with a performance condition in situations in which the outcome of the performance condition is probable. For example, if an award contains a performance condition that affects vesting (such as an award that vests if a certain growth in profit is met) and it is not probable that the performance condition will be satisfied, any previously recognised compensation expense should be reversed.

In addition, entities may decide to modify the terms or conditions of an equity-settled award, for example a change in the fair value-based measure, vesting conditions, or classification of the award. As a result of the modification, entities may need to recognise additional compensation expense for any incremental value provided (if the modification increases the fair value of the awards or additional awards are granted), or adjust the probability that the awards will vest in measuring compensation expense (if the vesting conditions are changed in a manner beneficial to the employees).

Other employee benefits (including termination benefits)

Entities may be considering (or implementing) restructuring plans to mitigate their exposures associated with unforeseen consequences of the COVID-19 pandemic. Immediate actions may include measures to reduce their workforce through temporary employee layoffs. Further, entities may be forced to consider subsequent restructuring actions as information becomes available on the long-term effects of the pandemic on an entity's operations. In addition, in certain jurisdictions, governments may facilitate programmes to alleviate some or all of those costs (see the Government Assistance below discussion for further detail). In determining how to account for these measures, entities must start by identifying the nature and characteristics of each proposed action that is being considered because it may affect the timing of the recognition of the benefits provided to employees:



- *Stay bonus*—Some entities may offer special bonuses to employees as a reward for them working in these difficult conditions. Payments of these bonuses may be contingent on the employees continuing to provide services until a certain date. In such circumstances, the plan creates a constructive obligation as employees render service that increases the amount to be paid if they remain in service until the end of that specified period. The fact that some employees may leave without receiving payments offered under the bonus plans is reflected in the measurement of the obligation. It is not appropriate to defer recognition of the obligation until the employee completes the entitlement period.
- *Salary continuation, temporary suspension of employment*—Some entities may offer to continue to compensate employees even though they are not actively working during the suspension period, keeping the right to call employees back to work as necessary and preventing employees from taking up work elsewhere during the suspension period. When an entity uses a temporary suspension arrangement of this nature in order to reduce its employment costs during periods of reduced activity, the costs of the temporary suspension should be classified as a short-term benefit similar to a paid absence (e.g. holiday or leave pay). Short-term paid absences only give rise to a liability when they are accumulating, as discussed in IAS 19:13 and 18. This is not the case in the circumstances described, because the employees only have a right to receive payments as suspension occurs and for as long as suspension lasts. The entity has the discretion to ask some or all of its employees to return to work when the conditions will permit and revert to normal working arrangements and remuneration. Therefore, in these circumstances, the costs of suspension should be recognised over the suspension period and should not be accrued at the outset. Note that, in the circumstances described, the payments should not be classified as termination benefits; they are paid in exchange for suspension of the employees' employment rather than in exchange for termination of the employees' employment (as would be required under the definition of termination benefits in IAS 19:8)
- *Termination benefits*—If benefits are provided by the entity as a result of termination of employment, the entity should recognise its obligation at the earlier of either the date when it can no longer withdraw the offer of those benefits or the date when it recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of those termination benefits. IAS 19 provides further guidance to establish the date when the entity can no longer withdraw the offer. In particular, IAS 19:167 specifies that when the termination benefits are payable as a result of an entity's decision to terminate an employee's employment, the entity can no longer withdraw the offer when the entity has communicated to the affected employees a plan of termination meeting all of the following criteria:
 - Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made;
 - The plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations (but the plan need not identify each individual employee) and the expected completion date; and
 - The plan establishes the termination benefits that employees will receive in sufficient detail such that employees can determine the type and amount of benefits they will receive when their employment is terminated.

The measurement requirements for termination benefits are determined in accordance with their nature. Accordingly, as indicated in IAS 19:169, an entity should measure termination benefits as follows:

- If the termination benefits are an enhancement to post-employment benefits, IAS 19's requirements for post-employment benefits should be applied; otherwise
- If the termination benefits are expected to be settled wholly before 12 months after the end of the annual reporting period in which the termination benefit is recognised, IAS 19's requirements for short-term employee benefits should be applied; and
- If the termination benefits are not expected to be settled wholly before 12 months after the end of the annual reporting period, IAS 19's requirements for other long-term employee benefits should be applied.



Long-term intra-group foreign investments

Paragraph 48 of IAS 21 *The Effects of Changes in Foreign Exchange Rates* provides an exception that allows gains and losses on certain intra-group foreign currency items of a long-term investment nature to be recognised in other comprehensive income instead of being recognised in profit or loss. For an item to qualify as a long-term investment, the entity must be able to assert that “settlement is neither planned nor likely to occur in the foreseeable future”. An entity that has characterised an intra-group item as part of its net investment in the entity may need to reassess whether that designation is still appropriate in the current economic environment. For example, an entity that plans to undergo restructuring because of the COVID-19 pandemic may need to reassess whether certain intercompany loans that had previously been determined to be of a “long-term investment nature” should continue to be accounted for as such if the loans could now be settled in the “foreseeable future” in connection with the restructuring plan.

Government assistance

In response to the COVID-19 pandemic, governments in many jurisdictions are considering, or have implemented, legislation to help entities that are experiencing financial difficulty stemming from the pandemic. Such assistance may be in the form of income-based tax credits that are dependent on taxable income or other forms of relief that is not dependent on taxable income (e.g. payroll tax credits, tenant reliefs and other similar subsidies).

IAS 20 has a broad scope exemption encompassing “government assistance that is provided for an entity in the form of benefits that are available in determining taxable income or are determined or limited on the basis of income tax liability”. Additionally, IAS 12 *Income Taxes* excludes from its scope government grants and investment tax credits. Therefore, a first step in accounting for the various measures offered by a government is determining whether they should be accounted for applying IAS 20 or IAS 12.

Some relief programmes will clearly be in the scope of IAS 20 because they are calculated and distributed to an entity without any link to taxable income (this may be the case for subsidies granted with respect to salaries of employees on temporary suspension). Other relief programmes will be clearly in the scope of IAS 12, for example, deferral of payment of income tax or temporary changes in the income tax rate applicable to an entity.

When a government provides support to an entity through investment tax credit, it is a matter of judgement under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to determine the most appropriate accounting treatment. It may be appropriate to analogue to IAS 12 or IAS 20. Generally, if an approach similar to IAS 12 is adopted, a credit will be recognised in profit or loss as part of income tax expense/income, and the related asset in the statement of financial position, when the entity satisfies the criteria to receive the credit (and the government measure is substantively enacted). If the substance of the arrangement is considered to be closer to a government grant, and an IAS 20 approach is adopted, the credit will be recognised in profit or loss over the periods necessary to match the benefit of the credit with the costs for which it is intended to compensate.

Government support may also be provided as forgivable loans or low interest loans. A forgivable loan from government, for which the government has undertaken to waive repayment under certain prescribed conditions, is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan. The benefit of a government loan at a below-market rate of interest is also treated as a government grant. The loan is recognised and measured in accordance with IFRS 9. The benefit of the below-market rate of interest is measured as the difference between the initial carrying amount of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit is accounted for in accordance with the general principles of IAS 20. The entity is required to consider the conditions and obligations that have been, or must be, met when identifying the costs for which the benefit of the loan is intended to compensate.

The effect of a government grant in the scope of IAS 20 is recognised when, and only when, there is reasonable assurance that the entity will comply with the conditions attaching to it and that the grant will be received. A grant related to income (e.g. reimbursement of employment costs) is recognised as part of profit or loss either, as an accounting policy choice:

- Separately or under a general heading such as ‘other income’; or
- As a deduction in reporting the related expense.



A grant related to the acquisition of an asset is recognised in the statement of financial position either, as an accounting policy choice:

- Recognising the grant as deferred income, which is recognised in profit or loss on a systematic basis over the useful life of the asset; or
- Deducting the grant in calculating the carrying amount of the asset, in which case the grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation expense.

An entity that has benefited from government assistance will need to consider the disclosure requirements in IAS 20. In particular, it should disclose the nature and extent of the government grants recognised and provide an indication of the other form of government assistance from which it has benefited. Any unfulfilled conditions and other contingencies attaching to the government assistance should also be disclosed.

Income tax

Entities should consider how profitability, liquidity, and impairment concerns that could result from the impacts of COVID-19 might also affect their income tax accounting under IAS 12. For example, a reduction in current-period income or the actual incurrence of losses, coupled with a reduction in forecasted income or a forecast of future losses, could result in a reassessment of whether it is probable that some or all of an entity's deferred tax assets can be recovered. Such assessments will be particularly challenging in situations in which the changes in current and projected future profitability actually result in, or are expected to result in, cumulative losses and the entity has not had a stable earnings history before the impacts of COVID-19. If declining earnings or impairments generate losses, entities also need to evaluate whether there is sufficient income of the appropriate character to fully realise the related deferred tax asset.

The rate and tax base used to calculate the deferred tax balances should reflect the manner in which the entity expects, at the end of the reporting period, to recover the asset or settle the liability. Accordingly, entities will need to consider whether strategies considered to address the challenges brought by the COVID-19 pandemic have an effect on the recognition and measurement of deferred tax amounts. This may be the case for example, if an entity plans to sell an asset to improve liquidity and the tax consequences of selling an asset are different from those resulting from using the asset in operations (the original intent of the entity).

Deferred tax consequences of adjustments to the carrying amounts of assets and liabilities (for example, as a result of impairment losses or decreases in the value of a pension surplus) will also need to be considered.

As permitted by IAS 12, an entity may have not recognised deferred tax liabilities for taxable temporary differences associated with subsidiaries, branches and associates, and interests in joint arrangements, because it controls the timing of the reversal of the temporary difference and it has been probable until now that the temporary difference will not reverse in the foreseeable future. Conversely, it may have recognised deferred tax assets for deductible temporary differences associated with such investments because it was probable that the temporary difference would reverse in the future (and it was probable that the deferred tax asset could be recovered). It may be appropriate to reconsider these conclusions if there is a change in intent with respect to repatriation of undistributed earnings in an investee to help with liquidity issues.

Tax relief and credits determined to be in the scope of IAS 12 should be reflected in the recognition and measurement of tax amounts only when the tax measure is substantively enacted. The assessment of whether a measure is substantively enacted depends on the relevant local legislative process. When an entity is uncertain of whether it will meet the conditions to be eligible for a substantively enacted tax measure, it should apply the requirements of IFRIC 23 Uncertainty over Income Tax Treatments. If an entity concludes that it is not probable that a taxation authority will accept its tax treatment, the entity should reflect the effect of the uncertainty in determining the related tax balances.

Other uncertain tax positions may also arise as a result of the consequences on the entity of the COVID-19. This may be the case for tax positions related to transfer pricing arrangements, where previously prepared benchmarking studies to support the policy may no longer be valid. Here again, the requirements of IFRIC 23 would apply.



Some jurisdictions establish whether an entity is subject to taxation in a jurisdiction based on residency, often determined by a “central management and control” test, which is determined based on factors such as physical attendance at board meetings. Travel restrictions may require entities to consider whether they have met all of the requirements to be subject (or not subject) to taxation in a jurisdiction.

Breach of covenants

Unstable trading conditions and shortages of cash flows in the affected regions may increase the risk that entities breach financial covenants. Entities should consider how the breach of a loan covenant may affect the timing of repayment of the related loan and other liabilities (e.g. it becomes repayable on demand) and how it affects the classification of the related liabilities at the reporting date.

If a breach occurs on, or before, the reporting date and the breach provides the lender with the right to demand repayment within 12 months of the reporting date, the liability should be classified as current in the entity's financial statements in the absence of any agreements made prior to the reporting date that give the entity a right to defer payment beyond 12 months after the reporting date.

In contrast, a breach of loan covenants after the reporting date is a non-adjusting event that should be disclosed in the financial statements if the information is material (including the stage of the discussions with lenders to address the breach, if applicable). A breach after the reporting date could create uncertainty that raises substantial doubt about the entity's ability to continue as a going concern.

Distributable profits

Entities operating in jurisdictions where distributable profits are established on the basis of profits determined in accordance with IFRS Standards, will need to consider how the effect of the COVID-19 pandemic on their financial statements may affect their ability to declare dividends.

The Deloitte Accounting Research Tool (DART) is a comprehensive online library of accounting and financial disclosures literature. [iGAAP on DART](#) allows access to the full IFRS Standards, linking to and from:

- Deloitte's authoritative, up-to-date, iGAAP manuals which provide guidance for reporting under IFRS Standards; and
- Model financial statements for entities reporting under IFRS Standards.

To apply for a subscription to DART, click [here](#) to start the application process and select the iGAAP package.

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Audit and Risk Committee Terms of Reference

Document Control

Effective date	Next review due	Amendment Details	Prepared by	Endorsed by	Approved by
October 2019	October 2021	Expanded description of Committee function, purpose, membership and role of City staff, plus recognition of the new role of the Office of the Auditor General	Manager Governance Services	Chief Audit Executive	Council
May 2020	October 2021	Removal of the ability for Audit and Risk Committee to approve the appointment of any internal audit service provider.	Manager Governance Services	Chief Audit Executive	Council

1. Committee's authority and purpose

Authority

In accordance with section 7.1A of the *Local Government Act 1995* (**the Act**), the Council of the City of Mandurah (**the City**) has established an Audit and Risk Committee (**the Committee**). The Committee will operate in accordance with all relevant provisions of the Act, the *Local Government (Audit) Regulations 1996* and the *Local Government (Administration) Regulations 1996*.

As prescribed in Section 16 of the *Local Government (Audit) Regulations 1996*, the Committee is to provide guidance and assistance to Council on matters relevant to its terms of reference. This role is designed to facilitate informed decision-making by Council in relation to its legislative functions and duties that have not been delegated to the CEO.

The Committee is a formally appointed committee of the Council and is responsible to the Council. The Committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The Committee does not have any management functions and cannot involve itself in management processes or procedures.

Purpose

The purpose of the Committee is to:

- Provide advice and assistance to Council as to the carrying out of the function of the City in relation to annual audits of the City's financial statements (**external audit**);
- Monitor and receive reports concerning the development, implementation and on-going management of a City-wide risk management plan;
- Monitor and receive reports concerning the development, implementation and on-going management of the City's internal audit function;
- Review the annual Compliance Audit Return and report to Council the results of that review; and
- Receive, consider and review reports from the CEO under regulation 17 of the *Local Government (Audit) Regulations 1996* and report to Council the results of its review.

2. Committee's responsibilities

The Committee is to:

- Meet with the City's external auditor at least once in every year and provide a report to Council on the matter discussed and the outcomes of those discussions;
- Support council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability;
- Examine reports of the external auditor after receiving a report from the CEO on the matter, and:

- Determine if any matter raised requires action to be taken by the City;
- Ensure that appropriate action is taken in respect of those matters; and
- Review the report prepared by the CEO in respect of any matters raised in the report of the external auditor and presenting the report to Council for adoption.
- Approve the following:
 - Internal Audit Charter;
 - Internal Audit Manual;
 - Strategic and Operational Internal Audit Plans; and
 - Recommendations arising from internal audit services.
- Review the level of resources allocated to internal audit and the scope of the functions authority;
- Receive and review reports of internal audits, review the extent to which management reacts to matters raised by those internal audits, and monitor the implementation of action plans developed in response to those matters;
- Review the City's annual compliance audit return and report the results of that review to Council; and
- Receive and review biennial reports from the CEO regarding the appropriateness and effectiveness of the City's risk management, internal controls and legislative compliance.

3. Committee membership

Composition

The Committee shall comprise of up to six members, consisting of:

- Five Elected Members; and
- One external independent member.

The Council can appoint one or more deputies to the Audit and Risk Committee at any time.

Members of the Committee shall be appointed by Council in accordance with section 7.1A of the Act, which states:

- *The members of the audit committee are to be appointed by the local government and at least 3 of the members, and the majority of the members, are to be council members.*
- *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.*
- *An employee is not to be a member of an audit committee.*

The Council shall appoint one of the five Elected Members as Committee Chairperson.

The tenure of members' appointment to the Committee must be compliant with Section 5.11 of the Act, being up to two years terminating on the day of the Ordinary Council elections, at which time all Elected Members will be eligible for reappointment.

Committee members who are Elected Members must declare conflicts of interest in accordance with section 11 of the *Local Government (Rules of Conduct) Regulations 2007*, in a written notice given to the CEO before the meeting or at the meeting immediately before the matter is discussed.

Appointment of external independent persons will be made following a public advertisement. The evaluation of potential members will be reviewed by the CEO and appointments will be approved by Council on the basis of the potential member's experience and qualifications in any or all of the following:

- Internal audit;
- Risk management;
- Financial management/reporting;
- Understanding of complexities associated with the City of Mandurah.

An external independent member will be a person with no operating responsibilities with the City of Mandurah, nor will that person provide paid services to the City either directly or indirectly.

Any instance where an external member has a commercial interest, or is closely associated with an organisation that has an interest in the business of the City which represents a conflict of interest or pecuniary interest, or there is a risk or perception of conflict of interest, should be declared to the Chief Executive Officer before or at the relevant Committee meeting.

Termination of appointment

Council may terminate the appointment of any member prior to the expiry of their term, if:

- The Committee Chairperson considers that the member is not making a positive contribution to the Committee.
- The member is found to be in breach of the Council's Code of Conduct or a serious contravention of the Act.
- A member's conduct, action or comments bring the City of Mandurah into disrepute.

Committee member entitlements

All Committee members will be provided with appropriate training and professional development to be determined by the Committee and provided that adequate funds are available in the City of Mandurah budget for this purpose.

External independent member(s) will receive \$3,000 per annum for reimbursement of expenses.

4. Role of City staff

The following will be issued with a standing invitation to attend Committee meetings, in order to provide advice and guidance to the Committee:

- Chief Executive Officer;
- Executive Leadership Team;
- Chief Audit Executive (CAE) (or some other person as determined by the CEO to act as the CAE);
- Manager Governance Services; and
- Representative of the Office of the Auditor General.

The Internal Auditor or internal audit service provider will be invited to present reports as and when required by the Committee.

Other staff may be invited to attend meetings to discuss specific issues or reviews as and when required.

Such attendees may take part in the discussions and business of the meetings, but have no voting rights.

A Minute Officer will be appointed by the Chief Executive Officer to assist the Committee as follows:

- (a) Arranging meetings, preparing agendas, preparing minutes;
- (b) Taking action to implement Committee decisions as guided by the City's Governance section in relation to:
 - Obtaining information for the next or future meeting;
 - Preparing a paper for the next or future meeting;
 - Coordinating relevant staff of the City to provide advice at the next or a future meeting;
 - Promulgating decisions e.g. reporting, providing or seeking advice on significant correspondence of all kinds.
- (c) Preparing background notes;
- (d) Providing advice to the Chairperson, committee members and committee users on Committee policy and process matters; and
- (e) Maintaining appropriate committee records in an accessible form.

5. Committee meetings

Quorum

As prescribed by Section 5.19 of the Act, the quorum for Committee meetings shall be at least 50% of the number of offices of the Committee (whether vacant or not).

In the Chairperson's absence, Committee members who are present will select a Chairperson for that particular meeting.

Frequency

Meetings will be scheduled where necessary to allow the Committee to discharge its functions up to ten times per year.

Agenda

An agenda will be distributed at least 72 hours prior to the meeting, along with the minutes of the previous meeting, reports and other attachments or information to be addressed.

Public Attendance at Meetings

The Committee meeting will be open to the public.

In accordance with Section 5.23 of the Act, the Committee may close to members of the public the meeting or part of the meeting, if the meeting or the part of the meeting deals with a number of aspects as defined by Section 5.23 of the Act.

Voting

Voting is in accordance with Section 5.21 of the Act.

Minutes and matters arising

All meetings shall be minuted by the Minute Officer, and minutes shall be approved by the Committee at the next committee meeting.

Reporting

Recommendations of each Committee meeting shall be presented to the next ordinary meeting of the Council.

Confidentiality

All Committee members will be required to adhere to the City's confidentiality requirements. In particular, no confidential information received or generated by the Committee will be disclosed to unauthorised persons.

Amendment to the 2019 Local Government Compliance Audit Return**Disclosure of Interest**

No	Reference	Question	Response	Comment	Respondent
7	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start date.	No	The designated employee included the incorrect start date in their primary return. The start date submitted in the primary return was the date they commenced in the position, rather than the date the employee received the delegation approved by the CEO.	Tahlia Jones