Adopted Report

of the

Governance & Administration Committee Meeting

held

Thursday 23 November 2017

at

9am

City of Gold Coast Council Chambers
135 Bundall Road
Surfers Paradise
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### Adopted Report

**Governance & Administration Committee Meeting**

**Thursday 23 November 2017**

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**KEY:**
- **OCOO** - Office of the Chief Operating Officer
- **OCEO** - Office of the Chief Executive Officer
- **GCWW** - Gold Coast Water & Waste
- **CI** - City Infrastructure
- **CS** - Community Services
- **OS** - Organisational Services
- **EDMP** - Economic Development & Major Projects
- **PE** - Planning & Environment
COUNCIL MEETING 28 NOVEMBER 2017

RESOLUTION G17.1128.017 moved Cr Owen-Jones seconded Cr McDonald


CARRIED

ATTENDANCE

Cr W M A Owen-Jones (Chairperson)
Cr D I McDonald
Cr D Gates
Cr K L Boulton
Cr P A Taylor

Cr PC Young Visitor
Cr G Baildon Visitor left meeting at 9.48am
Cr G O’Neill Visitor arrived 9.08am

Mr A J McCabe Chief Operating Officer
Mr G Mather Manager Corporate Assurance (part)
Mr B Madden Manager Property Services (part)

APOLOGY / LEAVE OF ABSENCE

PROCEDURAL MOTION moved Cr Owen-Jones seconded Cr Boulton

That the apologies of Cr Tozer and Cr Crichlow be noted.

CARRIED

PRESENTATIONS

Item 2 Audit Committee Chair’s Report To Council 2016-17 9am
Mr Bill Turner Independent Audit Committee Chair

Item 3 Gold Coast Arts Centre Pty Ltd - Bi-Annual Performance Review 9:45am
Ms Robyn Archer (Chairperson) and Ms Criena Gehrke (CEO)

Item 4 Connecting Southern Gold Coast Ltd – Bi-Annual Performance Review 10:15am
Ms Anne Stovin (Chairperson) and Mr Peter Doggett (CEO)
ITEM 1  OFFICE OF THE CHIEF OPERATING OFFICER
GOVERNANCE AND ADMINISTRATION COMMITTEE ACTION LIST AND FORWARD PLANNING SCHEDULE
LG115/1215/01/2016(P1)

(748) Governance and Administration Committee 6 December 2017

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<thead>
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<th>Surfers Paradise Alliance Ltd – Biannual Performance Review</th>
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<tr>
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<td>State of the Organisation Report SOOR 2016-17</td>
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<td>City Operational Plan 2017-18 Q1</td>
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<tr>
<td>Travel &amp; Travel Related Expenses for Councillors and Staff - 1 July to 30 September 2017</td>
<td>City Procurement</td>
<td></td>
</tr>
</tbody>
</table>

RECOMMENDATION

It is recommended that Council resolves as follows:

That the list of proposed Agenda Items for the Governance and Administration Committee be noted.

Authorised by:

Joe McCabe
Chief Operating Officer

COMMITTEE RECOMMENDATION

GA17.1123.001

moved Cr Taylor
seconded Cr Boulton

That the list of proposed Agenda Items for the Governance and Administration Committee be noted.

CARRIED
1 BASIS FOR CONFIDENTIALITY

Not Applicable.

2 EXECUTIVE SUMMARY

The Council’s Audit Committee has met all its obligations under its approved charter and continues to make a significant contribution to the achievement of good corporate governance during a time of significant change, growth and opportunity for the City of Gold Coast. Throughout 2016-17, the Committee operated in an effective and efficient manner exercising broad oversight of many key matters including:

- the City’s transition to a managed services provider arrangement (Fujitsu) for many ICT services;
- progress towards implementation of the Local Government Platform (LGP) which will replace many of the City’s legacy ICT systems and which will substantially facilitate the City’s move towards a digital future;
- preparation of the City’s annual financial statements and those of its controlled entities including reporting of related party transactions for the first time;
- progress towards completion of, and funding arrangements for, the various venues for the 2018 Gold Coast Commonwealth Games;
- completion of the five yearly cycle for valuation of all the City’s assets with the undertaking of a comprehensive valuation of water assets and indexation (where relevant) of values for all other assets;
- progress towards cyber resilience including security arrangements;
- fraud and corruption risk assessment;
- risk management and internal control frameworks and issues arising;
- outcomes and recommended actions arising from the QAO’s report into Critical Water Infrastructure in Queensland; and
- implementation of audit recommendations in relation to internal controls and risks.

The Committee is again pleased to advise that the Council’s financial statements were provided with an unmodified audit opinion by the due date and with the highest rating of good in terms of quality and timeliness while most elements of internal control were attributed the highest rating by the Queensland Audit Office (QAO).

Unmodified audit opinions were also issued in relation to the financial statements of each of the Council’s five controlled entities although those of the Gold Coast Arts Centre Pty Ltd and the Surfers Paradise Alliance were not completed in a timely manner and initial draft statements contained material errors. The Committee has taken a number of steps to address this situation including meeting with executive management of the GCAC and seeking explanations from the SPA for the high turnover of key finance staff.

The Committee also noted that the indicators of the Council’s financial sustainability for 2016-17 continued to improve with the operating surplus ratio, the asset sustainability ratio and the net financial liabilities ratio all improving with the overall rating for financial sustainability remaining as Moderate Risk.
As part of its charter, the Committee considered all recommendations emanating from the Internal Audit Unit and QAO reports on various audit and performance audit reporting matters and has continued to take an active interest in monitoring management responses in terms of relevance, adequacy and timeliness.

In light of the Committee expressing some concerns in relation to the timeliness and quality of responses, even further effort will be devoted to monitoring of progress and the importance of this matter will also be emphasized to management. Finally, the Committee also made several suggestions in relation to business improvement opportunities and compliance requirements.

During 2017-18 QAO is undertaking a performance audit focused on managing local government rates, fees and charges. Five councils (excluding the City of Gold Coast) have been selected for detailed analysis of their rating practices including:

- compliance with legislative requirements;
- robustness and transparency of the processes used to set rates and charges; and
- effectiveness of administering rates and charges.

It is expected that a report on the audit will be tabled in Parliament in March 2018.

For 2017-18, the Committee will give continuing emphasis on various internal controls, risk and financial reporting matters with particular focus on:

- the implementation of the Local Government Platform;
- asset valuation methodologies and peer review;
- risk management;
- cyber resilience;
- follow up of outstanding audit matters;
- impact of new accounting standards;
- reporting of related party transactions;
- monitoring of policies and processes designed to avoid fraud and corruption;
- preparedness for the Commonwealth Games and the achievement of legacies arising from the Games; and
- continuing simplification of Council’s financial statements.

Finally, the Committee also recently gave some consideration to the outcomes and recommendations emanating from the CCC report into Operation Belcarra and charges in relation to certain local government staff, former staff and an elected representative of Ipswich City Council in terms of their implications for the Charter and the operations of the Committee. The Committee will further consider this matter during 2017-18 as State government legislative and administrative arrangements are finalised.

3 PURPOSE OF REPORT

The Audit Committee Chair’s report is prepared annually and is designed to provide councillors with a summary of the responsibilities, work, operations and deliberations of the Audit Committee for the 2016-17 meeting cycle. The report is also designed to inform Council of any significant relevant issues and/or matters which were addressed or are currently being addressed by the Committee.
ITEM 2 (Continued)
AUDIT COMMITTEE CHAIR’S REPORT TO COUNCIL 2016-17
LG964/06/17/01/CF(P1)

4 PREVIOUS RESOLUTIONS

GA15.1209.019 in part
That the annual report of the Audit Committee Chairperson is noted.

5 DISCUSSION

5.1 INTRODUCTION

The Local Government Act 2009 (Act) requires all large local governments to establish an audit committee to:

- monitor and review the -
  (i) integrity of financial documents;
  (ii) internal audit function; and
  (iii) effectiveness and objectivity of the local government’s internal auditors; and
- make recommendations to the local government about any matters that the audit committee considers need action or improvement.

The City of Gold Coast’s Audit Committee (Audit Committee) is an advisory committee of Council currently consisting of two (2) councillors and four (4) independent external members charged with providing assurance, oversight and advice to Council and the Chief Executive Officer in relation to the governance, risk and internal control functions of the City of Gold Coast and its controlled entities. Council’s Audit Committee has been in existence for many years and is considered a vital part of good governance practice.

This report documents the Committee’s work consistent with the above accountabilities.

5.2 MEMBERSHIP

The Local Government Regulation 2012 (Regulation) requires an audit committee to consist of between 3 and 6 members and stipulates that 2 of the members must be councillors.

The current members of the Audit Committee are:

- Councillor William Owen-Jones
- Councillor Glenn Tozer
- Bill Turner (independent Chair)
- Len Scanlan (independent member)
- Geoff King (independent member)
- Mitchell Petrie (independent member)

The participation of Councillor William Owen-Jones and Councillor Glenn Tozer as Chair and Member of the Governance and Administration Committee respectively, ensures that the Council’s objectives and perspectives are considered when relevant matters are under consideration. Both Councillors also have significant financial accounting and financial management experience.

Mr Turner has extensive senior financial, audit, probity and risk management experience within the public service particularly in infrastructure and being a resident of the Gold Coast brings valuable local knowledge to Committee discussions.
ITEM 2 (Continued)
AUDIT COMMITTEE CHAIR’S REPORT TO COUNCIL 2016-17
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Messrs Scanlan, King and Petrie have substantial experience in, and knowledge of, accounting, auditing and risk management. Mr Scanlan is a former Auditor-General of Queensland and is, or has been, a member of many audit committees and or governance boards. Mr King has extensive experience in audit, risk management and governance, with particular emphasis on information and communication technology, across a diverse range of industries in the public and private sector including local governments. Mr Petrie was appointed as a new external member of the Committee (replacing Mr Graeme Stratford) with effect from 1/2/2017. Mr Petrie was previously an audit assurance partner with KPMG and has extensive audit, risk management and governance experience and knowledge.

During 2016/17, Council approved the extension of Mr Turner’s appointment as Committee Chair until 31/12/2018 and his appointment as an external member until 31/12/2019. This will allow transition to a new Chair during the last year of the term of Council and of the Audit Committee. In addition, Council approved an extension of Mr Scanlan’s appointment as an external member until 30 June 2018

5.3 COMMITTEE MEETINGS

The Audit Committee met six times in relation to the 2016-17 reporting cycle as follows:

<table>
<thead>
<tr>
<th>#</th>
<th>Date</th>
<th>Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>28 November 2016</td>
<td>Regular Meeting</td>
</tr>
<tr>
<td>2</td>
<td>13 March 2017</td>
<td>Regular Meeting</td>
</tr>
<tr>
<td>3</td>
<td>8 May 2017</td>
<td>Annual Planning Workshop</td>
</tr>
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<td>4</td>
<td>10 July 2017</td>
<td>Regular Meeting</td>
</tr>
<tr>
<td>5</td>
<td>4 September 2017</td>
<td>Draft Financial Statements for 2016-17</td>
</tr>
<tr>
<td>6</td>
<td>9 October 2017</td>
<td>Final Financial Statements for 2016-17</td>
</tr>
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</table>

Attendance by members at meetings and workshops was as follows:

<table>
<thead>
<tr>
<th>Member</th>
<th>Meetings and workshops</th>
<th>Meetings and workshops attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Councillor William Owen-Jones</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Councillor Glenn Tozer</td>
<td>6</td>
<td>5#</td>
</tr>
<tr>
<td>Mr Bill Turner, Chair and independent member</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Mr Len Scanlan, independent member</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Mr Geoff King, independent member</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Mr Graeme Stratford, independent member (until 31/12/2016)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Mr Mitchell Petrie, independent member (from 1/2/2017)</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

# includes part of one meeting
ITEM 2 (Continued)
AUDIT COMMITTEE CHAIR’S REPORT TO COUNCIL 2016-17
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In addition to the members of the Committee, the Chief Executive Officer (CEO) Mr Dale Dickson, who under the Act cannot be a member of the Committee, is a standing invitee and regular attendee. Other management and staff are invited to attend meetings as required.

Council’s Internal Audit function is represented at Committee meetings by Council’s Manager Corporate Assurance, Mr Grant Mather and internal audit staff as required.

Council’s Chief Operating Officer, Mr Joe McCabe, Manager Corporate Finance, Mr John Blair and other Corporate Finance staff also attend Committee meetings on a regular basis, particularly those meetings where financial statements, financial management and internal and external audit matters are discussed.

Representatives of the Queensland Audit Office (QAO) are invited to attend meetings or part thereof and contribute where relevant and appropriate. It is a responsibility of the Committee to undertake appropriate liaison with the QAO on matters raised or arising from their audit. The Committee also undertakes a closed session with only representatives of the QAO present to allow a free and open exchange of views concerning the performance of the City of Gold Coast in relation to audit and financial management and broader corporate governance issues.

The Committee has continued to take a strategic focus to the conduct of its responsibilities and operations via a Forward Meeting Schedule and review cycle which ensures that over the course of the Council term, all elements outlined in the Audit Committee Charter are addressed.

5.4 RESPONSIBILITIES

The Audit Committee is governed by the Council endorsed Audit Committee Policy (Charter) which is reviewed annually and updated by the Committee if appropriate with any amendments subject to Council endorsement.

The Charter imposes greater responsibilities on the Audit Committee than those defined in the Local Government Act thereby demonstrating Council’s commitment to strong corporate governance. This was a position taken by Council some time ago to utilise the Committee as a broader governance tool rather than a just legislative compliance tool.

The oversight responsibilities of the Committee are set out in the Audit Committee Charter and include the following key matters. (More detail concerning these key responsibilities is included in the Charter which is published on Council’s website.

5.4.1 Financial statements and reporting

a) Council of the City of Gold Coast

PROCESS

The Audit Committee is required under its Charter and in accordance with the Local Government Act to review the financial statements of Council and all its controlled entities including City of Gold Coast Insurance Company Ltd, Gold Coast Arts Centre Pty Ltd and the three events based entities:

I. Surfers Paradise Alliance Ltd;
II. Broadbeach Alliance Ltd and
III. Connecting Southern Gold Coast Ltd

NB Note that the Council, Committee and QAO have agreed that Bleached Ltd is not a controlled entity.

However, the major focus of the Committee’s work in relation to financial reporting continues to be the review of the financial statements of the Council of the City of Gold Coast. The process commences with the Committee’s review of the template (or shell) set of financial statements (that is, without current year financial data) and in particular the format and contents of notes which accompany the financial statements. This provides the Committee an early opportunity to consider proposed changes in asset valuations (including methodologies), proposed treatment or presentation of certain transactions and the implications of new or revised accounting standards and their implementation.

The intent of this stage of the process is to identify and resolve any potential issues and to agree the initial shell financial statements with the QAO thereby improving the timeliness of preparation of the financial statements.

Consequently, the Committee reviewed and discussed the draft set of statements with Corporate Finance staff and QAO representatives and provided interim approval of the draft statement format and notes subject to those matters requiring follow up. In doing so, the Committee noted that some improvement had been achieved in terms of reducing the extent of, and/or simplifying the notes. Further issues arising were discussed and resolved in subsequent meetings.

The draft financial statements for 2016-17 were completed and made available to the Committee in September. As part of its review of the draft statements, the Committee sought further information concerning:

- the process for revaluation of the Council’s water assets and the outcomes; and
- the preparation of a position paper concerning assessment of a contingent liability for possible rehabilitation of various landfill sites.

Following consideration of these and other minor matters, the Committee endorsed the statements being made available to the QAO for audit (subject to minor amendments identified by the Committee).

The Committee endorsed the statements as appropriate for certification by the CEO and the Mayor on 9 October 2017 subject to the resolution of minor matters being discussed with QAO representatives.
OUTCOME
The QAO provided an unmodified audit opinion on the financial statements (including the Financial Sustainability Statements) on 17 October 2017.

ISSUES CONSIDERED
The Committee’s primary focus in relation to the 2016-17 financial statements included:

- review of the extent and methodology associated with the full valuation of water assets. The Committee undertook several discussions with Gold Coast Water and Waste staff concerning the methodology adopted (including the peer review process), the completeness and accuracy of asset data and the reasonableness of valuation outcomes;
- review of indexation calculations and format of reports relating to a number of asset classes which were not subject to full scale revaluations in 2016-17;
- consideration of various accounting estimates, assumptions and judgements;
- continuing review of the treatment and proper accounting for the Council’s involvement in the Gold Coast 2018 Commonwealth Games and venues including the accounting treatment of payments made by Council as part of its contribution to the cost of the Games;
- simplification of the notes to the accounts;
- development and implementation of the policy relating to reporting of related party transactions including consistency with reporting by controlled entities. The Committee placed significant focus on this matter during 2016-17 and expressed some concern when QAO identified a deficiency in this area due to incomplete declarations of related parties in two cases (although no transactions with such parties were identified). QAO also acknowledged that the deficiency probably reflected confusion in terms of the requirements for declaration in the first year of operation;
- consideration of changes to accounting standards and/or policies during the year and planning for future accounting standard changes in later years. Council’s financial statements are required to be prepared in accordance with appropriate legislation and accounting standards. The implications of new and updated accounting standards are assessed by Council staff and reviewed by the Committee to ensure the appropriateness of their application and any impacts and/or implications. Accounting policies are also reviewed by the Committee when changes occur and are also reviewed as part of the consideration of the financial statements.

GOING FORWARD
The Committee will continue to place emphasis on several items in relation to the financial statements for 2017-18 and beyond.

- VALUATION OF NON-CURRENT ASSETS

As indicated above, the Council has completed a full cycle of revaluation of all assets. In 2017-18 there is no requirement for a full valuation of any of the Council’s major classes of assets. However, the valuation of all assets will be reviewed in light of changes in relevant indices or other material available to Council such as contract or market data.
ITEM 2 (Continued)
AUDIT COMMITTEE CHAIR’S REPORT TO COUNCIL 2016-17
LG964/06/17/01/CF(P1)

Given these circumstances, the Committee will take advantage of the lighter workload on Council staff to hold a further asset valuation workshop with asset management and Corporate Finance staff in early 2018. This will be designed to optimise asset management and valuation methodologies and activities including appropriate documentation and reporting of peer reviews and outcomes.

- **SIMPLIFICATION OF THE FINANCIAL STATEMENTS AND NOTES**

Although some simplification of the financial statements and the accompanying notes took place during 2016-17 in an effort to improve readability and enhance readers’ understanding, the Committee and Corporate Finance will again review the notes during 2017-18 in conjunction with the QAO to establish whether further improvements can be made.

- **RELATED PARTY TRANSACTIONS**

Although there were very few transactions required to be reported in the 2016-17 financial statements, the Committee remains aware of the keen and ongoing interest in local government governance arrangements particularly given the CCC report on Operation Belcarra and the matters of donations and potential conflicts of interest. The Committee will therefore continue to monitor the identification and reporting of related party transactions going forward.

- **CONTROLLED ENTITIES**

Given the difficulties experienced by two of the controlled entities in preparing their financial statements for 2016-17, the Committee will ensure ongoing oversight of planning and preparation by the entities for the 2017-18 financial year.

- **REHABILITATION OF LANDFILL SITES**

The Council operates a number of landfill sites which may require rehabilitation upon the completion of their useful lives. The QAO has sought preparation of a position paper which assesses the potential liability which might arise therefrom. An initial paper has been prepared following the completion of an independent investigation of this matter however the outcome of this work was not conclusive and further work is required. The Committee is seeking early completion of the position paper to allow this matter to be addressed for the 2017-18 financial statements.

- **ACCOUNTING FOR COUNCIL TRANSACTIONS IN RELATION TO THE GOLD COAST 2018 COMMONWEALTH GAMES**

Although the majority of financial and construction activities associated with the Games are coming to an end, the Committee will continue to exercise oversight of the appropriate accounting treatment of Council contributions for the Games and the resulting assets.

b) **2016-17 Financial Sustainability Statements**

The Financial Sustainability Statements for the Council comprising both current year and long term perspectives are required to be completed, and in respect of the current year’s statement, audited by the QAO. The various sustainability ratios and the methods of calculation are prescribed by legislation.
Councillors will be aware that the City of Gold Coast has previously made representations to various parties over time concerning the legislated methodologies and in particular, the appropriateness of using depreciation costs rather than the amount expended on renewal of assets (as provided for under the Council’s Asset Management Plans). The QAO has made a number of recommendations which support several of the points made by the City of Gold Coast and would allow a broadening of the number of ratios including use of an asset renewal ratio. Whilst the Committee also supports this approach, no formal change has as yet occurred. Consequently, the ratios shown below continue to be calculated using the mandated methods.

Notwithstanding the above, the Financial Sustainability Statements for 2016-17 continue to reflect improvements from previous years and QAO has assessed the Council as Moderate Risk although some ratios remain outside the benchmarks determined by the Department of Local Government (although well within the benchmarks if the Council’s preferred calculation methods are used).

<table>
<thead>
<tr>
<th>Council of City of Gold Coast</th>
<th>Benchmark</th>
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<tbody>
<tr>
<td><strong>Operating Surplus Ratio</strong></td>
<td></td>
</tr>
<tr>
<td>2012-13</td>
<td>-11.2%</td>
</tr>
<tr>
<td>2013-14</td>
<td>-5.4%</td>
</tr>
<tr>
<td>2014-15</td>
<td>-1.6%</td>
</tr>
<tr>
<td>2015-16</td>
<td>+1.1%</td>
</tr>
<tr>
<td>2016-17</td>
<td>+1.5%</td>
</tr>
<tr>
<td>2016-17 Council preferred method</td>
<td>+14.1%</td>
</tr>
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<table>
<thead>
<tr>
<th>Asset Sustainability Ratio</th>
<th></th>
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<tbody>
<tr>
<td>2012-13</td>
<td>24.0%</td>
</tr>
<tr>
<td>2013-14</td>
<td>47.5%</td>
</tr>
<tr>
<td>2014-15</td>
<td>34.8%</td>
</tr>
<tr>
<td>2015-16</td>
<td>46.0%</td>
</tr>
<tr>
<td>2016-17</td>
<td>49.6%</td>
</tr>
<tr>
<td>2016-17 Council preferred method</td>
<td>128%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Financial Liabilities Ratio</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>41.5%</td>
</tr>
<tr>
<td>2013-14</td>
<td>35.3%</td>
</tr>
<tr>
<td>2014-15</td>
<td>15.8%</td>
</tr>
<tr>
<td>2015-16</td>
<td>-3.6%*</td>
</tr>
<tr>
<td>2016-17</td>
<td>-15.3%*</td>
</tr>
</tbody>
</table>

* The negative figure indicates that current assets exceed current liabilities.

NB It is likely that the operating surplus ratio will deteriorate slightly in 2017-18 due to a number of commitments to the Commonwealth Games which will require to be reported as operating expenditure.
ITEM 2 (Continued)
AUDIT COMMITTEE CHAIR’S REPORT TO COUNCIL 2016-17
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C) City of Gold Coast Insurance Company Ltd

The Committee noted that the financial statements of the Company for 2016-17 had been audited by Ernst & Young LLP (one of the world’s largest accounting firms) and that an unmodified audit opinion had been issued.

The Committee also noted the CEO’s report on the Company’s operations and the transition to a new Chair and director of the Company.

d) Other Controlled Entities

The financial statements for all controlled entities were provided with unmodified audit opinions by QAO however two entities being the Gold Coast Arts Centre Pty Ltd (GCAC) and the Surfers Paradise Alliance (SPA), did not complete their financial statements in accordance with the timeframes agreed with the QAO. The initial drafts of both entities’ statements were also not of the quality expected.

Given that the GCAC also experienced issues in preparing their 2015-16 financial statements, the Committee invited the recently appointed General Manager and the Director Corporate Services to meet with the Committee so that the Committee could understand the ongoing reasons for these issues. GCAC staff outlined their plans to replace the existing financial system and to continue the development of financial management processes including those in relation to the end of the financial year. The Committee also sought an explanation from the SPA in relation to the high turnover of staff through the Financial Controller position which contributed to the difficulties experienced in completing the financial statements in a timely and quality manner. The Committee noted and is satisfied with explanations provided and also noted that Corporate Finance staff are likely to be able to take a greater and more timely role in assisting the controlled entities in future following completion of the LGP project and the Commonwealth Games.

5.4.2 INTERNAL AUDIT

a) Internal Audit Function

The Internal Audit function is a key function underpinning the governance framework of Council and provides integral support to the work of the Audit Committee.

Council’s Internal Audit function is led by the Manager, Corporate Assurance and currently comprises four professional internal audit staff (including an IT specialist Internal Auditor) and one business support officer although action is currently underway to recruit a further internal audit specialist which will also allow some restructuring of the Unit.

The Manager, Corporate Assurance, Mr Grant Mather has been with Council for eight years, firstly as Manager Internal Audit and more recently as Manager Corporate Assurance. Prior to joining Council, Grant spent 10 years with a prominent large professional services firm where he led the Queensland Risk and Advisory Services practice based in Brisbane. Grant has a broad range of internal audit, risk management and business consulting skills, and is a Certified Practising Accountant (CPA), Certified Information Systems Auditor (CISA) and long standing member of the Institute of Internal Auditors (Australia). Grant also continues to act as a Councillor of the Institute of Internal Auditors Queensland Chapter.
Council’s Internal Audit Charter provides the Manager Corporate Assurance with a direct communication line to the Audit Committee and to the Chief Executive Officer to ensure independence at the highest level while the Manager is also encouraged to freely raise issues directly with the Audit Committee. For administrative matters, the Corporate Assurance Branch incorporating the Internal Audit Unit and the Integrity and Ethical Standards Unit sits within the Office of the COO Directorate and reports to the Chief Operating Officer.

Internal Audit services have continued to be provided through a mix of professional internal staff supported by external specialist services as required particularly where a specific review or activity is involved. The Committee has also been aware for some time that there have been significant demands on the resources of the Internal Audit Unit in relation to the implementation of key projects or initiatives and that less resources have been able to be devoted to some of the more routine audit activities and the follow up of outstanding audit recommendations. The Committee would like to acknowledge the support of its recommendation to recruit an additional staff member to address these matters and to facilitate a minor reorganisation of the Unit’s resources.

Professional internal audit staff have various qualifications and experience in the fields of accounting, finance, commerce, IT, data analysis and internal audit. Professional development plans have continued in place to ensure internal audit staff stay abreast of current risk and control developments and leading internal audit practices. Approximately 10% of available audit time is spent on professional development and related activities to ensure staff are providing high quality advice and audit services.

Findings and recommendations made in internal and external audit reports and relevant Auditor-General reports to Parliament are recorded and tracked by the Internal Audit Unit with the aim of ensuring that management addresses improvement actions in a timely manner. Reports on management’s progress in addressing audit actions are provided to the Audit Committee for monitoring purposes. Whilst progress continues to be reasonable given the demands on Council staff, the Audit Committee continues to note several instances over the past 12 months where delays in addressing audit matters have occurred. This has also been noted by the QAO in its audit follow up activities. The Committee has requested that further work be undertaken in this area during the 2017-18 audit year to ensure that management continues to resolve audit actions in a timely manner. The Committee will closely monitor progress in this matter and will raise any relevant matters with executive management.

The Manager Corporate Assurance and staff of the Internal Audit Unit provide specialist advice and guidance to the Audit Committee and to management through their active participation in a range of organisational working groups and project steering committees. Through this involvement, Internal Audit assists management to identify and implement risk and control improvements early in the change/project cycle and provide ongoing assurance. In undertaking this work, conditions are imposed by Internal Audit such that involvement is in no way part of the management or implementation process and is advisory only. This is important to protect the independence of Internal Audit and its ability to later audit outcomes.
ITEM 2 (Continued)
AUDIT COMMITTEE CHAIR’S REPORT TO COUNCIL 2016-17
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The Internal Audit Unit has continued its strong but independent working relationship with management and the Audit Committee. This has allowed for robust discussions surrounding risk and control issues as and when they arose. The Internal Audit Unit also continued to play an active role in maintaining open and effective lines of communication with the QAO to ensure internal and external audit activities are aligned and integrated during audit planning activities. Both audit functions collectively worked together to minimise duplication of audit activities where possible.

Under the guidance of the current Manager, and with the support of the Committee and CEO, the Internal Audit Unit has adopted a balanced and strategically aligned assurance and advisory function that seeks to add value to the organisation by helping management understand and better manage their key risks. The Audit Committee continues to note increasingly positive feedback from the areas being audited of the value-add provided by the Internal Audit Unit and the Manager Corporate Assurance.

The Internal Audit Unit budget for internal audit services in 2016-17 was approximately $1 million. This continues to represent around 0.08% of Council’s total operating expenditure excluding contributions and donations ($1.3 billion) which is significantly less than the average for Queensland State Government Departments.

b) Internal Audit Operations

A table of formal internal audit reports issued during the 2016-17 cycle is attached as Attachment A. The results of those audits remain varied however overall, the control environment continues to improve. At the same time some existing risks are evolving, for example, cyber security and some new operational risks are emerging which require continual review and refinement of the audit plan, for example, risks associated with ICT system security, critical water infrastructure and with the implementation of the LGP.

As part of each audit, various recommendations were determined and agreed with the responsible Manager and Director, and ranked on a high, medium and low scale together with timelines for corrective action. A register of these issues (and those raised by the QAO) is maintained and regularly followed up by Internal Audit and reported to the Committee and management on a regular basis.

The Committee reviews progress reports on management’s resolution of audit issues at each regular Committee meeting. The Committee particularly focuses on the high rated outstanding actions and those more than three months overdue. In this regard and as noted previously, there are still a significant number of outstanding recommendations to be implemented and the Committee will be taking a more rigorous approach to follow up of outstanding actions during 2017-18

c) Going forward - Internal Audit Planning

In accordance with the normal practice, the Audit Committee undertook its annual planning workshop in May 2017. This provided an excellent opportunity for the three members recently appointed to the Committee to be updated on current and emerging audit trends and issues in Council’s and the wider audit and risk environments.
ITEM 2  (Continued)
AUDIT COMMITTEE CHAIR’S REPORT TO COUNCIL 2016-17
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Workshop participants were provided with Queensland Audit Office and Internal Audit Unit reports and existing audit plans and outcomes. In addition, information was provided and presented by management concerning specific audit, risk and/or internal control matters allowing the Committee’s consideration of such matters and to ensure:

- that the Plan for 2016-17 was largely delivered including identification of any gaps;
- that there is appropriate recognition of higher order and emerging risk matters in audit planning, scheduling and resourcing; and
- that the development of the Annual Internal Audit Plan for 2017-18 was facilitated and agreed and that the existing rolling 3 year Strategic Audit Plan was reviewed and modified to ensure its currency and appropriateness.

The Committee takes a keen interest in ensuring that allowance is made in the Annual Internal Audit Plan for emerging issues that are unable to be identified or quantified at time of planning. Any material changes to the Plan are reviewed by the CEO and the Audit Committee during committee meetings. From time to time, a particular Director or Manager may request internal audit assistance in dealing with an emerging matter. This requires mature discussions to determine if the needed time could be spent more productively elsewhere.

In developing the Annual Audit Plan, a range of specific matters was considered including:

- risk - with focus generally on high risks areas such as ICT systems, the LGP and mobile technology and external security threats;
- risk of damage to reputation;
- crisis management and the Council’s ability to respond to a crisis event and maintain business continuity;
- results of audits and whether there were adverse conclusions. Consideration is also given to the extent and timeliness of implementation of agreed actions and to the period since the last audit;
- the balance between undertaking an extensive review of a small number of areas which is more time consuming versus high level reviews of a wider range of areas;
- specific requests from management for an audit of a particular area or activity;
- the need for certain internal audit work to be undertaken annually simply because of the size, importance and sensitivity of the activities, regardless of risk. These are not necessarily full activity audits but can be restricted to selected component audits. For 2016-17 the Committee noted that some of this audit activity had been deferred and expressed a view that this be addressed in 2017-18.

Currently the following functions are subjected to some selective audit activity:

- payroll including leave management;
- procurement including accounts payable;
- risk management;
- fraud and corruption control
- major projects being undertaken such as the LGP implementation;
- the Commonwealth Games,
- Stage 2 of the light rail project;
- the Cultural Precinct;
- compliance with project assurance requirements; and
- major legislative and/or regulatory reform impacts and implications.
In conclusion, the Committee has worked with the Internal Audit Unit to ensure an appropriate balance between competing focus areas and the consequent risks when developing the Annual Audit Plan for 2017-18 and the Strategic Audit Plan.

5.4.3 EXTERNAL AUDIT

a) QAO Financial Statement Audit

The Audit Committee, management and the Internal Audit Unit have worked closely with the QAO as the Council’s external auditors and continue to have a strong and effective working relationship.

Committee members liaise extensively with representatives of the QAO through their attendance at Committee meetings. From time to time relevant presentations are made by QAO and on occasion as considered necessary by the Committee, the Committee meets “in camera” with QAO representatives to ensure that open and honest communication can ensue without management being present. This is considered to be good professional practice.

In the interests of efficiency, arrangements continue to be in place with the QAO so that they can elect not to attend every meeting or only attend selected items. Agendas are changed if required to accommodate requests received from the QAO.

QAO throughout the audit process kept management and the Committee informed of the audit process and any matters requiring attention. This was achieved by presentation of the audit strategy and plan and regular reports to the Committee as well as ad hoc briefing notes.

QAO formally advise the Mayor and Chief Executive Officer of any major matters they have raised with management during the interim and final stages of the audit by issuing observation reports. These reports, when received by the Mayor, are tabled with Council as required by legislation. The final QAO Management Report for 2016-17 was made available on 31 October and will be tabled with Council in November 2017.

The final QAO Management Report for the 2016-17 audit did not include any high risk issues outstanding as at the date the QAO certified Council’s financial statements. The Committee considers this to be a very good outcome and continues to reflect well on the quality of Council’s policies and procedures as well as the quality and dedication of management and staff.

Although the original external audit fee set by the QAO for Council’s 2016-17 external audit was $385,000, the QAO was required to undertake additional audit work in relation to some systems control weaknesses, valuation matters and any landfill restoration liability. Consequently, the QAO fee has exceeded the original estimate by $20,000 being a total of $405,000.

b) QAO Report to Parliament on 2016-17 local government audits

In early 2018, the QAO will issue its consolidated local government sector report covering the 2016-17 financial statement audits of all local government entities. The Committee considers it possible that this report will include specific comment on the reporting of related party transactions on a sector wide basis.
c) Other QAO reports to Parliament

From time to time, the Auditor-General tables reports to Parliament which deal with both sector wide issues and specific performance audits which may have application to more than one organisation. The Committee monitors such reports and all reports are also analysed by the Manager Corporate Assurance and the Committee to establish whether the findings and recommendations have relevance to the operations of the Council. Where they have relevance, action is taken to draw the attention of management to the findings and to the recommended actions.

Reports tabled during 2016-17 which had relevance to Council included:

- Long term sustainability of local government (discussed in my report last year);
- Strategic Procurement;
- Monitoring and reporting performance;
- Heavy vehicle road access reforms; and
- Environmental regulation of the resources and waste industries.

5.4.4 FRAUD AND CORRUPTION CONTROL

The Audit Committee have continued to take a keen interest in fraud and corruption control during the 2016-17 meeting cycle and supports management’s ongoing attention to this matter. The Committee has noted recent media attention concerning allegations in relation to fraud and corruption at another local government and appreciates that this matter will be the subject of ongoing attention by the QAO and the CCC. In this regard, the Committee will continue to be updated on an ongoing basis on instances of fraudulent or corrupt activity and the implementation of the fraud and corruption control framework.

The Committee also strongly supports the Manager Corporate Assurance who has committed to implementing an annual benchmarking activity using the QAO developed fraud and corruption assessment tool throughout the Council’s operations to assess the strength of the Council’s current framework including policies, processes and responses.

The Committee will continue to monitor this matter to ensure that staff, external suppliers and contractors remain fully aware of Council’s zero tolerance towards fraud and corruption and the potential consequences of any wrongdoing.

5.4.5 INTERNAL CONTROL AND GOVERNANCE

a) Internal Control

The Internal Audit Unit and the Committee have focussed strongly on areas of internal control weakness raised either through previous internal audits or by QAO and particularly the timeliness and comprehensiveness of agreed management responses. In this regard, the Committee noted that there had been some slippage in the follow up and reporting of such matters and in the ability to undertake some of the normal or routine audit activities. In this context, the Committee recommended that additional resources be made available to the Internal Audit Unit to address this and other matters and was pleased to note that this has occurred. The Committee will continue to closely monitor progress in this area and escalate action if necessary.

Notwithstanding the above matters, the Committee understands that in its Closing Report, QAO will assess the Council’s internal control as effective.
b) Management Presentations to Audit Committee

As in previous years, the Committee considers that there is considerable value in receiving presentations from senior managers and directorates with at least an annual presentation and, in the higher risk areas, six monthly presentations or as needed. The focus of the presentations is to update the Committee on activities since the last report with the focus on current and emerging issues, risks, opportunities and activities being undertaken to address relevant matters. In the confines of a confidential environment, issues of concern can be freely identified and discussed.

Presentations made during the 2016-17 meeting cycle and at the planning workshop included:

- Chief Executive Officer – on strategic direction, issues such as the Commonwealth Games and challenges, strategic risks and various organisational and personnel changes;
- Director Economic Development and Major Projects on the Commonwealth Games planning and progress and other significant projects;
- Director Community Services in relation to developments in the provision of community services;
- Director Organisational Services (and separately LGP Implementation Manager) in relation to the LGP Project;
- Chief Procurement Officer providing his annual procurement update in terms of direction, systems and local government procurement preference;
- Manager Business Services GCWW in relation to water and sewerage infrastructure asset revaluation and landfill remediation;
- Manager Corporate Planning and Performance in relation to the Annual Report and quarterly corporate performance;
- Manager Corporate Asset Management in relation to asset valuation and asset management plans;
- Principal Internal Auditor ICT on auditability of Council’s ICT environment;
- Manager Corporate Finance on financial statements, financial performance, Financial management plan, financial management, related parties reporting, financial sustainability and proposed changes in accounting policies or presentation;
- Manager Corporate Assurance on progress against the audit plan and major findings and recommendations arising from internal and external audit activities together with various assurance matters and fraud and corruption matters;
- Manager Business Innovation and Technology Services in relation to cyber resilience;
- City Solicitor on legal, compliance, contingency provisions and insurance matters including the operation of the Council’s Captive Insurance Company (together with the CEO); and
- Manager Corporate Safety and Risk on current and emerging risks.
ITEM 2 (Continued)
AUDIT COMMITTEE CHAIR’S REPORT TO COUNCIL 2016-17
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c) Circulation of Better Practice Guidance material

The Audit Committee encourages the sharing of better practice guidance within Council and supports the efforts of the Internal Audit Unit in regularly disseminating relevant better practice guidance material and other independent reports for the consideration of Council managers and staff. The outcomes and recommendations resulting from sector wide QAO audits were also made available for appropriate consideration and/or action where relevant.

d) Related Party Transactions

2016-17 saw the commencement of a requirement for local government bodies to disclose and report related party transactions. During 2016-17, the Committee placed considerable emphasis on management planning to develop the relevant policy and processes to facilitate that reporting. The Committee therefore expressed some concerns with the delay in approving and disseminating the policy and in providing appropriate guidance and support to Key Management Personnel to enable them to complete their declarations.

5.4.6 ENTERPRISE RISK MANAGEMENT

The Committee has continued to exercise broad oversight of risk management activities which continue to become more complex and wide ranging. The Committee seeks biannual presentations from the Council’s Manager Corporate Safety and Risk on all aspects of Council’s risk profile and risk register including the extent of changes from prior presentations and emerging new risks.

Changes are made to Council’s overall risk profile due to a range of factors including emerging new risks such as the implementation of new systems, projects and/or processes, the outsourcing of services, the identification of environmental risks, for example, in relation to tip contamination or variations in the control environment which have reduced or increased an individual risk rating. The Committee seeks explanations of major changes in risk ratings from relevant areas and continues to monitor whether new risks are being properly addressed. The matter of risk management is also a key topic at the Committee’s annual planning workshop.

Council’s Executive Leadership Team actively monitors corporate risks on a regular basis with quarterly corporate risk profile updates and an annual emerging risk discussion. The Committee noted the heightened focus on risk management particularly in relation to fraud and corruption while operational management and staff remain fully aware of the importance of managing risks within their directorate and more generally Council wide.

The Committee continues to have some concerns generally in relation to cyber security and IT security including having regard to the QAO audit report on critical water infrastructure. The Committee has also continued to monitor the auditability of external suppliers contracted for several critical services to ensure that there are adequate safeguards in terms of security and adequate provision for ongoing review of those safeguards by Internal Audit or QAO staff.
5.4.7 LEGISLATIVE AND POLICY COMPLIANCE

In accordance with established good corporate governance, representation letters for 2016-17 were prepared by Directors and Managers in relation to specific activities. This is a structured and continuous process with representation effectively to Council officials who sign the financial statements on behalf of Council. Executives remain acutely aware of the significance and importance of this process and the reliance that is placed on their representations. The process works very effectively and is a useful mechanism to highlight any major issues for the Committee.

As Councillors would be aware, there are often changes to legislation (including regulations) that control the activities of Council. As changes are made, relevant discussion papers are prepared, presented and discussed at Committee meetings. The Committee’s focus remains on how any changes effect Council’s position and the risks and opportunities relating thereto. Further, the Committee is advised of what processes are being put in place to comply with legislative changes and how compliance is to be monitored. The Committee is also aware that several external organisations conduct compliance reviews such as governance, privacy and environmental reviews which assist in ensuring that the Council remains compliant.

Finally, the Committee continues to promote the need for clear accountability for the totality of all compliance matters (see c) below)

a) Legal Matters

The City Solicitor presented to the Committee twice during the year to update the Committee on outstanding legal matters, insurance issues and legislative or regulatory changes requiring implementation. He also updated the Committee on contingent liabilities/potential claims against the Council for the purposes of the annual financial statements.

b) Other Assurance Activities

From time to time certain Council activities are subjected to independent reviews of their operational activities by regulators or other independent bodies. Where such reports are known to Internal Audit and available, executive summaries are made available to the Committee. All such information and data add to the overall governance of Council.

Examples include independent audits or reviews by the Crime and Corruption Commission, Office of the Information Commissioner, regular Work Health and Safety reviews by the self insurance regulator and QTC Credit Reviews. The Committee is not aware of any adverse matters arising from such activities.

c) Overall compliance responsibility

Notwithstanding the many activities undertaken to ensure compliance, the Committee remains aware that there is no single point of accountability for ensuring Council’s overall compliance. The Committee understands that a trial is being undertaken within GCWW on a compliance management framework and supporting system. The Committee does however remain convinced of the need for a single point of accountability to be established for the Council but will await the outcomes of that activity and the completion of significant other demands on Council staff before pursuing the matter further.
5.4.8 OTHER CURRENT AND/OR EMERGING MATTERS

a) **ICT Managed Services arrangements**

Council entered into a contract with Fujitsu (managed service provider) during 2016-17 with the latter responsible for the provision of a range of services to the Council. The Committee through the Internal Audit Unit has taken and will continue to take a close interest in the matter of internal controls and governance surrounding the operation of this arrangement together with auditability.

b) **Local Government Platform**

During 2017-18 Council is implementing its Local Government Platform which will replace many outdated and unsupported legacy systems. This is a critical initiative for Council and the Committee has taken and will continue to take a keen interest in its implementation and post implementation activities to ensure that the necessary internal control framework is in place and that risks are managed appropriately.

c) **Long form audits**

Commencing in 2017-18, the QAO will be introducing what are called “long form” audit reports. To date, QAO has provided a concise report on Councils’ annual financial statements (unless there were specific matters raised or a modified opinion was provided). However, in future, QAO will outline the key financial statement matters considered by audit, what activities they undertook to satisfy themselves as to the integrity of the figures used and the internal control framework and their conclusions. This will also encompass their overall opinion on the financial statements.

The Committee expects that material to be incorporated in the long form report will be the subject of detailed consultation with Council management and the Committee with Council having the opportunity to respond to any matters raised.

d) **QAO Performance Audit**

During 2017-18 QAO is undertaking several performance audits however one in particular is focussed on managing local government rates, fees and charges. Five councils (excluding the City of Gold Coast) have been selected for detailed analysis of their rating practices including:

- compliance with legislative requirements;
- robustness and transparency of the processes used to set rates and charges; and
- effectiveness of administering rates and charges.

It is expected that a report on the audit will be tabled in Parliament in March 2018 at which time the Committee will give consideration to its findings and recommendations and their relevance to the City of Gold Coast.

e) **Asset valuation**

As noted earlier, a full revaluation of Council’s water assets was completed in 2016-17. Water assets were the last category of assets to undergo a full revaluation in the current cycle of revaluations with the value of other assets being reviewed in line with movements of relevant indices.
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Although the Committee has noted improvement in the quality of valuation activities, it has also identified some further areas where improvements could be made, for example, in documentation and performance of peer review activities. The Committee therefore plans to again undertake an asset valuation workshop in conjunction with relevant areas of Council to focus on this and other matters such as timeliness and consistency of report presentation.

f) Implementation of new or revised accounting standards

There are a number of significant new or revised accounting standards which will be effective for periods commencing on or after 1 January 2018 (that is, for financial year 2018-19) or 1 January 2019 (that is, for financial year 2019-20). The more significant are:

- AASB 16 – Leases – where it is likely that some operating leases will be required to be recognised on the balance sheet as both lease assets and financial liabilities; and
- AASB 1058 – Income of Not for Profit Entities – where the recognition of income received from developers to acquire or construct infrastructure will require to be deferred until the infrastructure is acquired or constructed.

The Committee will exercise oversight of planning and preparation for the adoption of these changes in accounting standards.

g) Critical water infrastructure

During 2016-17, the QAO conducted an audit of critical water infrastructure in Queensland including those of Gold Coast Water. The audit identified a number of improvements required in relation to security of that infrastructure some of which are relevant to Gold Coast Water and Waste.

The Committee has sought regular reporting to the Committee in relation to the implementation of relevant recommendations.

h) Cyber resilience

The Committee remains acutely aware of the dangers to Council operations and to the broader community posed by cyber attacks on its systems. The Committee has continued and will continue to monitor the steps being taken by management to develop resilience to such attacks and for the Council’s operations to recover from any successful attack.

5.4.9 AUDIT COMMITTEE CHARTER AND OPERATIONS

The Committee remains aware of the need to continually enhance the effectiveness of its operations. As part of this intent, the Chair of the Committee attends QAO briefings provided specifically for Audit Committee Chairs to ensure that they are aware of current and emerging issues and approaches and can pass on relevant matters to Committee members.
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AUDIT COMMITTEE CHAIR’S REPORT TO COUNCIL 2016-17
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At the completion of the 2016-17 cycle, members again considered the appropriateness of the Committee’s Charter. As part of that activity, the Committee discussed a range of matters including the outcomes and recommendations emanating from the CCC report into Operation Belcarra and charges in relation to certain local government staff, former staff and an elected representative of Ipswich City Council. The Committee discussed the need to take a broad view of the matter of corporate governance, the scope of the current Charter, the potential for overlap with other regulatory bodies and its ability to monitor relevant activities in terms of their implications for the Charter and work of the Committee. The Committee will further consider this matter during 2017-18 as State government legislative and administrative arrangements are finalised. This will include consideration of the Committee’s role in relation to the Council’s operations and processes.

During 2016-17, the Committee also:

- reviewed its operations including some suggestions for improvements.
- reviewed the other elements of the Committee’s Charter and recommended a number of minor amendments for adoption by Council;
- continued to work towards more standardised reporting from key governance areas; and
- further reviewed the forward schedule of activities to better align with the updated Audit Committee Charter.

6 ALIGNMENT TO THE CORPORATE PLAN, CORPORATE STRATEGIES AND OPERATIONAL PLAN

The role of Council's Audit Committee is aligned with the “Supporting the Delivery of Gold Coast 2020” elements of the corporate plan, particularly:

B  We manage the city responsibly
   Our stewardship of the city provides value for money for ratepayers.

7 GOLD COAST 2018 COMMONWEALTH GAMES IMPACT

Not Applicable.

8 FUNDING AND RESOURCING REQUIREMENTS

There were no new budget/funding considerations. The budget for the Committee’s operations is approximately $90,000 per annum.

9 RISK MANAGEMENT

The Audit Committee plays an active role in relation to Council's corporate and directorate risk profiles in ensuring that appropriate focus is placed on identifying, prioritising, monitoring, mitigating and managing risks to which the Council is exposed. Section 5.4.6 above provides further information concerning risk management.

The Committee received regular updates on ongoing risks and actions being taken by management including details of risk registers where relevant.
10 STATUTORY MATTERS

Section 105 of the *Local Government Act 2009* (Act), requires all large local governments to establish an audit committee to:

- monitor and review the:
  - integrity of financial documents; and
  - internal audit function; and
  - effectiveness and objectivity of the local government's internal auditors; and
- make recommendations to the local government about any matters that the audit committee considers need action or improvement.

The Council’s Audit Committee Charter and operations for 2016-17 in accordance with that Charter, satisfied all the above statutory requirements.

11 COUNCIL POLICIES

Audit Committee Policy and Charter

12 DELEGATIONS

Not Applicable.

13 COORDINATION AND CONSULTATION

In the table below, identify how internal and external stakeholders have been involved / participated in the proposal to date and the outcome of that participation.

<table>
<thead>
<tr>
<th>Name and/or Title of the Stakeholder Consulted</th>
<th>Directorate or Organisation</th>
<th>Is the Stakeholder Satisfied With Content of Report and Recommendations (Yes/No) (comment as appropriate)</th>
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<tbody>
<tr>
<td>Audit Committee members</td>
<td>Audit Committee</td>
<td>Yes</td>
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<tr>
<td>Grant Mather, Manager Corporate Assurance</td>
<td>Office of the COO</td>
<td>Yes - Consulted</td>
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</table>

14 STAKEHOLDER IMPACTS

Not Applicable.
ITEM 2 (Continued)
AUDIT COMMITTEE CHAIR’S REPORT TO COUNCIL 2016-17
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15 TIMING

Council's Audit Committee Charter requires the Chair of the Audit Committee to present an annual report of the Committee's activities for the year after the QAO has certified Council's financial statements. The QAO certified the Council’s financial statements on 17 October 2017.

16 CONCLUSION

The Audit Committee has continued to make significant contributions to continuing improvements in internal control, asset valuation exercises, fraud and corruption control, financial reporting and risk management. It also continues to meet its obligations as set out in the Audit Committee Charter and applicable legislation. The Charter imposes considerable responsibilities on the Committee which considers its contribution to good corporate governance within Council as a vital role. In accordance with past practice, complying with such responsibilities is considered over the term of Council as against an annual basis.

Although this report has been submitted by me as the Chair of the Audit Committee, I would like to acknowledge the extensive, perceptive and effective contributions made by the other members of the Committee. The members of the Committee remain totally independent of management and ensure that they are free from conflicts of interest (with all declarations of external interests and relevant registers for Councillor members maintained up to date). While enjoying excellent relationships with key Council staff, Members have drawn on a wide and varying range of experience and knowledge to participate in an enquiring, professional and robust manner through detailed and comprehensive questioning of attendees to assess their strategic and operational understanding of the topic under discussion or review, the quality of their responses and their assessment and management of associated risks and opportunities. This has been particularly relevant given the extensive focus on ICT issues such as the move to the managed services provider model, the LGP initiative and the cyber resilience project. Their extensive experience, strategic insights and approach and their knowledge of current audit, ICT, financial and risk management and governance issues and developments provide significant value to the Committee’s workings.

The Committee also acknowledges and appreciates the continuing excellent work undertaken by the Internal Audit Unit and the Manager Corporate Assurance. The outcomes achieved and the improvements made in a variety of internal control areas reflect the dedicated efforts and work of the Manager and his staff. The Committee also very much appreciates the support afforded to it in its work by the Internal Audit Unit.

The Committee remains strongly committed to working closely with the QAO, Corporate Assurance, executive management, Councillors and other stakeholders to continue to improve the efficiency and effectiveness of Council's operations including identification, assessment and management of risks and to protection of the Council from fraud, loss and/or corruption.

Through the minute process, matters the Committee believe Council should be advised of are so noted. Matters that may require escalation are discussed with Councillors Owen-Jones and Tozer as Chair and Member of the Governance and Administration Committee respectively.
Finally, The Committee was pleased to welcome Councillor Pauline Young to the July meeting of the Committee. The Committee understands that Councillor Young found the meeting informative and useful and extends an offer to all Councillors to attend Committee meetings for the whole or any session of a meeting that may be of interest.

17 RECOMMENDATION

It is recommended that Council resolves as follows:

That the annual report of the Audit Committee Chair for 2016-17 is noted.

Author:
Mr Bill Turner
Independent Audit Committee Chair
13 November 2017

COMMITTEE RECOMMENDATION GA17.1123.002
moved Cr Owen-Jones seconded Cr McDonald

That the annual report of the Audit Committee Chair for 2016-17 is noted.

CARRIED
### 2016-17 INTERNAL AUDIT REPORTS

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<td>Treasury Component Biennial Review</td>
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<td>The Arts Centre Financial statement</td>
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ITEM 3 OFFICE OF THE CHIEF EXECUTIVE OFFICER
GOLD COAST ARTS CENTRE PTY LTD – BI-ANNUAL PERFORMANCE REVIEW
LG426/717/-(P10)

Refer attachments:
Bi-annual Performance Report (Attachment 1)
Annual Financial Report for 2016-17 (Attachment 2)

1 BASIS FOR CONFIDENTIALITY

Not applicable

2 EXECUTIVE SUMMARY

Not applicable

3 PURPOSE OF REPORT

The purpose of this report is to present the Bi-annual Performance Report for Gold Coast Arts Centre Pty Ltd (GCAC) for the six month period ended 30 June 2017.

4 PREVIOUS RESOLUTIONS

Governance & Administration Committee (minute GA17.0511.002):
1 That Council notes Gold Coast Arts Centre Pty Ltd’s (GCAC) bi-annual performance report for the half-year ended 31 December 2016.
2 That Council extends its Service Agreement with GCAC by 12 months to 30 June 2019.

5 DISCUSSION

5.1 Background

The City contracts with Gold Coast Arts Centre Pty Ltd (GCAC), which trades as “The Arts Centre Gold Coast”, to manage the operation of the Arts Centre. Council established GCAC in 1993. GCAC is classified as a “public sector controlled entity” under the Auditor-General Act 2009.

The current Service Agreement concludes on 30 June 2019. The agreement provides for GCAC to submit performance reports to the City on a bi-annual basis in March and October. GCAC’s performance was last reviewed by the Governance & Administration Committee at its meeting on 11 May 2017.

5.2 Review of Performance

GCAC’s Bi-annual Performance Report was received on 30 October 2017 (see Attachment 1). The Report comprises 3 sections, namely:

1 Corporate Governance
2 Operational Performance
3 Financial Position and Performance (incl Capital Works Program Summary)

5.2.1 Corporate Governance

Examination of GCAC’s responses in Section 1 of its report indicates that GCAC is satisfactorily meeting its corporate governance obligations under the Service Agreement.
Work Health & Safety

A recent interim audit conducted by the regulator identified a range of improvements to the WHS management systems of the four controlled entities to bring them up to the required standard (this essentially being best practice standard for large organisations). Given the criticality of Council retaining its self-insurance licence, Council’s Corporate Safety and Risk Branch is working closely with all four entities to implement the required improvements ahead of the formal external audit on 16 November 2017. It is understood that GCAC will be the only controlled entity audited.

Board Appointments made by Member’s Representative

There have been no resignations or new appointments since the last report to the Committee (11 May 2017).

Proposed Licence Agreement

A Licence Agreement for GCAC has been developed with a view to it being executed by the parties in conjunction with the delivery of the VOS/Amphitheatre in December 2017.

Management of Operational Functions at the Cultural Precinct

Collaboration is continuing between City asset custodians, service providers and GCAC management to ensure:

- clarity around functional responsibility;
- necessary (expanded) service levels are agreed and sought; and
- appropriate communication and decision-making arrangements are effected to achieve a seamless and effective operation of the Cultural Precinct.

City-wide Event Coordination

The CEO’s of the three precinct entities and GCAC meet with the Executive Officer City Events on a regular basis to collaborate and coordinate with regards to the nature and timing of events held across the city. The last meeting was held on 29 August 2017. The next meeting is scheduled for December 2017.

5.2.2 Operational Performance

Activity Summaries and Operational KPI’s

GCAC has provided detailed advice regarding its recent and proposed activities and its performance against the agreed KPI’s in Section 2 of its report (see Attachment 1). The Executive Coordinator Arts and Culture has reviewed the information provided by GCAC and provided the following comments:

*The TACGC remains in the depths of transition with a focus on building foundations for the future activity. From this perspective, a balanced budget for year end is positive, considering the additional expenses of restructuring and executive payouts, strategic re-visioning and infrastructure upgrades. My commentary therefore, should be considered against this positive light.*
ITEM 3 (Continued)
GOLD COAST ARTS CENTRE PTY LTD - BI-ANNUAL PERFORMANCE REVIEW
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Programming
The figures (including Technical, Visitor Services, Front of House staff) indicate a reduction in the number of activities and presentations during the period and it would be insightful to see if this is the case, within the understanding that this might have been a forced reality due to transition. It is understood this is a financial report only, however additional information on the number and type of events would provide the City with greater insight into impact, return on investment and growth.

The program highlight of the period appears to be Peter Pan which did record a strong box office result and attracted 7,000 patrons which is great. This perhaps is testament to the investment into marketing strategy for that program? The report notes that the operational marketing effort for the period was focussed on driving and maximising commercial returns (supporting commercial hirers) on the basis that sell-out shows are good for reputation and drive accompanying revenue streams. Whilst this may be a sound business approach during this transition period, it may not support the vision moving forward.

The TACGC is a powerful entity in the city’s arts and cultural space, and its programming and marketing of that program will shape community expectations, cultural habits and appetites. It’s worth noting, the benefits to the broader sector from marketing investment are directed towards the building of new audiences, expanding reach, and nurturing a following for new and innovative arts experiences rather than focusing on building audiences for commercial style product.

Moving Forward
The report notes substantial planning is currently underway to transform the centre into a precinct, with conversations and liaison with key local organisations and stakeholders. This is a work in progress which must be allowed the time to evolve. However, the City needs to provide a clearer framework to TACGC for reporting and evaluation to assist with the City’s analysis of the information provided. The development of a revised suite of KPI’s for inclusion in the reporting template, in consultation with TACGC, would address this matter.

5.2.3 Financial Position and Performance
The Corporate Financial Accountant has assessed the financial management information provided by GCAC and advised as follows:

As in prior years, the income and expenditure figures provided in the bi-annual report are taken from the Arts Centre management accounts, and differ to their audited financial statements as the management accounts exclude certain non-cash book entries eg asset devaluation impact, depreciation, contributed artwork and assets transferred from Council. This year’s asset devaluation resulted in $5,453,686 being taken to account as an expense in the financial statements, however this has not been included in the management accounts.

Capital Works Program
GCAC has provided a report on the status of its Capital Works Program for 2016-17 for Council’s information (see P11 in Attachment 1). This report indicates that funds for this Program total $996,240 and that funds totalling $936,240 have been expended, equating to 94% of the budgeted allocation.
Annual Financial Report

A copy of the Annual Financial Report is attached for noting (see Attachment 2). The Queensland Audit Office has provided an opinion that GCAC’s Annual Financial Report gives a true and fair view of the Company’s financial position and performance and complies with the Australian Accounting Standards and Corporations Regulations 2001.

5.2.4 Summary

It is considered that GCAC is satisfactorily performing its responsibilities under its Service Agreement with Council.

6 ALIGNMENT TO THE CORPORATE PLAN, CORPORATE STRATEGIES AND OPERATIONAL PLAN

Gold Coast 2020

Prosperity
What we want to see by 2020, 2.2 We have a thriving cultural economy:

*Our city attracts and retains creative skills, talent and investment*

People contribute to a strong community spirit
What we want to see by 2020, 3.4 Our city embraces culture every day:

*We are a creative community*

Operational Plan
There were no specific strategies relating to GCAC contained in 2016-17 Operational Plan.

Gold Coast Cultural Precinct Civic and Cultural Charter

The Charter, which Council endorsed in June 2016 as part of its approval of the Gold Coast Cultural Precinct Transition Program, encapsulates the development and operating objectives, philosophy, framework and components which will guide the Precinct’s delivery, activation and management.

The Charter’s objectives are:

- **Creating a central, cultural heart** where we can come together to engage with arts, culture and each other
- **Celebrating** our unique **Gold Coast heritage, culture and creative skills**
- **Supporting and nurturing** arts, culture and creative industries across the city
- **Promoting** the Gold Coast as a distinctive, creative and innovative ‘must-visit’ **cultural tourism destination**, regionally, across Australia and internationally
- **Providing** new **arts and creative job opportunities, pathways** and professional development
- **Establishing** new arts and creative **educational linkages** and **collaboration**
- **Strengthening** our city’s cultural **identity** and **civic pride**

7 GOLD COAST 2018 COMMONWEALTH GAMES IMPACT

Not applicable
8 FUNDING AND RESOURCING REQUIREMENTS

Not applicable

9 RISK MANAGEMENT

The funding of GCAC does not relate directly to any of the Corporate Risks. However it does relate to Directorate Risk No. CO000410 below, which is currently rated as Low 48 under Council’s Risk Management methodology.

Adverse impact on Council through inappropriate/illegal actions of any of Council’s controlled entities for which the OCEO is responsible (ie, Gold Coast Arts Centre Pty Ltd, Surfers Paradise Alliance Ltd, Broadbeach Alliance Ltd and Connecting Southern Gold Coast Ltd)

The bi-annual performance review process and the appointment of a Councillor to each of the boards are mitigations for this risk.

10 STATUTORY MATTERS

Corporations Act 2001

GCAC is registered with the Australian Securities & Investments Commission as a company limited by guarantee. Its operations are governed by the Corporations Act 2001.

Auditor-General Act 2009

Under the Auditor-General Act 2009, GCAC is classified as a “public sector controlled entity”. Section 5 of the Act states:

5 What is a controlled entity
(1) An entity is a controlled entity if it is subject to the control of 1 or more of the following (the controlling entity)—
   (a) a department;
   (b) a local government;
   (c) a statutory body;
   (d) a GOC;
   (e) another entity subject to the control of 1 or more of the entities mentioned in paragraphs (a) to (d).

(2) In this section—control means the capacity of an entity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable the other entity to operate with it in pursuing the objectives of the controlling entity.

With respect to the City’s “control” of GCAC, the City:

- is the sole member of the Company and therefore has control over its constitution as well as the appointment of the directors and chairperson
- has control over the Company’s specific role and responsibilities via the service agreement
- provides annual funding in accordance with the service agreement
- regularly reviews the Company’s performance against the service agreement including the strategic direction of the Company.
ITEM 3 (Continued)
GOLD COAST ARTS CENTRE PTY LTD - BI-ANNUAL PERFORMANCE REVIEW
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The Act requires that Queensland Audit Office be appointed as the Company’s Auditor.

Compensation & Rehabilitation Act 2003

GCAC is also classified as a “Related Body Corporate” of the City under this Act and the Corporations Act 2001 and, as such, the City must provide workers’ compensation coverage to GCAC. As Council self-insures for workers’ compensation, like Council, GCAC must maintain a work health and safety management system that is compliant with the National Self-insurer OHS Management System Audit Tool (NAT 3- 2014) – and forms part of the external audit of Council’s WHS Management System by the regulator.

11 COUNCIL POLICIES

Not applicable

12 DELEGATIONS

The Council has delegated authority to the Chief Executive Officer to determine all matters within the responsibility of Council as the sole member of the Company – with the exception of the determination of annual funding and review of the entity’s performance.

13 COORDINATION & CONSULTATION

<table>
<thead>
<tr>
<th>Name and/or Title of the Stakeholder Consulted</th>
<th>Directorate or Organisation</th>
<th>Is the Stakeholder Satisfied With Content of Report and Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joanne Cullen, Corporate Financial Accountant</td>
<td>OCOO (Corporate Finance)</td>
<td>Yes</td>
</tr>
<tr>
<td>Libby Lincoln, Executive Coordinator Arts &amp; Culture</td>
<td>EDMP</td>
<td>Yes</td>
</tr>
</tbody>
</table>

14 STAKEHOLDER IMPACTS

The GCAC Board and Council, being the sole shareholder and member of the Company, are the key stakeholders in terms of GCAC’s performance in the achievement of the objects detailed in GCAC’s Constitution, the obligations detailed in its service agreement with the City and the agreed KPI’s.

15 TIMING

The next bi-annual performance review is due in March 2018 (for the six month period ending 31 December 2017).

16 CONCLUSION

It is considered that GCAC is satisfactorily performing its role and responsibilities under the Service Agreement and effectively undertaking the transition encompassing management of the assets delivered by Stage 1 of the Cultural precinct Project.
ITEM 3 (Continued)
GOLD COAST ARTS CENTRE PTY LTD - BI-ANNUAL PERFORMANCE REVIEW
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17 RECOMMENDATION

It is recommended that Council resolves as follows:

That Council notes Gold Coast Arts Centre Pty Ltd’s (GCAC) bi-annual performance report for the half-year ended 30 June 2017 and its Annual Financial Report for the year ended 30 June 2017.

Author: Stephen Bowden
Coordinator Controlled Entities & Community Grants
8 November 2017
Document # 65604483

Authorised by: Dale Dickson
Chief Executive Officer

COMMITTEE RECOMMENDATION
moved Cr Owen-Jones
seconded Cr Boulton

That Council notes Gold Coast Arts Centre Pty Ltd’s (GCAC) bi-annual performance report for the half-year ended 30 June 2017 and its Annual Financial Report for the year ended 30 June 2017.

CARRIED
The Arts Centre Gold Coast

CONTROLLED ENTITY BI-ANNUAL PERFORMANCE REPORT

FOR THE PERIOD ENDING 30 JUNE 2017

CONTENTS

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<thead>
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<th>PAGE</th>
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</tr>
<tr>
<td>ACTIVITY SUMMARIES &amp; KPI'S</td>
<td>2</td>
</tr>
<tr>
<td>FINANCIAL POSITION AND PERFORMANCE</td>
<td>3</td>
</tr>
</tbody>
</table>
SECTION 1 - CORPORATE GOVERNANCE

1.1 VISION
To capture your imagination

1.2 PURPOSE
To be Gold Coast’s home of arts and culture - a gathering place that locals love, and visitors must see; and

1.3 VALUES
Art - We are champions of art and believe in its power to unite, challenge, transform and delight. That’s why it is at the heart of everything we do.
Citizenship - We proudly contribute to our community and take seriously our role as custodians. We are global citizens.
Curiosity - We are genuinely interested, constantly inventive and always learning. That’s how we innovate.
Integrity - We do the right thing, work as one and lead by example. Every time.
Generosity - We are welcoming hosts, open collaborators and passionate about artists and community. We are better together.

1.4 MEMBERSHIP OF BOARD

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Organisation</th>
<th>Date Appointed</th>
<th>Date Resigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robyn Archer AO</td>
<td>Strategic Advisor to City of Gold Coast</td>
<td>8/09/2008</td>
<td></td>
</tr>
<tr>
<td>Tomas Johnsson</td>
<td>Mantra Hotels</td>
<td>1/06/2014</td>
<td></td>
</tr>
<tr>
<td>Cr Robert La Castra</td>
<td>CoGC Councillor</td>
<td>5/04/2016</td>
<td></td>
</tr>
<tr>
<td>Stephen Romer</td>
<td>Venue Management Association</td>
<td>1/06/2014</td>
<td></td>
</tr>
<tr>
<td>Airlie Madachlan</td>
<td>Ukoo</td>
<td>25/07/2016</td>
<td></td>
</tr>
<tr>
<td>Catherine Brennan-Martin</td>
<td>Consultancy</td>
<td>25/07/2016</td>
<td></td>
</tr>
<tr>
<td>Wesley Kroch</td>
<td>Sydney Festival</td>
<td>25/07/2016</td>
<td></td>
</tr>
<tr>
<td>Michael Loebenstein</td>
<td>National Film and Sound Archive</td>
<td>25/07/2016</td>
<td>24/02/2017</td>
</tr>
<tr>
<td>Tracey Viera</td>
<td>Screen Queensland</td>
<td>20/02/2017</td>
<td></td>
</tr>
</tbody>
</table>

1.4 BOARD COMPETENCY

- Number of Board meetings held during the reporting period 5
- The Board has a process in place at meetings to manage conflicts of interest Yes
- The Board has a process in place to monitor compliance with the Director Code of Conduct Yes
- The Board last reviewed the CEO’s performance on 1/03/2016
- The Board is due to conduct the next review of the CEO’s performance on 15/09/2017
- The Company has a current strategic plan Yes
- This plan has been endorsed by Council Yes
- Where the Company does not have such a plan, the Board is arranging for one to be developed by N/A
- The Company has an annual business plan Yes
- If not, the Board is arranging for such plan to be developed and endorsed by N/A
- The Board has established an Audit/Risk Committee Yes
- This Committee last met on 28/02/2017
- The Company is due to next meet on 28/07/2017
- The Board has ensured that documented internal controls are in place, management, workplace health & safety, people management and procurement (as a minimum) Yes
- The Board has ensured that a policy manual has been compiled that contains policies relating to risk Yes
- The Board is due to review these policies on Annually
- The Board has ensured that a risk register has been compiled (comprising both business and workplace health & safety risks) Yes
- The Board last reviewed this register on 7/04/2017
- The next review of this register is scheduled for 27/10/2017
- The Board has ensured an employee performance management system is in place Yes
- The Board has implemented an appropriate board performance review process Yes
- The next review is due to take place on 08/12/2017
- The Board acknowledges that it needs to periodically review the effectiveness of the Company’s corporate governance framework. The next review is due to be conducted on 08/12/2017
- The Board has provided Council with a copy of any observation or similar reports issued to the Company by the Qld Audit Office (or its nominated contractors) - for onwarding to Council’s Audit Committee for consideration

1.5 STAFF DETAILS

- Number of FTE positions employed by the entity as at end of reporting period 105
- Amount of annual budget amount allocated to these positions $6,905,166
- Percentage of annual budget allocated to these positions 53%
SECTION 2 - ACTIVITY SUMMARIES AND KPI's

2.1 SUMMARY OF KEY PROJECTS & ACTIVITIES UNDERTAKEN DURING REVIEW PERIOD
See separate attachment 1

2.2 SUMMARY OF KEY PROJECTS & ACTIVITIES PLANNED FOR NEXT REVIEW PERIOD
See separate attachment 2

2.3 STRATEGIC & OPERATIONAL KPI's
See separate attachment 3
SECTION 3 - FINANCIAL PERFORMANCE & POSITION

3.1 OVERVIEW FOR THE 12 MONTH PERIOD ENDING 30 JUNE 2017

Comparison for the 12 month period ending 30 June 2017. Actual versus Budget

The table below summaries the major variances:

<table>
<thead>
<tr>
<th>Category</th>
<th>30 June 2017 YTD Actual $</th>
<th>30 June 2017 YTD Budget $</th>
<th>Act-Bud Variance $</th>
<th>Commentary on Variances ($10,000 or greater)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>(1,482,112)</td>
<td>(1,417,247)</td>
<td>(64,866)</td>
<td>Revenue from credit card charges recovered was under budget by $32,464 due to the change in legislation on the amount of surcharge that can be applied when customers pay by credit card. Interest received was down as a consequence of lower term deposit rates provided by our bank. Computer Licence fees were $59,185 over budget due to the costs of new operating software installed during the year. Contractor/Agency staff wages were over budget by $55,896 due to utilisation of contractors in the organisation with costs incurred following the departure of the Director Corporate Services prior to appointment of replacement.</td>
</tr>
<tr>
<td>Precinct Services</td>
<td>(1,007,052)</td>
<td>(1,135,348)</td>
<td>128,296</td>
<td>Revenue from charging clients and tenants for power, cleaning and stores supplies is $54,063 over budget for the period. This coupled with understating overall in expenses has produced a result $128,296 under budget. Areas of savings during the financial year were power (under by $13,835), repairs &amp; maintenance (under by $29,660) and security (under by $20,660).</td>
</tr>
<tr>
<td>Cinema</td>
<td>454,177</td>
<td>580,769</td>
<td>(126,582)</td>
<td>Cinema revenue was under budget by $199,494. Cinema performance is heavily impacted by the quality and number of film releases and weather conditions. While it is acknowledged that other cinemas on the Gold Coast may have more up to date and larger facilities than TACGC, we do look to differentiate ourselves by offering independent and arthouse films to complement more commercial orientated films. Certain films such as La La Land can be surprising commercial successes with long runs whereas other films expected to do well may not perform as expected such as Churchill. A review of competitor pricing identified an opportunity to increase prices by $1 for full adult admission which helped offset some of the decrease in revenue.</td>
</tr>
<tr>
<td>Cultural Precinct</td>
<td>(34,742)</td>
<td>(3,606)</td>
<td>(31,136)</td>
<td>Due to the level of tickets sales the growth budgeted for in ticket sales revenue was not achieved. Operational expenditure was controlled to be under budget for the year which assisted in offsetting some of the revenue shortfall.</td>
</tr>
<tr>
<td>Visitor Service</td>
<td>408</td>
<td>44,400</td>
<td>(43,992)</td>
<td>Revenue for the 2016/17 financial year finished $313,717 (8%) below budget. The under budget performance was across both food &amp; beverage and generally across all venues. Menu and product engineering has been successful in increasing per patron spends in the cafes, however this was not sufficient to offset the less than budgeted attendances in the Centre. Operating expenditure throughout the department was well controlled to finish 6% under budget.</td>
</tr>
<tr>
<td>Development Office</td>
<td>(94,695)</td>
<td>(209,986)</td>
<td>115,291</td>
<td>As a consequence of the level and type of activity in the Centre over the financial year, Front of House finished the year $86,288 under budget (33%). Operational labour costs were able to be managed to be $43,992 (20%) under budget for the year to help the end result.</td>
</tr>
<tr>
<td>Front of House</td>
<td>408</td>
<td>44,400</td>
<td>(43,992)</td>
<td>Revenue for the 2016/17 financial year finished $313,717 (8%) below budget. The under budget performance was across both food &amp; beverage and generally across all venues. Menu and product engineering has been successful in increasing per patron spends in the cafes, however this was not sufficient to offset the less than budgeted attendances in the Centre. Operating expenditure throughout the department was well controlled to finish 6% under budget.</td>
</tr>
<tr>
<td>Functions and Events</td>
<td>367,852</td>
<td>428,415</td>
<td>(60,563)</td>
<td>Revenue for the year was over budget with $71,682 in unbudgeted funding received from COGD for the Sign of the Times exhibition plus $15,250 funding from the Queensland Government received to cover expenses for participation in the Smithsonian scholarship program were the major contributors to the better than budgeted result.</td>
</tr>
<tr>
<td>Gallery</td>
<td>(761,531)</td>
<td>(859,910)</td>
<td>98,379</td>
<td>Revenue for the 2016/17 financial year finished in line with budget. Operational expenditure was $824,225 compared to budget of $881,132. The main areas of savings were payroll and advertising costs with the decision made to increase the use of electronic media as opposed to more traditional avenues such as magazines. This was a strategic decision to better target our audiences in a tighter and more cost effective way.</td>
</tr>
<tr>
<td>Marketing</td>
<td>(956,557)</td>
<td>(1,119,515)</td>
<td>162,953</td>
<td>As discussed in other departments’ analysis, while overall activity in the Centre was not to the level anticipated, there were some individual shows that performed well producing strong ticket sales. The highest selling show/events for the year included Peter Pan with $304,147, The Barber of Seville with $51,426 and Gold Coast Film Festival with $47,145. This sales activity helped produce a better than budgeted bottomline for Programming.</td>
</tr>
<tr>
<td>Programming</td>
<td>4,035,215</td>
<td>4,035,215</td>
<td>0</td>
<td>As a consequence of the level and mix of activity in Programming and F&amp;E within the Centre an impact on the performance of the Department revenue compared to budget occurred, finishing some $240,359 under budget. It is also believed that revenue was not correctly charged during the period of implementation of the new events system and changes within the Finance department. Further it has been identified that the labour percentage assumptions were too low compared to the actual amounts charged to clients. Labour charges were increased from 1 July 2017 to improve operational margins.</td>
</tr>
<tr>
<td>Technical Services</td>
<td>72,554</td>
<td>304,568</td>
<td>(232,014)</td>
<td>As per budget</td>
</tr>
<tr>
<td>GCCC Contribution to GCAC</td>
<td>4,035,215</td>
<td>4,035,215</td>
<td>0</td>
<td>Totals: 581 (1) 582</td>
</tr>
</tbody>
</table>

Z:\CHIEF EXECUTIVE OFFICER\Reports\Reports to Council\LCC \ Annual Report\Jan - Jun 17\Bi Annual Report for the Period Jan to July 2017 v2 3.1 FIN PERF OVERVIEW
### Comparison for the 12 month period last year - 30 June 2017 versus 30 June 2016 Actuals

The table below summaries the major variances between this year and last year:

<table>
<thead>
<tr>
<th>Category</th>
<th>30 June 2017</th>
<th>30 June 2016</th>
<th>Variance</th>
<th>Commentary on Variances ($10,000 or greater)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>YTD Actual $</td>
<td>YTD Actual $</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>(1,482,112)</td>
<td>(722,485)</td>
<td>(759,627)</td>
<td>As rolled above, credit card recoverable</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<td>charges were impacted by the change in</td>
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<td></td>
<td>legislation on what fees can be applied</td>
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<td></td>
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<td></td>
<td></td>
<td>on the use of credit cards; this revenue</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>line was down $26,681 on the prior year.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>For the 2016/17 financial year Tele</td>
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<tr>
<td></td>
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<td></td>
<td>communications, ICT Support and Licence</td>
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<td></td>
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<td></td>
<td></td>
<td>fees were reallocated from Precinct</td>
</tr>
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<td></td>
<td>Services to Administration. For the</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td>period to June 2017 these expenses total</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$250,906. Adjusting for these expenses,</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td>the increase in Administration expenses</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>over last year is $506,721. The largest</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>contributors to this increase are:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Directors Expenses of $20,817 that</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>includes $2,000 on strategic workshop; $2,487</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>for Directors insurance; Director Fees of</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$66,958; $135,170 in payroll costs due</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>to use of contractors, appointment of</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Finance Manager in response to QAO audit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>of 2015/16 and termination payment made</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>to previous executives. (227,819)</td>
</tr>
<tr>
<td>Precinct Services</td>
<td>(1,007,052)</td>
<td>(1,267,891)</td>
<td>260,839</td>
<td>As discussed above in Administration, $250,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>906 of expense lines previously budgeted</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>in Precinct Services are now allocated to</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Administration. This has contributed to</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>the majority of the increase on last year.</td>
</tr>
<tr>
<td>Cinema</td>
<td>454,177</td>
<td>499,895</td>
<td>(45,718)</td>
<td>Cinema revenue was down on last year's</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>result by $45,718. Cinema performance is</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>heavily impacted by a number of external</td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td>factors including the quality and number</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>of film releases and weather conditions (hot</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>days see an increase in attendance). While</td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td>it is acknowledged that other cinemas on</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Gold Coast may have more up to date and</td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td>larger facilities than TACCC, we do look</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>to differentiate ourselves by offering</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>independent and arthouse films to</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>complement more commercial orientated</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>films. Certain films such as La La Land</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>can be surprising commercial successes</td>
</tr>
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<td></td>
<td></td>
<td>with long runs whereas other films</td>
</tr>
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<td></td>
<td></td>
<td>expected to do well may not perform as</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>expected such as Churchill. A review of</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>competitor pricing identified an</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>opportunity to increase prices by $1 for</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>full adult admission which helped offset</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>some of the revenue drop. (13,399)</td>
</tr>
<tr>
<td>Visitor Service</td>
<td>(34,742)</td>
<td>(21,343)</td>
<td>(13,399)</td>
<td>These activities have been absorbed within</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Precinct Services and Administration</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>operations and budgets.</td>
</tr>
<tr>
<td>Development Office</td>
<td>(94,695)</td>
<td>(68,793)</td>
<td>(25,902)</td>
<td>Revenue from the sale of tickets for the</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2016/17 financial year reduced by 3.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>compared to 2015/16. Tight controls on</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>operational expenditure allowed total</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>expenditure to reduce by 1% in 2016/17</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>compared to 2015/16. (48,623)</td>
</tr>
<tr>
<td>Cultural Precinct</td>
<td>0</td>
<td>(48,623)</td>
<td>48,623</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Front of House</td>
<td>408</td>
<td>(966)</td>
<td>1,374</td>
<td>White revenue decreased from 2015/16 to</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2016/17, improvement in operational</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>efficiencies allowed F&amp;E to produce a</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>higher profit. Included in the improved</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>efficiencies was lower food &amp; beverage</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>cost of sales and reduced operating costs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>including those achieved through ensuing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Friday night comedy from April 2017. Other</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>operating costs such as payroll were</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>well controlled to increase over profit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>margin from 10% to 11%.</td>
</tr>
<tr>
<td>Functions and Events</td>
<td>367,862</td>
<td>296,659</td>
<td>71,203</td>
<td>For the 2016/17 financial year, sponsorship</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>revenue received was reallocated from</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Development to Marketing. Expenditure for</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2016/17 financial year was $164,833 under</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2015/16.</td>
</tr>
<tr>
<td>Gallery</td>
<td>(761,531)</td>
<td>(578,691)</td>
<td>(182,840)</td>
<td>Revenue for 2016/17 was under that reported</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>in 2015/16. Exhibition income was down,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>primarily due to the success of the How</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>to Make a Monster Exhibition entrance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>revenue in 2015/16. Exhibition costs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>increased by $58,835 as a consequence of</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>the Sign of The Times cost of $130,846.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The Sign of the Times attracted a crowd</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>in excess of 11,000, which was a great</td>
</tr>
<tr>
<td>Marketing</td>
<td>(502,995)</td>
<td>(760,496)</td>
<td>257,501</td>
<td>As noted above, the decision was made</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>to reallocate the Development Revenue to</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Marketing. This resulted in $231,288 being</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>recorded in revenue for 2016/17 compared</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>to $61,422 in 2015/16. Expenditure across</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>both years was consistent with an increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>of $2,312 in 2016/17 financial year.</td>
</tr>
<tr>
<td>Programming</td>
<td>(956,557)</td>
<td>(841,691)</td>
<td>(114,866)</td>
<td>Revenue over the period increased by $496,381</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>on prior year with increased tickets sales</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>revenue ($231,177) and Sponsorship ($101,500)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>the largest contributors. Programming</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>finished the period $226,143 less than the</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>prior year as a consequence of total Show</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>costs increasing by $430,000. The major</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>contributors were the introduction of full</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>year engagement of First Nations Producer</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>and Emerging Producer at annual cost of</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$149,250.</td>
</tr>
<tr>
<td>Technical Services</td>
<td>72,564</td>
<td>232,917</td>
<td>(160,263)</td>
<td>As discussed above, the level and mix of</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>activity in the centre in 2016/17 plus</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>potential revenue missed during the</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Artifax system implementation has seen a</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>drop in revenue of $186,621 compared to</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2015/16. Operational costs efficiencies</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>were insufficient to offset the</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>difference in revenue.</td>
</tr>
<tr>
<td>GCCC Contribution to GCAC</td>
<td>4,035,215</td>
<td>3,309,956</td>
<td>725,249</td>
<td>As per budget.</td>
</tr>
</tbody>
</table>

**Totals:**

|                   | 581                  | 228,400               | 352,701  |                                               |

**Other Comments**
## 3.2 STATEMENT OF COMPREHENSIVE INCOME

FOR THE 6 MONTH PERIOD ENDING 30 JUNE 2017

<table>
<thead>
<tr>
<th>OPERATIONS</th>
<th>July to December 2016</th>
<th>January to June 2017</th>
<th>Total  Actual YTD</th>
<th>Budget 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td>Actual</td>
<td>Budget</td>
<td>Actual</td>
<td>Budget</td>
</tr>
<tr>
<td>Administration</td>
<td>170,771</td>
<td>155,601</td>
<td>126,412</td>
<td>162,142</td>
</tr>
<tr>
<td>Precinct Services</td>
<td>50,594</td>
<td>9,192</td>
<td>21,849</td>
<td>9,186</td>
</tr>
<tr>
<td>Cinema</td>
<td>587,849</td>
<td>761,250</td>
<td>735,164</td>
<td>761,256</td>
</tr>
<tr>
<td>Cultural Precinct</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Customer Services</td>
<td>223,320</td>
<td>244,716</td>
<td>192,265</td>
<td>244,710</td>
</tr>
<tr>
<td>Development Office</td>
<td>2,700</td>
<td>2,700</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Front of House</td>
<td>111,182</td>
<td>130,476</td>
<td>63,491</td>
<td>130,485</td>
</tr>
<tr>
<td>Functions &amp; Events</td>
<td>1,910,628</td>
<td>2,111,769</td>
<td>1,577,244</td>
<td>1,689,111</td>
</tr>
<tr>
<td>Gallery</td>
<td>40,486</td>
<td>59,226</td>
<td>231,971</td>
<td>59,225</td>
</tr>
<tr>
<td>GCCC Contribution</td>
<td>2,017,608</td>
<td>2,017,608</td>
<td>2,017,607</td>
<td>2,017,607</td>
</tr>
<tr>
<td>Marketing</td>
<td>77,134</td>
<td>95,910</td>
<td>154,155</td>
<td>137,471</td>
</tr>
<tr>
<td>Programming</td>
<td>555,096</td>
<td>612,014</td>
<td>843,479</td>
<td>522,529</td>
</tr>
<tr>
<td>Technical Service</td>
<td>480,063</td>
<td>527,604</td>
<td>334,882</td>
<td>527,675</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>6,227,431</td>
<td>6,728,066</td>
<td>6,298,519</td>
<td>6,261,399</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURE</th>
<th>Actual</th>
<th>Budget</th>
<th>Actual</th>
<th>Budget</th>
<th>Actual YTD</th>
<th>Budget 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>840,554</td>
<td>858,851</td>
<td>398,741</td>
<td>876,139</td>
<td>1,779,295</td>
<td>1,734,990</td>
</tr>
<tr>
<td>Precinct Services</td>
<td>542,441</td>
<td>576,862</td>
<td>537,054</td>
<td>576,866</td>
<td>1,079,495</td>
<td>1,153,728</td>
</tr>
<tr>
<td>Cinema</td>
<td>379,371</td>
<td>470,819</td>
<td>489,465</td>
<td>470,928</td>
<td>868,836</td>
<td>941,747</td>
</tr>
<tr>
<td>Cultural Precinct</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Customer Services</td>
<td>220,779</td>
<td>242,170</td>
<td>229,548</td>
<td>256,862</td>
<td>450,327</td>
<td>493,032</td>
</tr>
<tr>
<td>Development Office</td>
<td>45,017</td>
<td>95,792</td>
<td>52,378</td>
<td>116,894</td>
<td>97,395</td>
<td>212,686</td>
</tr>
<tr>
<td>Functions &amp; Events</td>
<td>1,661,267</td>
<td>1,745,755</td>
<td>1,658,753</td>
<td>1,626,710</td>
<td>3,320,020</td>
<td>3,372,465</td>
</tr>
<tr>
<td>Gallery</td>
<td>471,029</td>
<td>494,331</td>
<td>562,959</td>
<td>484,030</td>
<td>1,033,988</td>
<td>978,361</td>
</tr>
<tr>
<td>Marketing</td>
<td>395,082</td>
<td>427,731</td>
<td>429,143</td>
<td>453,401</td>
<td>824,225</td>
<td>881,132</td>
</tr>
<tr>
<td>Programming</td>
<td>1,208,351</td>
<td>1,226,083</td>
<td>1,146,781</td>
<td>1,027,970</td>
<td>2,355,132</td>
<td>2,254,053</td>
</tr>
<tr>
<td>Technical Service</td>
<td>402,189</td>
<td>372,692</td>
<td>340,202</td>
<td>378,019</td>
<td>742,391</td>
<td>750,711</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td>6,283,458</td>
<td>6,619,614</td>
<td>6,241,911</td>
<td>6,369,852</td>
<td>12,525,369</td>
<td>12,989,466</td>
</tr>
</tbody>
</table>

| Net Operating Surplus (Def) | (56,027) | 108,452 | 56,608 | (108,453) | 581 | 0 |
| NETT POSITION             | 581 |
| Retained Profit           | 581 |

### TRUST ACCOUNTS

| INCOME     | 83,308 | 0   | 0   | 0   | 212,163 | 0 |
| EXPENDITURE| 9     | 0   | 0   | 0   | 125,018 | 0 |
| T/F TO FROM RESERVES | 83,299 | 0   | 3,846 | 0   | 87,145 | 0 |

Z:\CHIEF EXECUTIVE OFFICER\Reports\Reports to Council\GCCC Bi Annual Report\3 Jan - Jun 17\Bi Annual Report for the Period Jan to July 2017 v2.3.2 STATEMENT COMP INCOME
### 3.3 STATEMENT OF FINANCIAL POSITION

**As at 30 June 2017**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Current reporting period YTD</th>
<th>Same period last year YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bartercard Account</td>
<td>9,215</td>
<td>10,059</td>
</tr>
<tr>
<td>Gallery Trust Account</td>
<td>62,331</td>
<td>57,638</td>
</tr>
<tr>
<td>Investments Operating</td>
<td>1,690,095</td>
<td>1,454,279</td>
</tr>
<tr>
<td>New Operating Account 144383031</td>
<td>453,362</td>
<td>63,223</td>
</tr>
<tr>
<td>Petty Cash/Floats</td>
<td>89,060</td>
<td>64,050</td>
</tr>
<tr>
<td>Super Clearing Account</td>
<td>-</td>
<td>1,449</td>
</tr>
<tr>
<td>The Arts Future Fund</td>
<td>3,519,454</td>
<td>3,435,002</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>73,479</td>
<td>128,968</td>
</tr>
<tr>
<td>Debtors - Other</td>
<td>168,945</td>
<td>-</td>
</tr>
<tr>
<td>Prepayments</td>
<td>413,962</td>
<td>371,022</td>
</tr>
<tr>
<td>Stock on Hand</td>
<td>57,024</td>
<td>54,334</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>6,516,917</td>
<td>5,640,024</td>
</tr>
<tr>
<td><strong>FIXED ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant &amp; Equipment</td>
<td>23,825,506</td>
<td>30,347,427</td>
</tr>
<tr>
<td><strong>Total Fixed Assets</strong></td>
<td>23,825,506</td>
<td>30,347,427</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>30,342,423</td>
<td>35,987,451</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>Current reporting period YTD</th>
<th>Same period last year YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>798,674</td>
<td>360,336</td>
</tr>
<tr>
<td>Accruals</td>
<td>176,196</td>
<td>181,825</td>
</tr>
<tr>
<td>Functions Deposits in Advance</td>
<td>251,320</td>
<td>180,412</td>
</tr>
<tr>
<td>Monies held in Trust</td>
<td>458,545</td>
<td>106,205</td>
</tr>
<tr>
<td>Payroll Liabilities</td>
<td>-</td>
<td>8,996</td>
</tr>
<tr>
<td>Payroll Provisions</td>
<td>404,346</td>
<td>390,811</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>-</td>
<td>24,686</td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>693,694</td>
<td>452,002</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>2,782,775</td>
<td>1,705,273</td>
</tr>
<tr>
<td><strong>LONG TERM LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LSL Employee Entitlement</td>
<td>144,787</td>
<td>142,288</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>2,927,562</td>
<td>1,847,561</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>27,414,861</td>
<td>34,139,890</td>
</tr>
</tbody>
</table>

| EQUITY | | |
|--------|--------------------------|
| Ord Shares Fully Paid | 2 | 2 |
| **RESERVES** | | |
| 3,632,183 | 5,113,303 |
| **RESERVES TRANSFERRED** | | |
| 87,144 | (1,176,699) |
| **Retained Earnings** | | |
| 28,939,440 | 24,102,254 |
| **Net Income** | | |
| (5,243,908) | 6,101,030 |
| **TOTAL EQUITY** | 27,414,861 | 34,139,890 |
### 3.4 CASH FLOW STATEMENT AND FORECAST

#### FOR THE 6 MONTH PERIOD ENDING 30 JUNE 2017

Comparison for the year ending 30 June 2016.

#### CASH FLOW STATEMENT

<table>
<thead>
<tr>
<th>Description</th>
<th>AT 30/06/17</th>
<th>AT 30/06/16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Precinct Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from Customers</td>
<td>8,886,817</td>
<td>11,067,904</td>
</tr>
<tr>
<td>Grants from ultimate controlling entity</td>
<td>4,616,062</td>
<td>3,309,966</td>
</tr>
<tr>
<td>Interest received</td>
<td>140,713</td>
<td>125,676</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(12,783,583)</td>
<td>(13,398,861)</td>
</tr>
<tr>
<td><strong>NET CASH FROM OPERATING ACTIVITIES</strong></td>
<td>860,009</td>
<td>1,104,685</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for property, plant &amp; equipment</td>
<td>(149,969)</td>
<td>(51,296)</td>
</tr>
<tr>
<td>Payments for investments</td>
<td>3,294,997</td>
<td>(1,162,836)</td>
</tr>
<tr>
<td><strong>NET CASH FROM INVESTING ACTIVITIES</strong></td>
<td>3,145,028</td>
<td>(1,214,132)</td>
</tr>
<tr>
<td><strong>NET INCREASE IN CASH AND CASH EQUIVALENTS</strong></td>
<td>$4,005,037</td>
<td>-$109,447</td>
</tr>
<tr>
<td>Cash &amp; cash equivalents at beginning financial year</td>
<td>1,727,146</td>
<td>1,836,593</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</strong></td>
<td>5,732,183</td>
<td>1,727,146</td>
</tr>
</tbody>
</table>
### 3.5 Major Variance Analysis

**For the 6 Month Period Ending 30 June 2017**

<table>
<thead>
<tr>
<th>Category</th>
<th>YTD Actual $</th>
<th>YTD Budget $</th>
<th>Variance $</th>
<th>Variance %</th>
<th>Analysis (provide commentary when variance greater than 10% or $10,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>(1,482,112)</td>
<td>(1,417,247)</td>
<td>(64,865)</td>
<td>5%</td>
<td>Revenue from credit card charges recovered was under budget by $32,464 due to the change in legislation on the amount of surcharge that can be applied when customers pay by credit card. Interest received was down as a consequence of lower term deposit rates provided by our bank. Computer Licence fees were $59,185 over budget due to the costs of new operating software installed during the year. ContractorAgency staff wages were over budget by $55,896 due to utilisation of contractors in the organisation with costs incurred following the departure of the Director Corporate Services prior to appointment of replacement.</td>
</tr>
<tr>
<td>Precinct Services</td>
<td>(1,007,052)</td>
<td>(1,135,348)</td>
<td>(128,296)</td>
<td>(11%)</td>
<td>Revenue from charging clients and hirers for power, cleaning and stores supplies is $54,063 over budget for the period. This coupled with under expending overall in expenses has produced a result $128,296 under budget. Areas of savings during the financial year were power (under by $13,835), repairs &amp; maintenance (under by $25,665) and security (under by $29,660).</td>
</tr>
<tr>
<td>Cinema</td>
<td>454,177</td>
<td>580,759</td>
<td>(126,582)</td>
<td>(22%)</td>
<td>Cinema revenue was under budget by $199,494. Cinema performance is heavily impacted by the quality and number of film releases and weather conditions. While it is acknowledged that other cinemas on the Gold Coast may have more up to date and larger facilities than TACGC, we do look to differentiate ourselves by offering independent and arthouse films to complement more commercial orientated films. Certain films such as La La Land can be surprising commercial successes with long runs whereas other films expected to do well may not perform as expected such as Churchill. A review of competitor pricing identified an opportunity to increase prices by $1 for full adult admission which helped offset some of the decrease in revenue.</td>
</tr>
<tr>
<td>Cultural Precinct</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>Due to the level of tickets sales the growth budgeted for in ticket sales revenue was not achieved. Operational expenditure was controlled to be under budget for the year which assisted in offsetting some of the revenue shortfall.</td>
</tr>
<tr>
<td>Visitor Service</td>
<td>(34,742)</td>
<td>(3,000)</td>
<td>(31,136)</td>
<td>863%</td>
<td>The development of our philanthropic strategy has been deferred along with the engagement of a Sponsorship &amp; Development Manager as part of the overall organisation restructure. The under budget spend of $115,291 is made up of savings in salary and reduction in expenditure related to servicing and generating benefactors and sponsors.</td>
</tr>
<tr>
<td>Development Office</td>
<td>(94,695)</td>
<td>(209,084)</td>
<td>115,291</td>
<td>(55%)</td>
<td>As a consequence of the level and type of activity in the Centre over the financial year, Front of House finished the year $86,288 under budget (33%). Operational labour costs were able to be managed to be $43,992 (20%) under budget for the year to help the end result.</td>
</tr>
<tr>
<td>Front of House</td>
<td>408</td>
<td>44,400</td>
<td>(43,992)</td>
<td>(99%)</td>
<td>Revenue for the 2016/17 financial year finished $313,717 (8%) below budget. The under budget performance was across both food &amp; beverage and generally across all venues. Menu and product engineering has been successful in increasing per patron spends in the cafes, however this was not sufficient to offset the less than budgeted attendances in the Centre. Operating expenditure throughout the department was well controlled to finish 6% under budget.</td>
</tr>
<tr>
<td>Functions and Events</td>
<td>367,852</td>
<td>428,415</td>
<td>(60,563)</td>
<td>(14%)</td>
<td>Revenue for the 2016/17 financial year finished in line with budget. Operational expenditure was $824,225 compared to budget of $881,132. The main areas of savings were payroll and advertising costs with the decision made to increase the use of electronic media as opposed to more traditional avenues such as magazines. This was a strategic decision to better target our audiences in a tighter and more cost effective way.</td>
</tr>
<tr>
<td>Gallery</td>
<td>(761,531)</td>
<td>(659,010)</td>
<td>98,521</td>
<td>(11%)</td>
<td>Revenue for the 2016/17 financial year finished in line with budget. Operational expenditure was $824,225 compared to budget of $881,132. The main areas of savings were payroll and advertising costs with the decision made to increase the use of electronic media as opposed to more traditional avenues such as magazines. This was a strategic decision to better target our audiences in a tighter and more cost effective way.</td>
</tr>
<tr>
<td>Marketing</td>
<td>(592,936)</td>
<td>(647,751)</td>
<td>54,815</td>
<td>(8%)</td>
<td>Revenue for the 2016/17 financial year finished in line with budget. Operational expenditure was $824,225 compared to budget of $881,132. The main areas of savings were payroll and advertising costs with the decision made to increase the use of electronic media as opposed to more traditional avenues such as magazines. This was a strategic decision to better target our audiences in a tighter and more cost effective way.</td>
</tr>
<tr>
<td>Programming</td>
<td>(956,567)</td>
<td>(1,119,510)</td>
<td>162,943</td>
<td>(15%)</td>
<td>Revenue for the 2016/17 financial year finished in line with budget. Operational expenditure was $824,225 compared to budget of $881,132. The main areas of savings were payroll and advertising costs with the decision made to increase the use of electronic media as opposed to more traditional avenues such as magazines. This was a strategic decision to better target our audiences in a tighter and more cost effective way.</td>
</tr>
<tr>
<td>Technical Services</td>
<td>72,554</td>
<td>304,568</td>
<td>(232,014)</td>
<td>(76%)</td>
<td>As discussed in other departments' analysis, while overall activity in the Centre was not to the level anticipated, there were some individual shows that performed well producing strong ticket sales. The highest selling shows/events for the year included Peter Pan with $304,147, The Barber of Seville with $51,426 and Gold Coast Film Festival with $47,145. This sales activity helped produce a better than budgeted bottomline for Programming.</td>
</tr>
<tr>
<td>GCCC Contribution to GCAC</td>
<td>4,035,215</td>
<td>4,035,215</td>
<td>0</td>
<td>0%</td>
<td>As per budget</td>
</tr>
</tbody>
</table>
### 3.6 RATIO ANALYSIS

**FOR THE 6 MONTH PERIOD ENDING 30 JUNE 2017**

Comparison for the year ending 30 June 2016.

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Notes</th>
<th>Current reporting date ratio</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current ratio (current assets/current liabilities)</td>
<td>A measure of short-term liquidity, the current ratio measures an organisation's ability to repay its short-term debt (due in the coming 12 months) by using short-term assets. Ideal current ratio is at least 2:1.</td>
<td>2.34</td>
<td>Ideal Ratio</td>
</tr>
<tr>
<td>Debt ratio (total liabilities/total assets)</td>
<td>Measures percentage of assets provided by creditors and extent of using gearing. The lower the ratio, the greater the asset protection to creditors.</td>
<td>0.10</td>
<td>Ideal Ratio</td>
</tr>
<tr>
<td>CAPITAL WORKS 2016/2017</td>
<td>BUDGET</td>
<td>REVISED BUDGET</td>
<td>SPENT/ COMMITTED YTD</td>
</tr>
<tr>
<td>------------------------</td>
<td>--------</td>
<td>----------------</td>
<td>---------------------</td>
</tr>
<tr>
<td><strong>BUILDING REFURBISHMENT</strong></td>
<td>Building refurbishment Fibre I &amp; Wireless Comms</td>
<td>40,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Building Refurbishment Arts Bar, Cafe and Operating</td>
<td>250,000</td>
<td>99,194</td>
</tr>
<tr>
<td><strong>BUILDING REFURBISHMENT LIGHTING</strong></td>
<td>House lighting re-lamping to LED (Sustainability) - Part 2</td>
<td>50,000</td>
<td>59,039</td>
</tr>
<tr>
<td></td>
<td>Stage Lighting, PA and Mixer upgrade</td>
<td>20,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>BUILDING REFURBISHMENT THEATRE</strong></td>
<td>- Replacement 6x Dimmers for Dimmer Floor - 1</td>
<td>20,000</td>
<td>60,000</td>
</tr>
<tr>
<td><strong>GALLERY ART COLLECTION DIGITISATION</strong></td>
<td>Digitisation of City’s Art Collection</td>
<td>40,000</td>
<td>102,725</td>
</tr>
<tr>
<td><strong>BUILDING REURBISHMENT OTHER</strong></td>
<td>50,000</td>
<td>300,395</td>
<td>300,395</td>
</tr>
<tr>
<td><strong>OFFICE REFURBS - Internal Painting upgrade</strong></td>
<td>20,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>WELCOME PROJECT</strong></td>
<td>374,887</td>
<td>374,887</td>
<td>100%</td>
</tr>
<tr>
<td><strong>BUILDING REFURBISHMENT SHOWROOM</strong></td>
<td>Design Motorised ladders in Showroom - Part 1 (relocate to moving stage lights - wash movers)</td>
<td>20,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>520,000</td>
<td>996,240</td>
<td>936,240</td>
</tr>
<tr>
<td><strong>ASSET ACQUISITION PROGRAM - Gallery Equipment</strong></td>
<td>5,000</td>
<td>3,655</td>
<td>3,655</td>
</tr>
<tr>
<td><strong>ASSET ACQUISITION PROGRAM - General Building</strong></td>
<td>30,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>ASSET ACQUISITION PROGRAM - Audio</strong></td>
<td>15,000</td>
<td>12,890</td>
<td>12,890</td>
</tr>
<tr>
<td><strong>ASSET ACQUISITION PROGRAM - Lighting</strong></td>
<td>15,000</td>
<td>915</td>
<td>915</td>
</tr>
<tr>
<td><strong>ASSET ACQUISITION PROGRAM - Mechanical</strong></td>
<td>10,000</td>
<td>594</td>
<td>594</td>
</tr>
<tr>
<td><strong>ASSET ACQUISITION PROGRAM - Computers</strong></td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>ASSET ACQUISITION PROGRAM - Catering Equipment</strong></td>
<td>75,000</td>
<td>41,403</td>
<td>41,403</td>
</tr>
<tr>
<td><strong>ASSET ACQUISITION PROGRAM - Gallery Art Works</strong></td>
<td>177,000</td>
<td>199,855</td>
<td>199,855</td>
</tr>
<tr>
<td><strong>BUILDING MAINTENANCE - GCCC</strong></td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>WORKPLACE HEALTH &amp; SAFETY</strong></td>
<td>30,000</td>
<td>71,063</td>
<td>71,063</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>607,000</td>
<td>580,375</td>
<td>580,375</td>
</tr>
<tr>
<td><strong>TOTAL CAPITAL WORKS</strong></td>
<td>1,127,000</td>
<td>1,576,615</td>
<td>1,516,615</td>
</tr>
</tbody>
</table>
THE ARTS CENTRE GOLD COAST

January to June 2017 Highlights

Overview

The 2016/17 financial year has seen substantial change for The Arts Centre Gold Coast with the appointment of a new Chair and Board, CEO and members of the Executive team. Growing the organisation from a regional arts centre into a leading cultural precinct requires strong foundations and the Board and management has spent significant time and resources ensuring that our systems and processes are robust to support future growth. This has included an extensive onsite audit of the City Collection, interrogating and improving financial management in light of the 2015/16 audit and undertaking extensive strategic planning to ensure there is a strong and coherent vision moving forward.

The 2016/17 end of year result, sees the organisation delivering a breakeven result. The year-end audit process conducted by Queensland Audit Office (QAO) noted the significant progress that has been made by our finance team and identified further areas where improvement can be made. These recommendations have been acknowledged and efforts will be directed towards rectifying the deficiencies. This financial year was the first under the Related Parties accounting standards reporting requirements. During the review, QAO identified that there were some technical treatments inconsistent with the accounting standards that resulted in the organisation bringing forward project revenue into 2016/17 with expenditure for those projects being accounted for in 2017/18. This will likely have a negative impact on the 2017/18 end of year result.

A material impact on the reported result for the 2016/17 financial year related to the valuation methodology adopted for the artwork collection. Accounting Standard AASB13 requires the collection to be accounted for at fair market value, which is the value that would be obtained from the sale of an asset by a willing buyer in an arms’ length transaction deducting for anticipated selling costs. Previously, the collection had been accounted for at its insurance value which is the value paid by a purchaser. This change in valuation has seen the collection’s reported value decrease by $6,934,806 (compared to 30 June 2016) to be $22,926,544. It is worth noting that the insurance value of the Collection remained consistent with prior year valuations at $29,625,670.

A new strategic approach

With the appointment of a new CEO in February 2017, the Board undertook extensive planning in the first three months of this reporting period. The 2017-2020 Strategic Roadmap, endorsed by the Board in June, provides the organisation with an ambitious and strategic plan to expand from a successful regional arts centre into a world class precinct and Gold Coast’s home of arts and culture. The plan focusses on delivering great art, cultural and civic experiences, building the Gold Coast’s reputation as a vibrant place to live and visit and leveraging the opening of the Amphitheatre to reimagine The Arts Centre Gold Coast (TACGC) and attract new audiences. The programming vision looks at providing a point of difference for the Precinct through high-quality and consistent artistic content and community participation in the arts. Central to the Precinct’s approach is our support of local artists and organisations through partnerships with Bleach, Gold Coast Film Festival, The Farm, Shock Therapy (to name a few) and independent Gold Coast artists.

Building Our Cultural Future

TACGC continued to work closely with its colleagues at City of Gold Coast on the delivery of the Cultural Precinct masterplan. With EDMP responsible for project management and construction of the Amphitheatre, The Arts Centre focussed on getting ready to take on expanded operations and responsibilities. With the new Board now firmly established and noting the City’s requirement for The Arts Centre to grow into the operating entity for the Precinct, TACGC began to take the lead on significant Precinct projects. These included:

- Developing a new name and brand for the Precinct with recommendations to be presented to Council
- Development of a program of events and activities for the Amphitheatre (and the appointment of a new programming team who have substantial national and international experience and networks)
- Developing operational, technical and event guidelines and overlays for the Amphitheatre
- Transfer of the liquor licence from City of Gold Coast to TACGC
- Establishing clear roles and responsibilities within the Precinct to ensure seamless operations between Council and TACGC (for example security, onsite carparking, and facilities maintenance)

As the Amphitheatre began to take shape as an iconic destination, The Arts Centre entrance looked more and more outdated. It was also identified that the Arts Café had some serious operational limitations and safety issues for our team. Wanting to reflect the ambition and potential of the Precinct that is being heralded by the Amphitheatre, TACGC commenced a cost-effective and modest refurbishment of the terrace and café to provide a contemporary visitor experience. This project is due for completion in early December 2017.
The Art - Performing Arts, Gallery, Public Programs and visitor experiences

A precinct approach – Signs of the Time
TACGC continues to move towards multi-faceted experiences to encourage patrons to dwell and be engaged for longer periods of time.

Building on the success of Playschool, work continued on broadening audiences and increasing the Centre’s profile through memorable experiences. Development and presentation of the major Gallery-initiated street art exhibition Signs of the Time was strengthened and supported by implementation of the first Precinct-wide programming framework which included music, dance, skate, talks and film; opening and closing events, kids’ programs and artist-commissioned theming of The Terrace. Additionally, The Arts Centre commissioned two artists to create large-scale murals to be produced on the external work sheds located in the Precinct. The project was an enormous success in driving new audiences to the site with approximately 11,000 people viewing the exhibition and participating in programs. In October, Signs of the Time was nominated for the prestigious Gallery and Museum Achievement Awards Qld with winners announced in early November.

Mainstage
In February, we partnered with our friends at Bleach Festival to present the premiere season of The Farm’s new work Fran Enstein, a magical dance-theatre retelling of the classic tale for children and adults. The production then toured to a highly successful season in Perth.

Peter Pan brought the chaotic charm of pantomime to 7,000 patrons and injected funds across the venue. In a coup for the Gold Coast, Producer Bonnie Lythgoe premiered at TACGC before moving the production to the State Theatre in Sydney and Melbourne’s Comedy Theatre. The production featured a star-studded cast including Todd McKenney working with a fantastic local ensemble.

A Street Jazz and Tap Masterclass by in demand Brisbane Choreographer Jack Chambers added value to the season. Chambers has now returned home after moving to New York on the back of his 2008 So You Think You Can Dance win, working as choreographer and teacher at the Joffrey Ballet School and winning the Young Choreographer Award at the American Dance Awards in New Jersey, as well as appearing in a number of theatre productions including Kennedy Center’s ‘Spring Gala 2010’ alongside Liza Minnelli.

In May, Model Citizens delighted 1,125 school students and members of the general public when Circus Oz came to town. We also hosted the budget special for ABC’s Q&A bringing dynamic debate, a sold out crowd with a different demographic and a significant national broadcast audience.

The Centre welcomes a range of promoters and presenters to the Centre every month as commercial hirers. Sellout performances in this reporting period included comedian Carl Barron (who also drove our food and beverage revenue through the roof), David Strassman’s new show iTedE with his renegade puppets and award winning cabaret artist Naomi Price in Rumour Has It.

Exhibitions and The City Collection
Refurbishment work on the Gallery Foyer and Main Gallery (Gallery One) was completed. A collection storage system was purchased and installed in Gallery 2 Collection Store and art work relocated.

Full audit, condition assessments and valuation of the Collection was completed prior to 30 June 2017 by Mr Warren Joel. This audit also identified items for conservation and proposed de-accessioning in anticipation of the Gallery. A revised Collection Policy – Collection Management Plan & Acquisition Strategy – was developed by the Gallery Director and approved by TACGC Board in February. The new Plan and Strategy provide a clear and united vision for the management and development of the Gold Coast City Gallery collection. A major work by artist Ben Quilty titled Sarah Island, Tasmania was identified and secured by the Gallery Director for the future benefit of Gold Coast citizens and will be a key highlight in the Collection display in the future gallery.

Work has commenced on decanting of works on paper from temporary frames into solander storage boxes. A rehang of Collection works on display in the public areas of The Arts Centre was undertaken and provides opportunities for daily guided tours of the Collection.

Education and public programs
We continued our commitment to education and exploration through the delivery of the 2017 Creative Learning Program featuring Qld Theatre’s Constellations, The Farm’s Frank Einstein and Circus Oz’s Model Citizens in the early part of 2017.

The Culture Kids summer program featured a combination of both user pay and free activity. Attention to scheduling allowed participants to return multiple times and stay for most of the day. The workshops sold out and we released 800 free tickets to the new block buster “Trolls” before it had premiered at Event Cinemas.
Catarina Hebbard Directed Sue Riders *Bumpy Angels* as the 2017 Youth Theatre Project offering. The play was beautifully acted by a cast of eleven young females from the Gold Coast and Brisbane.

We hosted artist development programs, residencies and play readings and continued to build our reputation as an incubator of new fully staged contemporary works such as *The Turn of Winston Haggle* and *Pocketful of Pebbles*.

The all abilities dance program *No Difference* returned for a seven-day development workshop, with artists working with a videographer and composer to explore ideas and emotional responses through a multi-artform approach.

Local community and emerging performers participated in several opportunities in this period, including:

- Opera Q’s Workshop for over 50’s
- Dancers and vocalists cast in Bonnie Lythgoe’s *Peter Pan*
- Casting of Youth Theatre Project
- *Marriage of Figaro* - Opera Australia children’s choir workshops

Refurbishment and rebranding of The Studio into *ArtLab: Invent / Make / Be* was completed with the first programs commencing in February. A loyal repeat following is beginning with many little artists returning with their parents and carers every month. To showcase the City’s art collection, we now provide daily art tours of the Collection.

*Cinema*

TACGC continued to build its reputation as the home of independent cinema and film festivals. We partnered with Gold Coast Film Festival and hosted Ocean Film Festival (a sell-out screening) and Banff Mountain Festival (an additional screening was held due the first screening selling out). The sell-out season in 2017 ensured a return to TACGC in 2018. Cinema continued to be one of our key revenue drivers with 145,412 attendances (ticket sales $1,404,061) in the 2016/17 financial year.

*Commercial Operations*

As a key revenue stream for TACGC, attracting functions and events and new clients was a priority. The Centre developed a new promotional compendium that promoted the venue, food and beverage offer and client experience. Upgrades to Food and Beverage areas and operational changes were made to ensure these areas of the business were more cost effective to run. The changes have reflected in a significant increase in function and events revenue.

*Partnerships and Development*

Our attention has been clearly focused on maintaining strong relationships with corporate sponsors and benefactors during the transition to precinct operations, embracing the management evolution and future ambition of the company. Stakeholder events were held for benefactors, corporate partners and the artistic community to celebrate our 30-year milestone, introduce the new Chair and CEO, preview the Amphitheatre and future stages.

Pindara Private Hospital and Paradise Point Community Bank Branch Bendigo Bank sponsorship of the Neverland Project supporting community engagement and employment of local creatives in the pre-show entertainment activation for the Bonnie Lythgoe *Peter Pan* pantomime was finalised in February. A new corporate sponsor, Veracity, an IT business solutions provider joined in April for a two-year term. A new suite of ‘Proud Partner’ artwork was released in June across the sponsorship portfolio.

Fundraising efforts were channeled through two campaigns supporting the End of Financial Year Giving Campaign and the James Morrison Jazz Jam initiative (for delivery in September). An overhaul of our marketing approach was delivered through the revamp of the ‘Because of You’ range of collateral across print, cinema, signage and digital applications for use in the 2017/18 financial year. The redesign is targeted at a younger demographic connecting them through participation in community art programs and driven by digital marketing efforts and an upgraded online donation process.

*Marketing*

Marketing continued to focus on transitioning our communication and messaging from transactional (buy a ticket to a show) to experience-based (come and participate, enjoy, dwell, play etc).

Our operational marketing effort in this reporting period, was focussed on driving and maximising commercial returns. Historically, much of our effort has focussed on marketing the productions that TACGC has financial investment in, but increasingly we are supporting our commercial hirers recognising that sellout shows are good for our reputation and also drive food and beverage revenue.
WH&S

The preparation for the 16 November 2017 NAT self-insurance audit was a priority focus for the Board and management during the period and continues to be. Support from City of Gold Coast has been provided which is gratefully acknowledged. Work on improving documented policies that will be assessed during the audit has seen significant progress, with further work still required to be completed over the balance of the year. The safety of our employees and patrons is paramount therefore considerable effort has gone into ensuring that processes and procedures are reviewed, implemented and adopted to ensure a ‘safety culture’ across the organisation. A Health and Safety Performance Report for the year ending 30 June 2017 is attached for reference.
Health and Safety Performance Report

June 2017

---

**Lost time injuries 2016/17**

![Graph showing lost time injuries from July to June]

---

**Incident Type by Department**

![Graph showing incident types by department]

---

**Definitions:**

- **Lost Time Injury (LTI)**: A work injury or illness resulting in the loss of one or more full shifts from work.
- **Medical Treatment Injury (MTI)**: A work injury or illness requiring treatment by a medical practitioner.
- **First Aid Injury (FAI)**: A work injury or illness that required, at most, first aid treatment.
- **Near Hit (NH)**: An event at the workplace that did not result in a work injury or illness but had the potential to do so.
- **Report Only (RO)**: An incident/event that is not a work injury or illness (e.g., patron injury).

---

**Incidents / Near Hits (June)**

- There were nine (9) incidents reported in May.
- There were no Near Hits reported in May.

- **Lost Time Injury: LTI (0)**
- **Medical Treatment Injury - MTI (0)**
- **First Aid Injury - FAI (3)**
  - 1. Injury to hand while changing a gas cylinder (Commercial Operations)
  - 2. Injury to head when hit by a wooden palm tree prop (Visitor, Corporate Services)
  - 3. Wrist injury while performing on stage (Visitor, Programming)

---

**Work Health & Safety Management System (WHMS)**

- **Documents Approved**
- Workplace “Safe Space” Inspections
- WHS Induction: Contractor
- WHS Strategic Plan

- **Documents Drafted**
- WHS Training Matrix

---

**Self Insurance Audit (NAT) Corrective Action Plan Progress (All Items) Sept 16- Present**

![Graph showing progress of self insurance audit]

---

There is one priority Self Insurance Audit (NAT) Corrective Action Plan item remaining which is the Permits to Work process to be implemented. The process has been drafted and will be implemented by July 2017.

---

With the addition of the Implementation items to the Self Insurance Audit (NAT) Corrective Action Plan, the total number of items is now 108 with 39 (36%) of items complete and 69 (64%) progressing.
THE ARTS CENTRE GOLD COAST

July to Dec 2017 Priorities

In keeping with our new strategic plan for 2017-2020, the July to December 2017 priorities are outlined under our five key strategic objectives.

It is important to note that the 2017/18 year is one of rapid transition for The Arts Centre with the completion of the Amphitheatre, a name and brand project underway, and new programming being developed. It takes time to develop relationships with promoters and presenters, grow the reputation of the Precinct, build new audiences and test the market. It’s exciting time ahead and not everything will succeed first time, there will be surprises along the way and financial risk. But we are up to the challenge.

Great experiences

The great outdoors
Over the coming six months we will turn our attention to the great outdoors. In July, we will partner with Circa to fast track an ambitious and engaging 2018 program for the Amphitheatre and surrounding parkland. This partnership immediately builds the capacity of TACGC through the substantial national and international networks that Circa brings. More importantly it provides us with the opportunity to work closely with Circa as the Creative Lead team for the Commonwealth Games Festival to identify legacy outcomes that can be passed onto the Cultural Precinct long after the Games have left town. This contract arrangement also provides us with flexibility (rather than being locked into a workforce of permanent employees) allowing us to provide future employment opportunities at the Precinct for our talented local producers and programmers currently engaged by GC2018.

Local arts development
This is also the time to work closely with our local colleagues on partnerships and projects that will position the growing Precinct as Gold Coast’s home of arts and culture. We will undertake forward planning with Bleached Arts to identify joint producing/presenting opportunities and work towards the Cultural Precinct being a hub for Bleach Festival in 2019.

Performing Arts

On the mainstage, we will continue to offer experiences of artistic excellence such as Opera Australia’s touring version of Mozart’s *The Marriage of Figaro*. In August, Bram Stoker’s Late Victorian Gothic Horror novel comes to life when Shake and Stir bring their terrifyingly wonderful adaptation of *Dracula* to the Gold Coast. Our audiences will enjoy the best of our state companies’ repertoires when *Queensland Symphony Orchestra Plays Beethoven* and *Queensland Ballet’s La Fille Mal Gardee* play the Arts Theatre.

With the café closed for refurbishment from September to December, we will re-imagine the Basement as a place of good coffee, great whiskey and outstanding late-night cabaret and entertainment. Every Friday and Saturday night, The *Sideshow* series will present some of Australia’s best and brightest cabaret and musical theatre artists, cult movie nights and piano bar vibes – edgy, bold and a little bit cheeky.

Jazz Jam at The Arts Centre will give nineteen high school students the opportunity to be mentored by jazz legend James Morrison and students from his tertiary Academy. The program will cover big band rehearsal, small ensemble, improvisation, music theory, instrument technique and performance masterclasses with students having the once in a lifetime opportunity to appear on-stage with James in September.

Our commitment to community and diversity continues with *Dance for Parkinson’s* and an all abilities workshop on *How do we create an original story from our imaginations*. In September, we again proudly support Pasifika providing event and programming support and welcoming over 10,000 members of the South Pacific Island and Maori community to the Precinct. It is also Eisteddfod and dance concert season - we anticipate over 40,000 young people will perform at the Arts Centre over the coming months. Art Lab will continue to provide monthly art-making workshops including to our littlest artists (and their carers…..usually grandparents).

There is significant excitement and anticipation surrounding the 2017 outing of 2970 Boiling Point, featuring key note heavy weights Julian Assange, Jamila Rizvi, Prof Ishiguro and TACGC own Banaam First Nations Kyle Slabb and Chair Robyn Archer.

Art Gallery

The delivery of the significant exhibition project *Coming into Fashion: a century of photography at Condé Nast* is the priority with an opening date of 24 November. Associated programs and events that are now confirmed...
include two full day discussion programs – Fashion Forum and Talk Suite, a film program, children's workshops and a national fashion and art media famil. Palazzo Versace have been confirmed as an exhibition partner.

Other exhibition highlights will include the Josephine Ulrick and Win Schubert Photography Award and Primavera at 25: the Museum of Contemporary Art Collection. The first Meet the Wavemakers talk (part of our new discussion series) will be hosted by Samantha Morris of Blank GC and feature the Australian artist Nell and songwriter and performer Robert Forster (Go-Betweens).

City Collection
The Gallery Director will continue to research potential major acquisitions for the collection and future gallery. These works will be “destination” works that the gallery and the city will become recognised for. Research and administration continues towards the first round of proposed works for deaccession early in 2018. Deaccessioning is not taken lightly and involves significant and sensitive procedural work. It is not completed for financial gain but predominantly as a way of ensuring the collection adheres to guidelines of the Collection Management Plan.

Cinema
Cinema continues to drive day to day visitation through a diverse program featuring popular releases, documentaries, National Theatre Live, foreign language and art house films. To widen our reach beyond the traditional 5km radius, we have broadened the marketing approach to Cinema by incorporating anticipated blockbusters in the What’s On guide. In this reporting period, we will implement changes to the annual membership program to simplify the renewal process enabling a rolling 12-month membership rather than all renewals effective 30 June. We have identified an opportunity for increased corporate hire of the cinema and are developing product to take to the market.

Eat and drink
While the second half of the year is the peak period for functions and events (with $730,000 currently booked), we will also build a solid foundation for the upcoming changes as the Centre transitions into the Cultural Precinct.

We will finalise details for the re-opening of The Arts Café and our new Lawn Bar area in early December. A business plan has been developed which outlines key objectives, revenue targets, operational changes and new menu concepts.

Preparation is also underway to cater for outdoor events and the Amphitheatre with the acquisition of new furniture and equipment suited to both the current Centre and the greater Precinct including Point of Sale infrastructure with improved operational and reporting capabilities.

Strategic recruitment will commence to ensure we have the correct team and internal structure in place to carry us through the expected changes and growth for the department. The new Café and Bar Manager is currently developing a team to open and run the new Café and Lawn Bar areas, with Functions and Events recruiting for a Duty Manager.

For the here and now, we will capitalise on the high volumes of visitors expected in the venue throughout November by tailoring food and beverage packages to drive revenue. New concepts and offerings (including a great tapas and cocktail menu) will be developed to cater for new programming in The Basement, with these ideas being trialled for future rollout across the Centre.

More than a place
Significant focus in this reporting period will be on the Name and Brand project. The outcome of this project will be the recommendation to Council of a new name and look and feel for the Precinct (the report to Council is currently scheduled for late in Q2 or early Q3). The project will also involve extensive research on new audiences, market segmentation, destination marketing and placemaking. This will be invaluable to inform future programming, audience development initiatives and marketing approaches.

Our operational marketing effort will be focussed on driving and maximising commercial returns through the remaining 14 Season shows, 6 exhibitions, 24 public programs and workshops and 31 hirer events. Highlights of the program include the Eisteddfod, Rockwiz, Dracula, Queensland Symphony Orchestra, Cockfight, James Morrison in Concert, the Sideshow program and Coming Into Fashion exhibition and events.

In this reporting period, we will increasingly focus on digital marketing and begin to transition to a model where we outsource campaigns and other aspects of our marketing and communications to local creatives. This not only provides more opportunities and employment across the city but means that we can be responsive to the ebbs and flows of the Precinct programming – expanding and contracting as required. We will also collaborate closely with city partners including Gold Coast Tourism, Study Gold Coast and the City of Gold Coast to leverage greater awareness and consideration by aligning to the #wearegoldcoast digital marketing city hub.
As we prepare to take responsibility for the Amphitheatre and grow into a Precinct, we will develop a community engagement and communication plan that keeps our neighbours and broader Gold Coast community up to date with our evolution.

**With a little help from our friends**

As the business expands and the program diversifies attracting new audiences and activities on site, we have revised our sponsorship approach to proactively identify and pitch partnership opportunities to larger Gold Coast organisations including Gold Coast Airport, Gold Coast Waterways Authority, Mercedes Benz, Pacific Fair and Palazzo Versace. To date, successful partnerships in final stages of negotiation for 2018 activation include Gold Coast Airport and Palazzo Versace.

Work continues to carry-over existing corporate partners including Pindara Private Hospital, McGrath Estate Agents, G:link, Crosbie Wealth Management, the Friends of The Arts Centre Gold Coast and QT Hotels.

Sponsorship, philanthropy and partnerships are vital to our future success and emphasis on this area of our business will increase with the appointment of a Fundraising, Sponsorship and Philanthropy Manager.

**Building Our Cultural Future**

In this six months, our focus will well and truly be on operational readiness as we take responsibility for the Amphitheatre on 4 December. A series of policies, procedures, plans and manuals will be completed and staff will be inducted to the venue. The Liquor License will be transferred to the TACGC and extended to include a lawn area adjacent to the Café.

Our attention turns to the next stage of the Masterplan and constructing an international standard Art Gallery. Content experts in retail, food and beverage, digital and programming have been identified and will contribute to the design process. As the operator of the Art Gallery we will be central to the design phase to ensure the asset is functional and meets our day to day needs.

**How great things happen**

**Organisation structure**

As we continue to increase our ambition, scope and responsibilities over the coming years, it is vital that the organisation has the structure and resources to succeed. The July to December period will see TACGC undertake an organisational review and implement changes to the staffing structure and operations of the organisation to deliver on the priorities outlined in the Strategic Plan 2017-2020.

**Venue Improvements**

The Welcome Project moves from design to construction with the refurbishment due to be complete first week of December. The improvements include refurbishment to the Arts Bar, overspray of the tiling on the Terrace, cleaning and painting the Terrace ceiling, increased seating capacity with the addition of two decks and an additional serving outlet. Importantly the venue improvements have also improved our work place safety and handling with the addition of a dumb waiter.

**Finance System Upgrade**

TACGC has released a tender for the provision of a new finance system that includes the provision of an accounting system, payroll, rostering and asset register to replace the current systems. At present, there is no interface between the revenue subsystems with the accounting system. This necessitates the manual entering of data from the ticketing, events and POS systems into the accounting system on a daily basis. In addition, payroll is currently manually entered with no interface between the rostering system. It has been scoped to automate all these processes to increase efficiency and reduce the risk of human error. It is expected the new systems will be installed first quarter of 2018.

**WH&S**

As has been the case for the past six months, preparation for the 16 November 2017 NAT self-insurance audit will continue to be a major focus for the organisation. While the importance of the documentation portion of the process is acknowledged to make sure TACGC is best positioned to successfully pass the audit, the primary objective of the Board and Management regarding WH&S remains ensuring that all people who enter the facility, be they staff, contractors, performers or patrons go home safely to their families and friends. The NAT program, with Council’s support has provided us with a great opportunity to review our processes to ensure that everything we do is done as safely as possible whilst acknowledging that some of the activities that do occur in the Centre such as a flying Peter Pan are inherently risky.

The City of Gold Coast provided NAP mapping tool will be completed with any areas of deficiencies or improvement identified for prompt remedial action in preparation for the audit to place TACGC in the best possible position to pass.
# TACGC Overview

1 Jul 2016 - 30 Jun 2017

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Target</th>
<th>Target %</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td># TOTAL Precinct Visitations</td>
<td>786,785</td>
<td>794,141</td>
<td>-1%</td>
</tr>
<tr>
<td>2</td>
<td># TOTAL Cinema Attendance</td>
<td>145,412</td>
<td>164,391</td>
<td>-12%</td>
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<tr>
<td>3</td>
<td># Participation in creative public programs</td>
<td>19,947</td>
<td>14,778</td>
<td>35%</td>
</tr>
<tr>
<td>4</td>
<td># TOTAL Gallery visitors</td>
<td>44,478</td>
<td>40,500</td>
<td>10%</td>
</tr>
<tr>
<td>5</td>
<td># Attendances to Precinct Activities by TACGC, a Promoter or Hire</td>
<td>254,510</td>
<td>195,246</td>
<td>30%</td>
</tr>
<tr>
<td>6</td>
<td># of FREE Arts Based or Entertainment Activations (Entrepreneurial)</td>
<td>113</td>
<td>73</td>
<td>55%</td>
</tr>
<tr>
<td>7</td>
<td># TOTAL Events</td>
<td>5,948</td>
<td>5,357</td>
<td>11%</td>
</tr>
<tr>
<td>8</td>
<td># TOTAL Free public programs</td>
<td>196</td>
<td>133</td>
<td>47%</td>
</tr>
<tr>
<td>9</td>
<td>TOTAL # tickets sold to live performances</td>
<td>129,562</td>
<td>121,056</td>
<td>7%</td>
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<tr>
<td>10</td>
<td>Key capital projects completed within budget and on time</td>
<td>100%</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>11</td>
<td>85% staff satisfaction achieved</td>
<td>81%</td>
<td>96%</td>
<td>-16%</td>
</tr>
<tr>
<td>12</td>
<td>85% customer satisfaction achieved</td>
<td>88%</td>
<td>85%</td>
<td>4%</td>
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<tr>
<td>13</td>
<td># Notifiable incidents</td>
<td>0</td>
<td>6</td>
<td>100%</td>
</tr>
<tr>
<td>14</td>
<td>Operating Profit</td>
<td>$581.00</td>
<td>$0.00</td>
<td>0%</td>
</tr>
<tr>
<td>15</td>
<td>Revenue per employee</td>
<td>$83,001.50</td>
<td>$120,021.35</td>
<td>-31%</td>
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<tr>
<td>16</td>
<td>Total Earned Income</td>
<td>$7,043,243.44</td>
<td>$9,090,417.00</td>
<td>-13%</td>
</tr>
<tr>
<td>17</td>
<td>Total Operational Expenditure</td>
<td>$12,525,369.00</td>
<td>$12,525,369.00</td>
<td>0%</td>
</tr>
<tr>
<td>18</td>
<td>Total Operational Income</td>
<td>$12,525,950.00</td>
<td>$12,525,369.00</td>
<td>0%</td>
</tr>
</tbody>
</table>
GOLD COAST ARTS CENTRE PTY LTD
ACN 060 787 466
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017
GOLD COAST ARTS CENTRE
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

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GOLD COAST ARTS CENTRE PTY LTD 
DIRECTORS' REPORT

DIRECTORS' DETAILS

The names of the directors holding office at any time during or since the end of the year are:

Robyn Archer (appointed 25 July 2016)
Catherine Brennan-Martin (appointed 25 July 2016)
Wesley Enoch (appointed 25 July 2016)
Tomas Johnsson
Bob La Castra
Tracey Vieira (appointed 20 February 2017)
Stephen Romer
Ailie Maclachlan (appointed 25 July 2016)
Michael Loebenstein (appointed 25 July 2017 and retired 20 February 2017)
Dr Patrick Mitchell (retired 24 July 2016)
Richard Munro (retired 24 July 2016)
Patrick Corrigan (retired 24 July 2016)
Christine Lohman (retired 24 July 2016)

Directors have been in office since 1 July 2016 to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activities of the company during the course of the financial year were:

• The management of the operations of the Gold Coast Arts Centre as per the service agreement with the Council of the City of Gold Coast;
• The presentation and promotion of performing and visual arts for the benefit of residents and visitors to Gold Coast City; and
• The operation and management of the Arts Future Fund and the Gold Coast art gallery gift fund.

There were no changes in the nature of these activities during the course of the financial year.

REVIEW OF OPERATIONS AND RESULTS

The operating loss of the company for the financial year ended 30 June 2017 was $5,243,908 (2016 $6,101,029 profit).

SUBSEQUENT EVENTS

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operation or results of the company or the state of affairs of the company in subsequent financial years.

LIKELY FUTURE DEVELOPMENTS AND RESULTS

The principal activities for the year ended 30 June 2017 have been those described as above. The company is a wholly owned entity of the Council of the City of Gold Coast.

In December 2017 the activities of the company will expand to take on the management of the outdoor facility known as the Versatile Outdoor Space (VOS) that is currently under construction in the southern area immediately adjacent to the Arts Centre. The service agreement between Gold Coast Arts Centre and City of Gold Coast will be amended to accommodate the operation of this facility. The operational grant provided by City of Gold Coast to the company was increased for the financial year July 2017 to June 2018 to provide funds for the operation of the VOS.

ENVIRONMENTAL REGULATIONS

The entity is not subject to any environmental regulations. The company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.
DIVIDENDS OR DISTRIBUTIONS

In accordance with the company's Constitution, no dividends were paid, recommended or declared during the financial year to the company's ultimate controlling entity.

OPTIONS

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the financial year ended 30 June 2017, the company was covered by the Council of the City of Gold Coast Insurance Company Limited insurance contracts in respect of the directors and executive officers for liability and legal expenses for the period ended 30 June 2017, for which no premiums were payable. The company has continued to be covered by the Council of the City of Gold Coast Insurance Company Limited in respect of such contracts for the year ended 30 June 2017. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been the directors or executive officers of the company.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave to bring proceedings against the company. No person has applied for leave of court to bring proceedings on behalf of the company or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

THE JOSEPHINE ULRICK AND WIN SCHUBERT FOUNDATION FOR THE ARTS

In 2015 Gold Coast Arts Centre Pty Ltd was appointed the Trustee of The Josephine Ulrick and Win Schubert Foundation for the Arts. This fund is not public money and therefore is not included within these accounts and is audited by an independent accounting firm.

AUDITOR INDEPENDENCE

Refer to page five for the auditors' independence declaration made to the directors of Gold Coast Arts Centre Pty Ltd.

This report is made in accordance with a resolution of the directors.

Robyn Archer, Chair
Director

Date 29\/9\slash 17

Tomas Jonsson
Director

Date 29\/9\slash 17
To the Directors of Gold Coast Arts Centre Pty Ltd

This auditor’s independence declaration has been provided pursuant to s.307C of the Corporations Act 2001.

Independence declaration

As lead auditor for the audit of Gold Coast Arts Centre Pty Ltd for the financial year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

P J FLEMMING FCPA
(as delegate of the Auditor-General)

Queensland Audit Office
Brisbane

29 SEP 2017
AUDIT OFFICE
QUEENSLAND
GOLD COAST ARTS CENTRE PTY LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>12,800,744</td>
<td>18,625,707</td>
</tr>
<tr>
<td>EXPENSES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Theatre and venue expenses</td>
<td>4,997,701</td>
<td>4,762,235</td>
</tr>
<tr>
<td>Functions and events expenses</td>
<td>3,108,550</td>
<td>3,666,411</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>3,590,547</td>
<td>2,724,231</td>
</tr>
<tr>
<td>Marketing expenses</td>
<td>894,168</td>
<td>800,290</td>
</tr>
<tr>
<td>Cultural precinct expenses</td>
<td>-</td>
<td>571,510</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>5,453,686</td>
<td>-</td>
</tr>
<tr>
<td>OPERATING RESULT FOR YEAR</td>
<td>(5,243,908)</td>
<td>6,101,029</td>
</tr>
<tr>
<td>OTHER COMPREHENSIVE INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in asset revaluation surplus</td>
<td>(1,481,120)</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE INCOME/(LOSS)</td>
<td>(6,725,028)</td>
<td>6,101,029</td>
</tr>
</tbody>
</table>

The above statement should be read in conjunction with the accompanying notes.
GOLD COAST ARTS CENTRE PTY LTD  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017  

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>4</td>
<td>5,732,183</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>5</td>
<td>242,424</td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
<td>57,023</td>
</tr>
<tr>
<td>Other current assets</td>
<td></td>
<td>423,176</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>6</td>
<td>62,109</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td></td>
<td>6,516,915</td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>7</td>
<td>23,825,506</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT ASSETS</strong></td>
<td></td>
<td>23,825,506</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>30,342,421</td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>8</td>
<td>974,869</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>9</td>
<td>404,346</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>10</td>
<td>1,403,558</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td></td>
<td>2,782,773</td>
</tr>
<tr>
<td><strong>NON-CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits</td>
<td>9</td>
<td>144,787</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT LIABILITIES</strong></td>
<td></td>
<td>144,787</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td></td>
<td>2,927,560</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td>27,414,861</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset revaluation surplus</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Contributed equity</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>Reserves</td>
<td>12</td>
<td>3,719,327</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>23,695,532</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td></td>
<td>27,414,861</td>
</tr>
</tbody>
</table>

The above statement should be read in conjunction with the accompanying notes.
GOLD COAST ARTS CENTRE PTY LTD  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017  

<table>
<thead>
<tr>
<th>Asset Revaluation Surplus $</th>
<th>Contributed Equity (note 11) $</th>
<th>Reserves (note 12) $</th>
<th>Retained Earnings $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 July 2015</td>
<td>1,481,120</td>
<td>2,445,484</td>
<td>24,102,254</td>
<td>28,038,860</td>
</tr>
<tr>
<td>Operating result for year</td>
<td>-</td>
<td>-</td>
<td>6,101,029</td>
<td>6,101,029</td>
</tr>
<tr>
<td>Reserve transfers</td>
<td>-</td>
<td>1,176,699</td>
<td>(1,176,699)</td>
<td>-</td>
</tr>
<tr>
<td>Balance as at 30 June 2016</td>
<td>1,481,120</td>
<td>3,632,183</td>
<td>29,026,584</td>
<td>34,139,889</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset Revaluation Surplus $</th>
<th>Contributed Equity (note 11) $</th>
<th>Reserves (note 12) $</th>
<th>Retained Earnings $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 July 2016</td>
<td>1,481,120</td>
<td>3,632,183</td>
<td>29,026,584</td>
<td>34,139,889</td>
</tr>
<tr>
<td>Operating result for year</td>
<td>-</td>
<td>-</td>
<td>(5,243,908)</td>
<td>(5,243,908)</td>
</tr>
<tr>
<td>Decrease in asset revaluation surplus</td>
<td>(1,481,120)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve transfers</td>
<td>-</td>
<td>87,144</td>
<td>(87,144)</td>
<td>-</td>
</tr>
<tr>
<td>Balance as at 30 June 2017</td>
<td>-</td>
<td>3,719,327</td>
<td>23,695,532</td>
<td>27,414,861</td>
</tr>
</tbody>
</table>

The above statement should be read in conjunction with the accompanying notes.
GOLD COAST ARTS CENTRE PTY LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from Council of the City of Gold Coast</td>
<td>4,616,062</td>
<td>3,309,966</td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>8,886,817</td>
<td>11,067,904</td>
</tr>
<tr>
<td>Interest received</td>
<td>140,713</td>
<td>125,676</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(12,783,583)</td>
<td>(13,398,861)</td>
</tr>
<tr>
<td>NET CASH INFLOW FROM OPERATING ACTIVITIES</td>
<td>860,009</td>
<td>1,104,685</td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for plant and equipment</td>
<td>(149,969)</td>
<td>(51,296)</td>
</tr>
<tr>
<td>Payments/(receipts) for investments</td>
<td>3,294,997</td>
<td>(1,162,836)</td>
</tr>
<tr>
<td>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</td>
<td>3,145,028</td>
<td>(1,214,132)</td>
</tr>
<tr>
<td>Net increase/(decrease) in cash and cash equivalents</td>
<td>4,005,037</td>
<td>(109,447)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of financial year</td>
<td>1,727,146</td>
<td>1,836,593</td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</td>
<td>5,732,183</td>
<td>1,727,146</td>
</tr>
</tbody>
</table>

The above statement should be read in conjunction with the accompanying notes.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

Gold Coast Arts Centre Pty Ltd is a not-for-profit company limited by shares, incorporated and domiciled in Australia. The company’s ultimate controlling entity is the Council of the City of Gold Coast.

(b) Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the Australian Charities and Not-for-profit Commissions Act 2012 and the Australian Charities and Not-for-profit Commission regulation 2013, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. A statement of compliance with the International Financial Reporting Standards (IFRS) cannot be made due to the company applying not-for-profit specific requirements contained in the Australian Accounting Standards.

Except where otherwise stated, these financial statements have been prepared under the historical cost convention.

The financial statements were authorised for issue by the Board of Directors on the date the Directors’ Declaration was signed.

(c) Currency and rounding

All balances are stated in Australian dollars and rounded to their nearest dollar.

(d) Comparatives

Where required by Australian Accounting Standards, comparative figures have been adjusted to conform with changes in the presentation for the current financial year.
GOLD COAST ARTS CENTRE PTY LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2017

(e) Critical accounting estimates and judgements

The preparation of the financial statements requires the determination and use of certain critical accounting estimates, assumptions and management judgements about the carrying amounts of assets and liabilities. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions that have a potential significant effect are outlined in the following notes:
- Valuation of plant and equipment – Note 1(i)
- Depreciation – Note 1(i)
- Employee benefits. – Note 1(k).

(f) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable.

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable and the criteria for each of the company's different activities has been met.

Contributed artworks and assets transferred from Council of the City of Gold Coast are recognised at their fair value.

Grants, sponsorships, contributions and donations received are non-reciprocal in nature and revenue is recognised upon receipt.

Shows are arranged in advance. Revenue and expenses are recognised on a gross basis at completion of a show.

Interest income is recognised as it accrues.

Revenue from sale of goods or rendering of services is recognised upon delivery of goods or services to the customer.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks that are readily convertible to known amounts of cash with terms no greater than 3 months.

(h) Trade and other receivables

Trade receivables and other receivables are recognised at the amounts due at the time of sale or service delivery, that is, the agreed purchase price / contract price.

The collectability of receivables is assessed periodically with allowance being made for impairment. Bad debts are written off when identified.

(i) Other current assets

Other current assets includes prepaid expenses for shows, exhibitions and events which will be expected to be delivered within the next twelve months.
(j) Plant and equipment

Recognition and measurement
Plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Items of plant and equipment are fully capitalised provided their value on acquisition exceeds the following thresholds:

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and equipment</td>
<td>$2,500</td>
</tr>
<tr>
<td>Artworks</td>
<td>$1</td>
</tr>
</tbody>
</table>

Items with a lesser value are expensed in the year of acquisition.

Depreciation
Plant and equipment are depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and equipment</td>
<td>10-20%</td>
</tr>
</tbody>
</table>

The residual values and useful lives of plant and equipment assets are reviewed and adjusted if appropriate on an annual basis.

Artwork is not depreciated as these assets are heritage and cultural assets. The company has a strong curatorial process to safeguard, protect and maintain artworks to current condition.

(k) Trade and other payables

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

(l) Employee benefits

Liabilities are recognised for employee benefits such as annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date.

Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs.

Amounts not expected to be settled are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

The obligations are presented as current liabilities in the balance sheet if the company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Superannuation contributions are made by the company to an employee’s superannuation fund and are recorded as expenses when incurred.
GOLD COAST ARTS CENTRE PTY LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2017

(m) Financial instruments

Recognition
Financial assets and financial liabilities are recognised in the statement of financial position when the company becomes party to the contractual provisions of the financial instrument.

Classification
Financial instruments are classified and measured as follows:
(i) Cash and cash equivalents – held at fair value through profit and loss
(ii) Receivables – held at amortised cost less impairment
(iii) Payables – held at amortised cost.

The company does not enter into transactions for speculative purposes.

(n) Other current liabilities

Other current liabilities includes unearned revenue from ticket sales paid in advance and monies held in trust for ticket sales revenue held for outside parties. Unearned revenue is recognised as earned revenue when the event or services which the advance payments relate to has been completed. This usually occurs within twelve months of receipt of the monies.

(o) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term. The company does not have any finance leases.

(p) Income tax

No provision for income tax has been raised as the company is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

(q) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cashflows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.


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**GOLD COAST ARTS CENTRE PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2017**

(r) **New and revised Accounting Standards**

The company adopts all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised accounting standards has not resulted in any significant impact on the reported financial position, financial performance or cash flows of the company.

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective and have not been adopted by the company for the year ended 30 June 2017, are outlined below along with an assessment of the impact:

<table>
<thead>
<tr>
<th>Accounting Standard</th>
<th>Application Date</th>
<th>Nature of Change</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 9 Financial Instruments</td>
<td>1 Jan 2018</td>
<td>AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. The main change is to the requirements for the classification, measurement and disclosures associated with financial assets.</td>
<td>The new requirements are unlikely to result in a significant impact to the entity.</td>
</tr>
<tr>
<td>AASB 15 Revenue from Contracts with Customers</td>
<td>1 Jan 2018</td>
<td>AASB 15 replaces AASB 118 Revenue, AASB 11 Construction Contracts and some revenue related interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.</td>
<td>The new requirements are unlikely to result in a significant impact to the entity.</td>
</tr>
<tr>
<td>AASB 16 Leases</td>
<td>1 Jan 2019</td>
<td>AASB 16 replaces AASB 117 Leases and some lease-related interpretations. It requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases. It also requires new and different disclosures about leases.</td>
<td>The new requirements are unlikely to result in a significant impact to the entity.</td>
</tr>
<tr>
<td>AASB 1058 Income of Not-for-Profit Entities</td>
<td>1 Jan 2019</td>
<td>AASB 1058 replaces AASB 1004 Contributions. It establishes revenue recognition principles for not-for-profit entities where the consideration provided to acquire an asset is significantly less than the fair value of that asset. It will also defer income recognition in some circumstances for not-for-profit entities, particularly where there is a performance obligation or any other liability.</td>
<td>The new requirements are unlikely to result in a significant impact to the entity.</td>
</tr>
</tbody>
</table>

All other Australian Accounting Standards that have recently been issued or amended but are not yet effective have had no material impact on the company's accounting policies or on these financial statements. The company does not intend to adopt any of these pronouncements before their effective dates. The only Australian Accounting Standard that became effective for the first time in 2016-17 is AASB 124 Related Party Disclosures. This standard requires note disclosures about relationships between a parent entity and its controlled entities, key management personnel (KMP) remuneration expenses and other related party transactions, and does not impact on financial statement lines. As some of the information has been previously disclosed, AASB 124 itself had minimal impact on the KMP disclosure compared to 2015-16. Refer Note 17.
GOLD COAST ARTS CENTRE PTY LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2017

2. REVENUE AND OTHER INCOME

Revenue
Grants from Council of the City of Gold Coast 4,616,062 3,309,996
Contributed artwork 243,751 4,724,077
Sales 7,441,566 8,880,328
Interest received 140,713 125,676
Transfer of non-current assets from Council of the City of Gold Coast 210,488 213,036
Donations received 148,164 217,816
One-off payroll tax refund from Queensland Treasury - 1,154,808

Total revenue 12,800,744 18,625,707

3. EXPENSES

Employee benefits 7,134,101 6,564,269
Depreciation 191,324 281,184
Auditor’s remuneration for audit of financial statements 37,500 22,500

Total audit fee quoted by Queensland Audit Office relating to the 2016/17 financial statements are $26,000 (2015/16: $22,500).

4. CASH AND CASH EQUIVALENTS

Cash on hand 89,060 64,050
Cash at bank 635,460 208,817
Short term deposits 5,007,683 1,454,279

Total cash and cash equivalents 5,732,183 1,727,146

The above includes the Gold Coast Arts Centre Art Gallery Gift Fund and Gold Coast Arts Centre Fund (as disclosed in Note 12). Cash can only be transferred from the Gold Coast Arts Centre Fund and Gold Coast Arts Centre Art Gallery Gift Fund with Board approval in line with The Arts Centre Gold Coast Benefactors Donation Policy.

5. TRADE AND OTHER RECEIVABLES

Trade receivables 73,479 68,869
Receivables due from related parties 166,373 61,547
Other receivables 2,572 -

Total trade and other receivables 242,424 130,416

Ageing of trade and other receivables is as follows:
Not past due 9,885 9,278
Past due 1-30 days 181,611 88,391
Past due 31-60 days 34,685 31,005
Past due 61-90 days 17,340 (1,728)
Past due over 90 days (1,107) 3,473
Total 242,424 130,416

6. OTHER FINANCIAL ASSETS

Term deposits with a term of 3 months or greater 62,109 3,357,106

Page 15 of 23
7. PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>at cost</td>
<td>2,390,745</td>
<td>2,324,817</td>
</tr>
<tr>
<td>Accumulated...</td>
<td>(1,491,783)</td>
<td>(1,311,959)</td>
</tr>
<tr>
<td></td>
<td>898,962</td>
<td>1,012,858</td>
</tr>
<tr>
<td>Artworks – at fair value</td>
<td>22,926,544</td>
<td>29,334,569</td>
</tr>
<tr>
<td></td>
<td>23,825,506</td>
<td>30,347,427</td>
</tr>
</tbody>
</table>

 Movements in carrying amounts

Plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at the beginning of the year</td>
<td>1,012,858</td>
<td>1,173,249</td>
</tr>
<tr>
<td>Transfer of assets from Council of the City</td>
<td>17,100</td>
<td>120,793</td>
</tr>
<tr>
<td>of Gold Coast</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisitions</td>
<td>60,328</td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(191,324)</td>
<td>(281,184)</td>
</tr>
<tr>
<td>Carrying amount at the end of the year</td>
<td>898,962</td>
<td>1,012,858</td>
</tr>
</tbody>
</table>

Artworks

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at the beginning of the year</td>
<td>29,334,569</td>
<td>24,466,953</td>
</tr>
<tr>
<td>Transfer of assets from Council of the City</td>
<td>193,389</td>
<td>92,243</td>
</tr>
<tr>
<td>of Gold Coast</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed artwork</td>
<td>243,751</td>
<td>4,724,077</td>
</tr>
<tr>
<td>Acquisitions (excluding contributed artwork)</td>
<td>89,641</td>
<td>51,296</td>
</tr>
<tr>
<td>Movement in collection value following...</td>
<td>(6,934,806)</td>
<td>-</td>
</tr>
<tr>
<td>Carrying amount at the end of the year</td>
<td>22,926,544</td>
<td>29,334,569</td>
</tr>
</tbody>
</table>

Total plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at the beginning of the year</td>
<td>30,347,427</td>
<td>25,640,202</td>
</tr>
<tr>
<td>Transfer of assets from Council of the City</td>
<td>210,489</td>
<td>213,036</td>
</tr>
<tr>
<td>of Gold Coast</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed artwork</td>
<td>243,751</td>
<td>4,724,077</td>
</tr>
<tr>
<td>Acquisitions (excluding contributed artwork)</td>
<td>149,969</td>
<td>51,296</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(191,324)</td>
<td>(281,184)</td>
</tr>
<tr>
<td>Movement in collection value following...</td>
<td>(6,934,806)</td>
<td>-</td>
</tr>
<tr>
<td>Carrying amount at the end of the year</td>
<td>23,825,506</td>
<td>30,347,427</td>
</tr>
</tbody>
</table>

Fair value measurements

Gold Coast Arts Centre Pty Ltd measure and recognises artwork at fair value on a recurring basis.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date taking account of characteristics that are specific to that asset, including an asset's highest and best use. On initial recognition of an asset, fair value can equate to historic cost. Valuation techniques and inputs used to develop fair value measurements are provided in the accounting policy notes below.

For asset classes subject to regular revaluation processes, the following fair value hierarchy is applied (in order of priority), which reflects the significance of inputs used in measuring the asset values:

Level 1 - Fair values reflect unadjusted quoted prices in active markets for identical assets;

Level 2 - Fair values based on inputs that are directly or indirectly observable for the asset (other than unadjusted quoted prices);

Level 3 - Fair values derived from data not observable in a market.
The following table shows Gold Coast Arts Centre Pty Ltd.’s assets classified as per the above fair value hierarchy.

<table>
<thead>
<tr>
<th></th>
<th>2017 - Level 2</th>
<th>2016 - Level 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Artworks</td>
<td>$22,926,544</td>
<td>$29,334,569</td>
</tr>
<tr>
<td>Total</td>
<td>$22,926,544</td>
<td>$29,334,569</td>
</tr>
</tbody>
</table>

Specific valuation techniques used to value Artworks
Artworks are valued using market analysis using a fair market valuation which is given as the average estimated reasonable and realisable value of an item for non-forced sale between knowledgeable, willing and not anxious parties in an arm’s length transaction deducting for anticipated selling costs. The fair market valuation is based on retail (primary) and auction (secondary) market prices for comparable material at an indicative date.

Artworks were comprehensively revalued to fair market value as at 30 June 2017. An independent valuation was conducted by Warren Joel Auction & Valuation Services in compliance with AASB13. The major contributor to the decrease in reported value of $6,934,806 of the collection compared to 30 June 2016 relates to the differing valuation methodology adopted. The fair market value valuation completed as at 30 June 2017 has deducted anticipated selling costs whereas the previous valuation undertaken on 25 June 2013 did not. $1,481,120 of the decrease has been applied against the Asset Revaluation Surplus, with the remaining $5,453,686 taken to accounting in the Statement of Comprehensive Income. The insurance value of the collection remained consistent with prior year valuations at $29,625,670.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>740,877</td>
<td>360,336</td>
</tr>
<tr>
<td>Payables owing to related parties</td>
<td>57,795</td>
<td>110,615</td>
</tr>
<tr>
<td>Other creditors and accruals</td>
<td>176,196</td>
<td>95,897</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>974,969</strong></td>
<td><strong>566,848</strong></td>
</tr>
</tbody>
</table>

8. TRADE AND OTHER PAYABLES

9. EMPLOYEE BENEFITS

Current
- Annual leave | 252,908 | 234,001 |
- Long service leave | 151,438 | 156,810 |
- Other | - | 8,996 |
| **Total** | **404,346** | **399,807** |

Non-current
- Long service leave | 144,787 | 142,288 |

Total employee benefits – current and non-current | 549,133 | 542,095 |

10. OTHER CURRENT LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Function deposits received in advance</td>
<td>251,320</td>
<td>180,412</td>
</tr>
<tr>
<td>Monies held in trust</td>
<td>458,545</td>
<td>106,205</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>693,693</td>
<td>452,002</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,403,558</strong></td>
<td><strong>738,619</strong></td>
</tr>
</tbody>
</table>
11. CONTRIBUTED EQUITY

Authorised capital
1,000,000 ordinary shares of $1 each

Issued and paid up capital
2 ordinary shares of $1 each fully paid

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Issued and paid up</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

12. RESERVES

The Arts Future fund
Gold Coast Art Gallery gift fund
The Arts Cultural Reserve

<table>
<thead>
<tr>
<th>Fund</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Arts Future fund</td>
<td>3,517,454</td>
<td>3,435,002</td>
</tr>
<tr>
<td>Gold Coast Art Gallery gift fund</td>
<td>62,331</td>
<td>57,638</td>
</tr>
<tr>
<td>The Arts Cultural Reserve</td>
<td>139,542</td>
<td>139,542</td>
</tr>
</tbody>
</table>

Movements in reserves

<table>
<thead>
<tr>
<th>Fund</th>
<th>Opening balance</th>
<th>Transfer from retained earnings</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Arts Future fund</td>
<td>3,435,002</td>
<td>2,224,161</td>
<td>3,517,454</td>
</tr>
<tr>
<td>Gold Coast Art Gallery gift fund</td>
<td>62,331</td>
<td>57,638</td>
<td></td>
</tr>
<tr>
<td>The Arts Cultural Reserve</td>
<td>139,542</td>
<td>179,542</td>
<td></td>
</tr>
</tbody>
</table>

Nature and Purpose of Reserves

The Arts Future fund (previously named ‘Gold Coast Arts Centre Fund’) and Gold Coast Art Gallery gift fund

All general public donations and pledged donations received are transferred to this reserve from retained earnings until allocated to a specific purpose by the Board. Actual funds on hand at year end are reported as part of the cash and cash equivalents (refer Note 4).

The Arts Cultural Reserve

The arts cultural reserve covers losses that may arise from events such as Musicals/Exhibitions organized by the Gold Coast Arts Centre or for planned future expenses the building. This reserve replaced the programming development reserve and the building reserve.
13. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus/(deficit) after tax</td>
<td>(5,243,908)</td>
<td>6,101,029</td>
</tr>
<tr>
<td>Non-cash items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed artwork</td>
<td>(243,751)</td>
<td>(4,724,077)</td>
</tr>
<tr>
<td>Transfer of non-current assets</td>
<td>(210,488)</td>
<td>(213,036)</td>
</tr>
<tr>
<td>Changes in value of Artwork Collection</td>
<td>5,453,686</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>191,324</td>
<td>281,184</td>
</tr>
<tr>
<td>Change in operating assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase)/decrease in trade and other receivables</td>
<td>(112,008)</td>
<td>(22,705)</td>
</tr>
<tr>
<td>(Increase)/decrease in inventories</td>
<td>(2,690)</td>
<td>18,879</td>
</tr>
<tr>
<td>(Increase)/decrease in other current assets</td>
<td>(52,155)</td>
<td>(104,786)</td>
</tr>
<tr>
<td>Increase/(decrease) in trade and other payables</td>
<td>408,022</td>
<td>32,584</td>
</tr>
<tr>
<td>Increase/(decrease) in employee benefits</td>
<td>7,038</td>
<td>(256,904)</td>
</tr>
<tr>
<td>Increase/(decrease) in other current liabilities</td>
<td>684,939</td>
<td>(7,483)</td>
</tr>
<tr>
<td>Net cash flows from operating activities</td>
<td>860,009</td>
<td>1,104,685</td>
</tr>
</tbody>
</table>

14. COMMITMENTS

Operating lease commitments

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

- Within one year: 27,494 27,494
- One to five years: 4,582 32,072
- Total: 32,076 69,570

The company has entered into an agreement with RBC Business Solutions for the provision of photocopiers and printers. The cost of the agreement is calculated on an estimated volume of colour and black and white copies per month at a per copy costs. The contract was entered into on 4 May 2015 for a period of 28 months.

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The company currently has two matters under review and is unable to make a reliable estimate as to any potential future liability.

16. CAPITAL MANAGEMENT

Management controls the capital of the company to ensure that adequate cash flows are generated to fund its programs and that returns from investments are maximised. The Board and management ensure that the overall risk management strategy is in line with this objective.

The company's capital consists of financial liabilities, supported by financial assets.

Management effectively manages the company's capital by assessing the company's financial risk and responding to changes in these risks and in the market.

There have been no changes to the strategy adopted by management to control the capital of the company since the previous year.
17. RELATED PARTY DISCLOSURES

The company’s related parties include its key management personnel and related entities as described below.

Unless otherwise stated, transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

Ultimate controlling entity

The Council of the City of Gold Coast is the ultimate controlling entity.

Transactions with ultimate controlling entity

The following transactions occurred with the Council of the City of Gold Coast:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant revenue</td>
<td>$4,616,062</td>
<td>$3,309,966</td>
</tr>
<tr>
<td>Other revenue</td>
<td>$794,351</td>
<td>$175,555</td>
</tr>
<tr>
<td>Assets transferred from Council of the City of Gold Coast</td>
<td>$210,488</td>
<td>$213,036</td>
</tr>
<tr>
<td>Purchases</td>
<td>$391,079</td>
<td>$437,718</td>
</tr>
<tr>
<td>Amounts owed to Council of the City of Gold Coast</td>
<td>$57,796</td>
<td>$110,615</td>
</tr>
<tr>
<td>Amounts owed by Council of the City of Gold Coast</td>
<td>$166,373</td>
<td>$61,547</td>
</tr>
</tbody>
</table>

The Council of the City of Gold Coast maintains and manages all insurance policies as required by the entity including Directors and Officers, Public Liability and Workers Compensation.

Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company, being members of the Board and the Chief Executive Officer.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term employee benefits</td>
<td>$273,028</td>
<td>$235,770</td>
</tr>
<tr>
<td>Post employment benefits</td>
<td>$30,215</td>
<td>-</td>
</tr>
<tr>
<td>Employee termination benefits</td>
<td>$110,721</td>
<td>-</td>
</tr>
<tr>
<td>Other long term benefits</td>
<td>$2,838</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>416,802</strong></td>
<td><strong>235,770</strong></td>
</tr>
</tbody>
</table>

The directors, other than those who hold positions as Councillors of the City of Gold Coast are compensated for their services.

Directors who hold positions as Councillors of the Council of the City of Gold Coast (the controlling entity) receive no compensation from the company for their services.
GOLD COAST ARTS CENTRE PTY LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2017

Transactions with key management personnel

During the financial year a director made a donation of two artworks to the Gallery Collection valued at $81,500. The recognition principles included in Note 1(f) were applied to these artworks. There were no other transactions between the company and key management personnel with the exception of the compensation disclosed above.

Other related party transactions

There were no other related party transactions.

18. ECONOMIC DEPENDENCY

The continuation of the company is dependent on the ongoing financial commitment from the Council of the City of Gold Coast. For the 2017-18 financial year, Council has approved funding of $11,232,007.

19. EVENTS AFTER THE REPORTING PERIOD

There are no subsequent events that impact on these financial statements.

20. COMPANY DETAILS

The company's registered office and principal place of business is at: 135 Bundall Road, Surfers Paradise, Queensland 4217
GOLD COAST ARTS CENTRE PTY LTD
DIRECTORS’ DECLARATION

In the directors’ opinion:

(a) the financial statements and notes are in accordance with the Australian Charities and Not for Profits Commission Act 2012 and Australia Charities and Not-for-profits Commission Regulation 2013, including:

(i) complying with Australian Accounting Standards (including Australian Accounting Interpretations); and

(ii) giving a true and fair view of the company’s financial position as at 30 June 2017 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the financial statements and notes satisfy the requirements of the Australian Charities and Not-for-profit Commissions Act 2012 signed in accordance with the subsection 60.15 of the Australian Charities and Not-for-profit Commission regulation 2013.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board

[Signatures]

Robyn Archer, Chair
Director

Date 29/11/17

Tomas Johnsson
Director

Date 29/11/17
INDEPENDENT AUDITOR’S REPORT

To the Members of Gold Coast Arts Centre Pty Ltd

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Gold Coast Arts Centre Pty Ltd.

In my opinion, the financial report:

a) gives a true and fair of the company’s financial position as at 30 June 2017, and its
financial performance and cash flows for the year then ended

b) complies with the Australian Charities and Not-for-profits Commission Act 2012, the
Australian Charities and Not-for-profits Commission Regulation 2013 and the
Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the
statement of comprehensive income, statement of changes in equity and statement of cash
flows for the year then ended, notes to the financial statements including summaries of
significant accounting policies and other explanatory information, and the directors’
declaration.

Basis for opinion

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

I am independent of the company in accordance with the auditor independence requirements
of the Australian Charities and Not-for-profits Commission Act 2012 and with the ethical
requirements of the Accounting Professional and Ethical Standards Board’s APES 110 Code
of Ethics for Professional Accountants (the Code) that are relevant to my audit of the
financial report in Australia. I am also independent of the company in accordance with the
auditor independence requirements of the Corporations Act 2001, and confirm that the
independence declaration required by the Corporations Act 2001, which has been given to
the directors of the company, would be in the same terms if given to the directors as at the
time of this auditor’s report.

I have also fulfilled my other ethical responsibilities in accordance with the Code and the
Auditor-General of Queensland Auditing Standards.

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

Other information

Other information comprises the information included in the directors’ report for the year
ended 30 June 2017, but does not include the financial report and my auditor’s report
thereon.
The directors are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

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

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the company for the financial report

The company's directors are responsible for the preparation of the financial report gives a true and fair view in accordance with the Australian Charities and Not-for-profits Commission Act 2012, the Australian Charities and Not-for-profits Commission Regulation 2013 and the Australian Accounting Standards and for such internal control as the company determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company’s directors are also responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the company.
- Conclude on the appropriateness of the company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

P J FLEMMING FCPA
as delegate of the Auditor-General

Queensland Audit Office
Brisbane
26 September 2017

Mr B Worrall  
Auditor-General of Queensland  
Queensland Audit Office  
PO Box 15396  
CITY EAST QLD 4002

Dear Mr Worrall

REPRESENTATIONS BY MANAGEMENT OF GOLD COAST ARTS CENTRE PTY LTD FOR THE YEAR ENDED 30 JUNE 2017 AND EVENTS SUBSEQUENT TO THAT DATE

This representation letter is provided for the audit of Gold Coast Arts Centre Pty Ltd’s financial report for the year ended 30 June 2017. These representations are provided by us to assist you in expressing an opinion on whether the financial report presents a true and fair view in accordance with the Australian Accounting Standards, the Australian Charities and Not-for-profit Commission Act 2012 and the Australian Charities and Not-for-profit Commission Regulation 2013.

We acknowledge our responsibility for ensuring that the financial report is in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board, the Australian Charities and not-for-profit Commission Act 2012 and the Australian Charities and Not-for-profit Commission Regulation 2013. We confirm that the financial report has been approved by management and is free of material misstatements including omissions.

We confirm that, to the best of our knowledge and belief, the statements made in appendix A to this letter are factually correct. These statements are made based on information available to us having made such enquiries as we considered necessary to appropriately informing ourselves on these matters.

We understand that your audit was:

- conducted in accordance with the Auditor-General of Queensland Auditing Standards which incorporate the Australian Auditing Standards
- designed primarily for the purpose of expressing an opinion on the financial report of the Gold Coast Arts Centre Pty Ltd taken as a whole, in accordance with the requirements of the Auditor-General Act 2009; and
- limited to tests of the financial records and other auditing procedures you considered necessary for that purpose.

For and on behalf of the Gold Coast Arts Centre Pty Ltd.

Yours sincerely

Ms Criena Gehrke  
Chief Executive Officer  
Gold Coast Arts Centre Pty Ltd

Mr David Collins  
Director Corporate Services  
Gold Coast Arts Centre Pty Ltd
Access to information, documents and property

1. We confirm to the best of our knowledge and understanding that the auditors have been given full and free access to all documents and property belonging to, in the custody of, or under the control of the Gold Coast Arts Centre Pty Ltd. In discharging our responsibility to provide full and free access:

We have provided you with:

- access to all information, in both electronic and other forms, of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters
- additional information that you have requested from us for the purposes of the audit
- unrestricted access to persons within the Gold Coast Arts Centre Pty Ltd from whom you determined it necessary to obtain audit evidence.

2. We have made available details of all bank accounts.

Financial report preparation

3. We have fulfilled our responsibilities, as set out in the terms of the audit engagement, for the preparation of the financial report in accordance with Australian Accounting Standards, the Australian Charities and Not-for-profit Commission Act 2012 and the Australian Charities and Not-for-profit Commission Regulation 2013; in particular, the financial report gives a true and fair view in accordance therewith.

4. All transactions have been recorded in the accounting records and reflected in the financial report.

5. The electronic presentation of the financial report is our responsibility. Our responsibility includes ensuring that the electronic version of the financial report and the independent auditor's report presented on the web site are the same as the final signed version of the financial report and independent auditor's report.

Financial statement disclosures

6. The financial report discloses all significant accounting policies used in the preparation of the financial report. We considered the substance of the underlying transactions as well as their legal form in selecting the appropriate accounting policies and related disclosures for the financial report.

7. The following material items have been properly recorded and disclosed in the financial report in accordance with Australian Accounting Standards:

   (a) changes in accounting policy(ies), estimate(s) and/or correction of any prior period error(s)
   (b) financial assets and/or liabilities
   (c) inventory recorded at lower of cost or net realisable value and adjusted for obsolescence
   (d) asset revaluations
   (e) all management judgements applied in the application of accounting policies assessed as having the most significant effect on the resultant amounts
   (f) all sources of estimation uncertainty in key assumptions underlying recorded assets and liabilities that may result in a material adjustment to the carrying amounts of such assets and liabilities in the next financial year
   (g) liabilities (including provisions), contingent liabilities or assets
   (h) contracts, events or transactions that were entered into/occurred during the financial year
Significant management assumptions

8. Significant assumptions used by us in making accounting estimates are reasonable and supported. This includes significant judgements and assumptions used in:
   - measuring the fair values of financial assets and financial liabilities in accordance with AASB 13 Fair Value Measurement and AASB 139 Financial Instruments: Recognition and Measurement
   - assessing indicators of possible impairment of assets and testing for impairment in accordance with AASB 136 Impairment of Assets
   - reviewing the useful lives and residual values of property, plant and equipment, and intangible assets, and allocating depreciation and amortisation on a systematic basis over the estimated useful lives of the assets in accordance with AASB 116 Property Plant and Equipment
   - measuring accruals and provisions for employee entitlements under AASB 119 Employee Entitlements
   - assessing whether material contingent assets and liabilities exist under AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Valuation of Assets

9. An assessment of the fair value of assets has been conducted within the reporting period to ensure that their carrying amount does not materially differ from fair value calculated at the end of the reporting period, in accordance with AASB 116 Property, Plant and Equipment.

10. We have considered the requirements of AASB 136 Impairment of Assets, when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.

11. Depreciation on relevant assets has been allocated on a systematic basis over the estimated useful lives of the assets. Useful lives and residual values of the assets were reviewed during the reporting period and adjusted where appropriate.

Related parties

12. We have disclosed to you the identity of the Gold Coast Arts Centre Pty Ltd’s related parties and all the related party relationships and transactions of which we are aware.

13. We have adequate process in place to identify, record and manage related party relationships.

14. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Australian Accounting Standards.

Key Management Personnel

15. The key management personnel disclosed in related parties and key management personnel remuneration are a complete list of those persons who have the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Subsequent events

16. All events that occurred subsequent to the date of the financial report and for which Australian Accounting Standards require adjustment or disclosure have been adjusted or disclosed. We are not aware of anything else that has occurred after the end of the financial year that would cause the financial report to be misleading.

Compliance with applicable laws, regulations and contractual agreements

17. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
18. Gold Coast Arts Centre Pty Ltd has been properly managed in accordance with the requirements of the Australian Charities and Not-for-profit Commission Act 2012 and the Australian Charities and Not-for-profit Commission Regulation 2013.

19. We have complied, in all material respects with prescribed requirements for the establishment and keeping of relevant accounts, registers and other appropriate records.

20. We have complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of non-compliance.

Uncorrected misstatements

21. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial report as a whole. A list of all uncorrected misstatements is attached to this representation letter.

Legal

22. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial report; and accounted for and disclosed in accordance with the Australian Accounting Standards and other prescribed requirements.

23. Gold Coast Arts Centre Pty Ltd has satisfactory title to all assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

Internal Control

24. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud. We have established and maintained adequate internal control to facilitate the preparation of the financial report, and adequate financial records have been maintained.

25. We acknowledge our responsibility to identify the risks that the Gold Coast Arts Centre Pty Ltd is exposed to and for measuring, assessing and developing a prioritised action plan. We confirm that we have established, maintained, operated and demonstrated an appropriate framework of business controls, to cover all our operational, technical, commercial, financial and administrative activities.

Fraud

26. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.

27. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Gold Coast Arts Centre Pty Ltd and involves:
   - management
   - employees who have significant roles in internal control
   - others where the fraud could have a material effect on the financial report.

28. We have disclosed to you all information in relation to allegations or fraud, or suspected fraud, affecting the financial report communicated by employees, former employees, analysts, regulators or others.

Future plans

29. There were no material commitments for the construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial report.

30. We have no plans or intentions that may materially affect the carrying values, or classification, of assets and liabilities.
Going concern basis of preparation

31. We have assessed the Gold Coast Arts Centre Pty Ltd's ability to continue as a going concern and believe there are reasonable grounds to believe that the Gold Coast Arts Centre Pty Ltd will be able to pay its debts as and when they become due and payable.

Other Information

32. We have informed you of all the documents that we expect to issue that may comprise other information.

33. The financial report and any other information obtained by you prior to the date of your auditor’s report is consistent with one another, and the other information does not contain any material misstatements.
26 September 2017

The Directors
Gold Coast Arts Centre Pty Ltd
PO Box 8615
GOLD COAST MC QLD 9726

Dear Directors,

REPRESENTATIONS BY MANAGEMENT OF GOLD COAST ARTS CENTRE PTY LTD FOR THE YEAR ENDED 30 JUNE 2017 AND EVENTS SUBSEQUENT TO THAT DATE

This representation letter is provided for the audit of Gold Coast Arts Centre Pty Ltd’s financial report for the year ended 30 June 2017. These representations are provided by us to assist the Directors in expressing an opinion on whether the financial report presents a true and fair view in accordance with the Australian Accounting Standards, the Australian Charities and Not-for-profit Commission Act 2012 and the Australian Charities and Not-for-profit Commission Regulation 2013.

We acknowledge our responsibility for ensuring that the financial report is in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board, the Australian Charities and not-for-profit Commission Act 2012 and the Australian Charities and Not-for-profit Commission Regulation 2013. We confirm that the financial report has been approved by management and is free of material misstatements including omissions.

We confirm that, to the best of our knowledge and belief, the statements made in appendix A to this letter are factually correct. These statements are made based on information available to us having made such enquiries as we considered necessary to appropriately informing ourselves on these matters.

We understand that the audit was:

- conducted in accordance with the Auditor-General of Queensland Auditing Standards which incorporate the Australian Auditing Standards
- designed primarily for the purpose of expressing an opinion on the financial report of the Gold Coast Arts Centre Pty Ltd taken as a whole, in accordance with the requirements of the Auditor-General Act 2009; and
- limited to tests of the financial records and other auditing procedures considered necessary for that purpose.

For and on behalf of the Gold Coast Arts Centre Pty Ltd.

Yours sincerely,

Ms Criena Gehrike
Chief Executive Officer
Gold Coast Arts Centre Pty Ltd

Mr David Collins
Director Corporate Services
Gold Coast Arts Centre Pty Ltd
Access to information, documents and property

1. We confirm to the best of our knowledge and understanding that the auditors have been given full and free access to all documents and property belonging to, in the custody of, or under the control of the Gold Coast Arts Centre Pty Ltd. In discharging our responsibility to provide full and free access:

We have provided you with:

- access to all information, in both electronic and other forms, of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters
- additional information that you have requested from us for the purposes of the audit
- unrestricted access to persons within the Gold Coast Arts Centre Pty Ltd from whom you determined it necessary to obtain audit evidence.

2. We have made available details of all bank accounts.

Financial report preparation

3. We have fulfilled our responsibilities, as set out in the terms of the audit engagement, for the preparation of the financial report in accordance with Australian Accounting Standards, the Australian Charities and Not-for-profit Commission Act 2012 and the Australian Charities and Not-for-profit Commission Regulation 2013; in particular, the financial report gives a true and fair view in accordance therewith.

4. All transactions have been recorded in the accounting records and reflected in the financial report.

5. The electronic presentation of the financial report is our responsibility. Our responsibility includes ensuring that the electronic version of the financial report and the independent auditor's report presented on the web site are the same as the final signed version of the financial report and independent auditor's report.

Financial statement disclosures

6. The financial report discloses all significant accounting policies used in the preparation of the financial report. We considered the substance of the underlying transactions as well as their legal form in selecting the appropriate accounting policies and related disclosures for the financial report.

7. The following material items have been properly recorded and disclosed in the financial report in accordance with Australian Accounting Standards:

(a) changes in accounting policy(ies), estimate(s) and/or correction of any prior period error(s)

(b) financial assets and/or liabilities

(c) inventory recorded at lower of cost or net realisable value and adjusted for obsolescence

(d) asset revaluations

(e) all management judgements applied in the application of accounting policies assessed as having the most significant effect on the resultant amounts

(f) all sources of estimation uncertainty in key assumptions underlying recorded assets and liabilities that may result in a material adjustment to the carrying amounts of such assets and liabilities in the next financial year

(g) liabilities (including provisions), contingent liabilities or assets

(h) contracts, events or transactions that were entered into/occurred during the financial year
Significant management assumptions

8. Significant assumptions used by us in making accounting estimates are reasonable and supported. This includes significant judgements and assumptions used in:

- measuring the fair values of financial assets and financial liabilities in accordance with AASB 13 *Fair Value Measurement* and AASB 139 *Financial Instruments: Recognition and Measurement*
- assessing indicators of possible impairment of assets and testing for impairment in accordance with AASB 136 *Impairment of Assets*
- reviewing the useful lives and residual values of property, plant and equipment, and intangible assets, and allocating depreciation and amortisation on a systematic basis over the estimated useful lives of the assets in accordance with AASB 116 *Property Plant and Equipment*
- measuring accruals and provisions for employee entitlements under AASB 119 *Employee Entitlements*
- assessing whether material contingent assets and liabilities exist under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Valuation of Assets

9. An assessment of the fair value of assets has been conducted within the reporting period to ensure that their carrying amount does not materially differ from fair value calculated at the end of the reporting period, in accordance with AASB 116 *Property, Plant and Equipment*.

10. We have considered the requirements of AASB 136 *Impairment of Assets*, when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.

11. Depreciation on relevant assets has been allocated on a systematic basis over the estimated useful lives of the assets. Useful lives and residual values of the assets were reviewed during the reporting period and adjusted where appropriate.

Related parties

12. We have disclosed to you the identity of the Gold Coast Arts Centre Pty Ltd’s related parties and all the related party relationships and transactions of which we are aware.

13. We have adequate process in place to identify, record and manage related party relationships.

14. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Australian Accounting Standards.

Key Management Personnel

15. The key management personnel disclosed in related parties and key management personnel remuneration are a complete list of those persons who have the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Subsequent events

16. All events that occurred subsequent to the date of the financial report and for which Australian Accounting Standards require adjustment or disclosure have been adjusted or disclosed. We are not aware of anything else that has occurred after the end of the financial year that would cause the financial report to be misleading.

Compliance with applicable laws, regulations and contractual agreements

17. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
18. Gold Coast Arts Centre Pty Ltd has been properly managed in accordance with the requirements of the Australian Charities and Not-for-profit Commission Act 2012 and the Australian Charities and Not-for-profit Commission Regulation 2013.

19. We have complied, in all material respects with prescribed requirements for the establishment and keeping of relevant accounts, registers and other appropriate records.

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29. There were no material commitments for the construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial report.

30. We have no plans or intentions that may materially affect the carrying values, or classification, of assets and liabilities.
**Appendix A – Management representations**

**Going concern basis of preparation**

31. We have assessed the Gold Coast Arts Centre Pty Ltd’s ability to continue as a going concern and believe there are reasonable grounds to believe that the Gold Coast Arts Centre Pty Ltd will be able to pay its debts as and when they become due and payable.

**Other Information**

32. We have informed you of all the documents that we expect to issue that may comprise other information.

33. The financial report and any other information obtained by you prior to the date of your auditor’s report is consistent with one another, and the other information does not contain any material misstatements.
## Unadjusted immaterial differences

In total, the effect on the financial statements of unadjusted differences is that operating result net profit before tax is understated by $8,281, and net assets is understated by $8,281.

<table>
<thead>
<tr>
<th>Financial statement component(s), affected</th>
<th>Amount unadjusted</th>
<th>Underlying cause of difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation expense</td>
<td>$69,382 DR</td>
<td>GCAC identified an error in the depreciation of an asset in the prior year. To correct the written down value of this asset, they have reduced the depreciation expense in the current year. The net result of this is that the written down value of this asset is now correct, however depreciation was understated during this financial year, where it was previously overstated. As the error and subsequent change result in an immaterial difference to the financial statements, no changes have been required.</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>$69,382 CR</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>$77,663 CR</td>
<td>One of the unearned income items removed was for the refurbishment project to be undertaken by GCAC. It was identified that $77,662.50 worth of works had been completed at 30 June 2017. As Council had been invoiced for the total amount prior to 30 June, it would have been acceptable to record the amount for works completed as a debtor at 30 June, along with the revenue. This amount is considered immaterial to the financial statements, therefore no change was required.</td>
</tr>
<tr>
<td>Debtors</td>
<td>$77,663 DR</td>
<td></td>
</tr>
<tr>
<td>Other current assets</td>
<td>$28,875 CR</td>
<td>It was identified that one prepayment was unpaid as at 30 June 2017. As this item had not yet been paid, it should not have been recorded in the financial statements. This amount is considered immaterial to the financial statements and has no impact on net assets, therefore no change was required.</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>$28,875 DR</td>
<td></td>
</tr>
</tbody>
</table>
ITEM 4 OFFICE OF THE CHIEF EXECUTIVE OFFICER
CONNECTING SOUTHERN GOLD COAST LTD – BI-ANNUAL PERFORMANCE REVIEW
LG426/1112/-(P3)

Refer attachments:  
Bi-annual Performance Report (Attachment 1)  
Annual Financial Report for 2016-17 (Attachment 2)

1 BASIS FOR CONFIDENTIALITY

Not applicable

2 EXECUTIVE SUMMARY

Not applicable

3 PURPOSE OF REPORT

The purpose of this report is to present the Bi-annual Performance Report for Connecting Southern Gold Coast Ltd (CSGC) for the six month period ended 30 June 2017.

4 PREVIOUS RESOLUTIONS

Governance Administration & Finance Committee (minute GA17.0419.004):

1 That Council notes Connecting Southern Gold Coast Ltd’s bi-annual performance report for the half-year ended 31 December 2016.

5 DISCUSSION

5.1 Background

The City contracts with Connecting Southern Gold Coast Ltd (CSGC) to manage the provision of marketing, promotional and security patrol activities in the Southern Gold Coast precinct. Council is the sole member of CSGC. Consequently, CSGC is classified as a “public sector controlled entity” under the Auditor-General Act 2009.

The City’s current Service Agreement concludes on 30 June 2019. The Agreement requires CSGC to submit performance reports to Council for review on a biannual basis in March and October. CSGC’s performance was last reviewed by the Governance & Administration Committee at its meeting on 19 April 2017.

5.2 Review of Performance

CSGC’s Performance Report submission was received on 3 November (see Attachment 1). The report comprises three components, these being:

- Corporate Governance
- Alignment with Destination Tourism Management Plan (DTMP) / KPI’s
- Financial Management

Corporate Governance

All governance requirements have been recorded in the performance report. It is considered that CSGC is satisfactorily meeting its obligations under the service agreement.
ITEM 4 (Continued)
CONNECTING SOUTHERN GOLD COAST LTD – BI-ANNUAL PERFORMANCE REVIEW
LG426/1112/-(P3)

Board Appointments made by Member’s Representative

Since the last report to the Committee (April 2017) two resignations have been received, these being from:

1. Chairperson, Ms Anne Stovin (effective 23 November); and
2. Mr Warwick Chesters (effective 4 October).

The Member’s Representative (Council’s CEO) has subsequently appointed Mr Greg Jenke of John Flynn Hospital as the new Chair. It is anticipated that replacement directors for Ms Stovin and Mr Chesters will appointed within the next few months.

Work Health & Safety

A recent interim audit conducted by the regulator identified a range of improvements to the WHS management systems of the four controlled entities to bring them up to the required standard (this essentially being best practice standard for large organisations). Given the criticality of Council retaining its self-insurance licence, Council’s Corporate Safety and Risk Branch is working closely with all four entities to implement the required improvements ahead of the formal external audit in November 2017.

Alignment with Destination Tourism Management Plan (DTMP) / KPI’s

DTMP Partnership Agreement

One of the key elements of the DTMP was to provide for the establishment of a Gold Coast Tourism Partnership Agreement between Gold Coast Tourism, the City and Precinct Entities. The Partnership Agreement, which was recently signed by all parties, provides for:

- a long-term commitment to the partnership
- delineation of clear roles and responsibilities
- shared destination performance outcomes
- comprehensive two-way reporting and accountability

City-wide Event Coordination

The CEO’s of the three precinct entities meet with the Executive Officer City Events on a regular basis to collaborate and coordinate with regards to the nature and timing of events held across the city. The last meeting was held on 29 August 2017. The next meeting is scheduled for December 2017.

Operational KPI’s

CSGC’s performance against agreed KPI’s is detailed in Attachment 1. The Coordinator Tourism has reviewed CSGC’s performance against the agreed KPI’s and advises as follows:

I have reviewed CSGC’s performance against the operational KPI’s and make the following comments.

BAL’s performance against KPI’s for the six month period ending 30 June 2017 is consistent with the objectives of the DTMP and Connecting Southern Gold Coast.
ITEM 4 (Continued)
CONNECTING SOUTHERN GOLD COAST LTD – BI-ANNUAL PERFORMANCE REVIEW
LG426/1112/-(P3)

Work still needs to occur in relation to the KPI seeking the entities working together to stage a City wide event. The intention of the KPI is to see the entities combine to grow a significant scale event over time that would attract new visitation to the city. Both the Tourism and Events teams within Economic Development are working with the entities to provide support and a clear direction in regards to this and as such it is expected further progress will be provided in the next bi-annual report.

Financial Management

CSGC’s financial performance is detailed in Attachment 1. The Corporate Financial Accountant has reviewed the information provided by CSGC and advises as follows:

No financial issues to note for CSGC for year ended 30 June 2017 and the financial management section of the report is consistent with their audited financial statements.

A copy of the Annual Financial Report is attached for noting (see Attachment 2). The Queensland Audit Office has provided an opinion that CSGC’s Annual Financial Report gives a true and fair view of the Company’s financial position and performance and complies with the Australian Accounting Standards and Corporations Regulations 2001.

5.3 Issues Raised by CSGC

CSGC has raised the following two issues in its report as requiring consideration by Council:

1. Securing legacy benefit(s) at Queen Elizabeth Park, Coolangatta post 2018 Commonwealth Games Beach Volleyball.

2. Requesting a review of newly imposed charges by Parks and Gardens (from 1st Jul’17), on application fees (and release the condition of a bond), associated with the conducting of events in Council owned parks – noting that the Alliances are “not-for-profit” entities of the City.

1. Legacy Benefits – Queen Elizabeth Park

The CEO of CSGC has advised that, despite discussions with City officers, he is unaware what the likely legacy benefit might look like or be for Queen Elizabeth Park. He is concerned that any legacy benefit might not be in place until well after the Games.

The Coordinator Tourism (EDMP) has advised that Economic Development have consulted and liaised with southern Gold Coast stakeholders including CSGC, Southern Gateway Advisory Committee and Cr O’Neill. Economic Development are currently coordinating work to be undertaken prior to GC2018 and post GC2018 that will see event infrastructure and services installed to provide both a Games and legacy benefit. A report regarding the current plans for event infrastructure to be located within Queen Elizabeth Park is scheduled to be presented to the Economic Development & Major Projects Committee on 6 December 2017.

2. Event Fees & Bonds – Council-owned Parks

The Executive Coordinator Parks has advised as follows:

Refundable Bonds are set by Parks and Recreational Services based on the nature of the event, the location’s infrastructure and the event infrastructure proposed to be brought onto the park.
The taking of bonds has become commonplace for many events given the City has been experiencing significant expense in repairing damage and costs being incurred against the City’s budget. Councillors have been most supportive of applying bonds to avoid costs being incurred from event damage by the City and ratepayers.

Full refunds apply where parks are returned to their original condition by the event applicant. The taking of a bond also has a physiological benefit in that applicants take much better care of parks when implementing events, knowing they want their refund post-event.

City Events, as the approval authority, sometimes opts to cover some events via their post-event park remediation budget for small, low risk events. Any negotiation to waive the bond would need to be taken up with City Events.

The Park Fee is a recent change and was introduced by Council as part of its 2017-18 City Budget (Fees & Charges). Where an event provides for a participating entity to make commercial gain, it will attract these charges. This reflects discussions with Councillors at recent workshops where the consensus was that those making commercial gain should pay their way when using community assets (i.e. a park). Such fees apply to other City facilities such as Community Centres and Aquatic Centres that facilitate events. The City’s park estate is now attracting this charge.

Event organisers have the option to pass this charge on to those commercial entities participating in events.

Recently, Councillors whom have alliances operating in their Divisions were briefed and all reaffirmed their support for the park bond and fee regime.

It is understood that where Council provides funding to the alliances to deliver events, it is intended that such funding cover the applicable fees and charges for events held on the City’s parks estate or for use of other community assets (these being valid event or facility use costs).

The Executive Officer Events has advised that City Events occasionally waives the payment of bonds by organisers in situations where the event is:

- a small event (when damage is likely to be only minor, even in a worse case), and
- staged by an organiser with a good track record in previous years, and
- held in an area that is fairly durable.

With regard to the “commercial gain” issue, the fact of the matter is that the precinct entities do not stage events for commercial gain purposes. Rather they do this to attract people into their precincts in the hope that they spend money at the various businesses. That said, numerous arms of the City charge fees that apply equally to other arms of the City – and would therefore logically apply to the City’s controlled entities. In this case, if necessary restitution works were not funded through forfeited event bonds they would need to be borne by the City.

It is appreciated that the practice of charging fees internally might present as a contradiction to the controlled entities given the circumstances where the City provides insurance coverage (including workers’ compensation) and legal services with a view to minimising the call on rates. It is recommended that CSGC be advised that the City appreciates CSGC’s position but supports the practice of “internally” charging fees and bonds relating to park usage.
6 ALIGNMENT TO THE CORPORATE PLAN, CORPORATE STRATEGIES AND OPERATIONAL PLAN

Gold Coast 2020
2.0 Prosperity built on a strong diverse economy

What we want to see by 2020

2.5 We are a globally recognised tourism destination - our city attracts visitors from all over the world

Key strategy: Implement the Economic Development Strategy to build and create a sustainable local, national and international tourism market for the city.

Key programs of work: Develop and implement a citywide Destination Management Plan. Work with Gold Coast Tourism to promote the city as a world-class tourism destination through a range of marketing programs and activities.

Operational Plan
There are no specific strategies relating to CSGC contained in 2016-17 or 2017-18 Operational Plans.

7 GOLD COAST 2018 COMMONWEALTH GAMES IMPACT

Not applicable.

8 FUNDING AND RESOURCING REQUIREMENTS

Not applicable.

9 RISK MANAGEMENT

The funding of CSGC does not relate directly to any of the Corporate Risks. However it does relate to Directorate Risk No. CO000410 below, which is currently rated as Low 48 under Council’s Risk Management methodology.

Adverse impact on Council through inappropriate/illegal actions of any of Council's controlled entities for which the OCEO is responsible (ie, Gold Coast Arts Centre Pty Ltd, Surfers Paradise Alliance Ltd, Broadbeach Alliance Ltd and Connecting Southern Gold Coast Ltd)

The bi-annual performance review process and the appointment of a Councillor to each of the boards are mitigations for this risk.

10 STATUTORY MATTERS

Corporations Act 2001

CSGC is registered with the Australian Securities & Investments Commission as a company limited by guarantee. Its operations are governed by the Corporations Act 2001.
Auditor-General Act 2009

Under the Auditor-General Act 2009, CSGC is classified as a “public sector controlled entity”. Section 5 of the Act states:

5 What is a controlled entity
(1) An entity is a controlled entity if it is subject to the control of 1 or more of the following (the controlling entity)—
   (a) a department;
   (b) a local government;
   (c) a statutory body;
   (d) a GOC;
   (e) another entity subject to the control of 1 or more of the entities mentioned in paragraphs (a) to (d).

(2) In this section—control means the capacity of an entity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable the other entity to operate with it in pursuing the objectives of the controlling entity.

With respect to the City’s “control” of CSGC, the City:

- is the sole member of the Company and therefore has control over its constitution as well as the appointment of the directors and chairperson
- has control over the Company’s specific role and responsibilities via the service agreement
- provides annual funding in accordance with the service agreement
- regularly reviews the Company’s performance against the service agreement including the strategic direction of the Company.

The Act requires that Queensland Audit Office be appointed as the Company’s Auditor.

Workers’ Compensation & Rehabilitation Act 2003

CSGC is also classified as a “Related Body Corporate” of the City under this Act and the Corporations Act 2001 and, as such, the City must provide workers’ compensation coverage to CSGC. As Council self-insures for workers’ compensation, like Council, CSGC must maintain a work health and safety management system that is compliant with the National Self-insurer OHS Management System Audit Tool (NAT 3- 2014) – and forms part of the external audit of Council’s WHS Management System by the regulator.

11 COUNCIL POLICIES

Not applicable

12 DELEGATIONS

The Council has delegated authority to the Chief Executive Officer to determine all matters within the responsibility of Council as the sole member of the Company – with the exception of the determination of annual funding and review of the entity’s performance.
13 COORDINATION & CONSULTATION

<table>
<thead>
<tr>
<th>Name and/or Title of the Stakeholder Consulted</th>
<th>Directorate or Organisation</th>
<th>Is the Stakeholder Satisfied With Content of Report and Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joanne Cullen, Corporate Finance Accountant</td>
<td>OCOO (Corporate Finance)</td>
<td>Yes</td>
</tr>
<tr>
<td>Scott Krueger, Coordinator Tourism</td>
<td>EDMP</td>
<td>Yes</td>
</tr>
<tr>
<td>Ross Greenwood, Executive Coordinator Parks</td>
<td>Community Services</td>
<td>Yes</td>
</tr>
<tr>
<td>Ray McNab, Executive Officer, City Events</td>
<td>EDMP</td>
<td>Yes</td>
</tr>
</tbody>
</table>

14 STAKEHOLDER IMPACTS

The CSGC Board and Council, being the sole Member of the Company, are the key stakeholders in terms of CSGC’s performance in the achievement of the objectives detailed in CSGC’s Constitution, the obligations detailed in its service agreement with Council and the agreed KPI’s.

The CSGC Board is broadly representative of the stakeholders in the Southern Gold Coast precinct. CSGC works cooperatively and in consultation with Gold Coast Tourism and the other precinct entities in accordance with the new Destination Tourism Management Plan Partnership Agreement.

15 TIMING

The next bi-annual performance review is due in November 2017 (for the six month period ending 30 June 2016).

16 CONCLUSION

It is considered that CSGC is satisfactorily performing its role and responsibilities under the Service Agreement and meeting the objects for which it was established.

With regards to the specific issues raised by CSGC, it is recommended that the City advises CSGC that:

- the City appreciates CSGC’s position regarding the practice of “internally” charging fees and bonds relating to park usage but supports this practice; and
- Economic Development have consulted and liaised with southern Gold Coast stakeholders including CSGC, Southern Gateway Advisory Committee and Cr O’Neill. Economic Development are currently coordinating work to be undertaken prior to GC2018 and post GC2018 that will see event infrastructure and services installed to provide both a Games and legacy benefit. A report regarding the current plans for event infrastructure to be located within Queen Elizabeth Park is scheduled to be presented to the Economic Development & Major Projects Committee on 6 December 2017.
ITEM 4 (Continued)
CONNECTING SOUTHERN GOLD COAST LTD – BI-ANNUAL PERFORMANCE REVIEW
LG426/1112/-(P3)

17 RECOMMENDATION

It is recommended that Council resolves as follows:

1 That Council notes Connecting Southern Gold Coast Ltd’s (CSGC) bi-annual performance report for the half-year ended 30 June 2017 and its Annual Financial Report for the year ended 30 June 2017.

2 That Council advises CSGC that with regards to the specific issues raised:
   a the City appreciates CSGC’s position regarding the practice of “internally” charging fees and bonds relating to park usage but supports this practice; and
   b Economic Development have consulted and liaised with southern Gold Coast stakeholders including CSGC, Southern Gateway Advisory Committee and Cr O’Neill. Economic Development are currently coordinating work to be undertaken prior to GC2018 and post GC2018 that will see event infrastructure and services installed to provide both a Games and legacy benefit. A report regarding the current plans for event infrastructure to be located within Queen Elizabeth Park is scheduled to be presented to the Economic Development & Major Projects Committee on 6 December 2017.
CONNECTING SOUTHERN GOLD COAST LTD

CONTROLLED ENTITY BI-ANNUAL PERFORMANCE REPORT
FOR THE PERIOD ENDED : 30th JUNE 2017

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<th>PAGE</th>
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</tr>
<tr>
<td>ACTIVITY SUMMARIES &amp; KPI’s</td>
<td>2</td>
</tr>
<tr>
<td>FINANCIAL MANAGEMENT</td>
<td>3</td>
</tr>
</tbody>
</table>
SECTION 1 - CORPORATE GOVERNANCE

1.1 VISION

The Southern Gold Coast - where lifestyle attracts and sustains businesses, creative arts and events.

1.2 MISSION

To act as a facilitator of local business platforms, driving future growth initiatives and creating opportunities for economic development in a sustainable and responsible manner.

1.3 MEMBERSHIP OF BOARD

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Organisation</th>
<th>Date Appointed</th>
<th>Resigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Anne Stovin</td>
<td>Currumbin RSL</td>
<td>10/02/2015</td>
<td>Continuing</td>
</tr>
<tr>
<td>Mr. John Rankin</td>
<td>Armstrong Real Estate Agency</td>
<td>16/04/2012</td>
<td>Continuing</td>
</tr>
<tr>
<td>Mr. Warwick Chesters</td>
<td>Southside Legal Gold Coast</td>
<td>17/04/2014</td>
<td>Continuing</td>
</tr>
<tr>
<td>Ms. Elizabeth Roberts</td>
<td>Southern Cross University</td>
<td>17/04/2014</td>
<td>Continuing</td>
</tr>
<tr>
<td>Ms. Gail O'Neill</td>
<td>CoGC Division 14</td>
<td>7/04/2016</td>
<td>Continuing</td>
</tr>
<tr>
<td>Mr. Greg Jenke</td>
<td>John Flynn Hospital (Ramsay Health)</td>
<td>22/09/2016</td>
<td>Continuing</td>
</tr>
<tr>
<td>Mr. Ben Crompton</td>
<td>Ben Crompton &amp; Associates</td>
<td>22/09/2016</td>
<td>Continuing</td>
</tr>
</tbody>
</table>

1.4 BOARD COMPETENCY

- Number of Board meetings held during the reporting period: 5
- The Board has a process in place at meetings to manage conflicts of interest including those relating to the CEO and/or staff: Yes
- The Board has a process in place to monitor compliance with the Director Code of Conduct: Yes
- The attendance of Directors at Board meetings is monitored and no Directors have breached the meeting attendance requirements of the Constitution: Yes
- The Board last reviewed the CEO's performance on: Jun’16
- The Board is due to conduct the next review of the CEO’s performance on: Nov’17
- The Company has a current strategic plan: Yes
- This plan has been endorsed by Council: Yes
- Where the Company does not have such a plan, the Board is arranging for one to be developed by: N/A
- The Company has an annual business plan: Yes
- If not, the Board is arranging for such plan to be developed and endorsed by: N/A
- The Board has established an Audit/Risk Committee: Yes
- This Committee last met on: Aug’17
- This Committee is due to next meet on: Dec’17
- The Board has ensured that documented internal controls are in place: Yes
- The Board has ensured that a policy manual has been compiled that contains policies relating to risk management, workplace health & safety, people management and procurement (as a minimum) (Current version 2014): Yes
- The Board is due to review these policies: Nov’17
- The Board has ensured that a risk register has been compiled (comprising both business and workplace health & safety risks) Disaster Recovery Plan includes policy on Risk Register and Risk Assessments: Yes
- The Board last reviewed this register on: Apr’16
- The next review of this register is scheduled for: Nov’17
- The Board has ensured an employee performance management system is in place: Yes
- The Board has implemented an appropriate board performance review process: Yes
- The next review is due to take place in: Nov’17
- The Board acknowledges that it needs to periodically review the effectiveness of the Company’s corporate governance framework. The next review is due to be conducted in: Nov’17
- The Board has provided Council with a copy of any observation or similar reports issued to the Company by the Qld Audit Office (or its nominated contractor): Yes

1.5 STAFF DETAILS

- Number of FTE Positions Employed by the Entity as at end of Reporting Period (Jun’16 – Jun’17): 4.01
- Amount of "Annual Budget Amount" allocated to these Positions: $256,005
- Percentage of "Annual Budget" allocated to these Positions: 16.61%
SECTION 2 - ACTIVITY SUMMARIES AND KPI's

INTRODUCTION

1.0 Overview:

The Board of CSGC consists of a maximum of seven (7) Directors in accordance with an amendment to the CSGC Constitution in 2016. Several Directors had their term reviewed at 30th Sept’16. These included Mr. John Rankin and Ms. Robyn Keenan, the latter who chose to step down due to work commitments.

For consistency of numbers with the other two (2) Alliances via the amendment to the CSGC Constitution, Ms. Keenan was replaced by Mr. Greg Jenke, CEO at John Flynn Private Hospital (Ramsay Health) and the 7th Director being Mr. Ben Crompton (Lawyer / Accountant) of Ben Crompton & Associates based in Tugun.

Mr. John Rankin opted for a further term and was elected as the Deputy Chair of CSGC whilst Ms. Anne Stovin was elected as the Chair.

2.0 Introduction:

For the period under review (1st Jan’17 – 30th Jun’17) it was a continued period of advanced growth for the organisation, as well as one of business connectivity, collaboration and engagement.

Our goals included:

- Continued commitment to the local community:
  
  e.g.  
  (a) Added support to the Greater Southern Gold Coast Chamber of Commerce (from 30th Jun’17)  
  (b) Tallebudgera Beach School / Currumbin Valley Camp School via representation on the ‘School Council’  
  (c) Management of Cooly Rocks On™ from 1st Jan’17 (as the owners of the intellectual property)  
  (d) Ongoing support to our local Small Business Training initiatives in association with Small Business Solutions & TAFE Qld

- Connectivity and alignment to community events and providing assistance to community organisations:

  e.g.  
  (a) Tugun Progress Association  
  (b) Currumbin, Kirra / Tweed Rotary Club engagement and opportunities to support them with fundraising opportunities via local events (eg. Cooly Rocks On™)

- Commitment to the delivery of a "Whole of City" event with our Alliance partners eg. Gold Coast Film Festival Movie Night (29th & 30th Apr’17 Movie Night at Kirra Hill Cultural & Community Centre).

- Maintaining on going working relationships with peak National, State and local Tourism bodies:

  ➢ Tourism Australia (TA)  
  ➢ Pacific Area Travel Association (PATA)  
  ➢ Australian Tourism Export Council (ATEC)  
  ➢ Tourism Events Queensland (TEQ)  
  ➢ Queensland Tourism Industry Council (QTIC)  
  ➢ Gold Coast Tourism (GCT)
SECTION 2 - ACTIVITY SUMMARIES AND KPI's (cont.)

2.0 Introduction:

Our goals (cont.)

- Work in collaboration with our kindred Alliances:
  - Surfers Paradise Alliance (SPA)
  - Broadbeach Alliance (BA)
  - The Arts Centre Gold Coast (ACGC)
  - Destination Tweed (DT)

- Continue to engage with Gold Coast Airport Ltd (GCAL) and Brisbane Airport Co. (BAC) so as to continue to keep abreast of potential new carriers and any route development opportunities. (Such intelligence provides potential new opportunities for the destination and our products)

- Continue to build on the quality content and number of data base subscribers of the monthly “E-News & What’s On” issues.

- Work collaboratively with Bond University (Faculty of Society & Design) on the student development and launch of an “app” for the Southern Gold Coast destination (SGC)

- Lift the skill set of the local region by the ‘roll out’ of Small Business Workshops via Small Business Solutions & TAFE Qld.

2.1 SUMMARY OF KEY PROJECTS & ACTIVITIES UNDERTAKEN DURING REVIEW PERIOD (1st January – 30th June’17)

- Provided community leadership through participation (activities undertaken by the CEO):
  - Deputy Chair, SCU – ‘Business Tourism Advisory Board’
  - School Council Member – ‘Tallebudgera Beach School / Currumbin Camp School’
  - Member of the Mayor’s ‘Safer Suburbs Advisory Group’
  - Observer on the ‘Southern Gateway Advisory Group’ (SGAG)
  - Immediate past President, ‘Skål International Southern Gold Coast’ Club (a global tourism / travel networking group)
  - Board member ‘Bleached Arts Ltd’
  - Member Griffith University’s ‘Tourism Advisory Board’
  - Facilitator of SGC’s Accommodation Managers Advisory Group (AMAG)
  - Inaugural member of GOLDOC’s ‘Joint Marketing Committee’ (JMC) for the 2018 Commonwealth Games
  - New Committee member, ‘Greater Southern Gold Coast Chamber of Commerce’

- Committed to the delivery of a "Whole of City" event with Gold Coast Film Festival with our Alliance partners.

  Agreement was reached with SPA & BA to support the Gold Coast Film Festival (GCFF)
  - 29th & 30th Apr’17

- Worked in collaboration with our kindred Alliances:
  - Surfers Paradise Alliance (SPA)
  - Broadbeach Alliance (BA)
  - The Arts Centre Gold Coast (ACGC)
  - Destination Tweed (DT)

(This has been achieved by regular and consistent engagement with these respective parties)
SECTION 2 - ACTIVITY SUMMARIES AND KPI's (cont.)

2.1 SUMMARY OF KEY PROJECTS & ACTIVITIES UNDERTAKEN DURING REVIEW PERIOD (1st January – 30th June’17) (cont.)

- Improving our reach and “share of voice” both in print and social media.

- Continued to build on the quality, content and data base subscribers of the monthly “E-News & What’s On” issues.

  (Increased the search engine optimisation (SEO) for CSGC through regular monitoring of the data)

- Continued to build and enhance all elements of our various Social Media platforms (and opportunities).

Social Media Results (Jan’17 – Jun’17):

<table>
<thead>
<tr>
<th></th>
<th>Website (Avg Weekly Views)</th>
<th>Facebook</th>
<th>Twitter</th>
<th>Instagram</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 January 17</td>
<td>6,181</td>
<td>3,166</td>
<td>1,740</td>
<td>1,765</td>
</tr>
<tr>
<td>30 June 2017</td>
<td>6,548</td>
<td>3,297</td>
<td>1,800</td>
<td>2,304</td>
</tr>
</tbody>
</table>

Note: Website : 6% increase
Facebook : 4% increase
Twitter : 3.4% increase
Instagram : 31% increase
Google+ : not available (due to changes with Google’s ‘My Business Account’, we no longer have access to ‘total views’)

- Improved media awareness and our “share of voice” of the activities of CSGC, as well as activations within the Southern Gold Coast region via:

  a) Media support from the ‘GC Sun’, local TV News Network ‘Channels 2, 7, 9,& 10’ and Radio Station ‘91.7 ABC Gold Coast’ have been big supporters of our events (e.g. Outside Broadcast at Cooly Rocks On™)

  b) Social Media platforms, expanding our footprint

  c) Our monthly electronic “E-Newsletter” and “What’s On”, provided added weight to our various activities

  d) We continued to work closely with our media partners ‘Ocean Road Magazine’ (A quarterly lifestyle & leisure magazine, who assist with complimentary photography for our monthly “E-Newsletter”)

  e) Linked with internet radio, ‘HTR Gold Coast’, as to regular reports on our events & four (4) days of interviews featured during Cooly Rocks On™ (Jun 6th – 10th’17)

- Continued to target more local business listings to enhance our CSGC database and reach to the business community.

- Effectively launched CSGC’s mobile phone “app” (available through iTunes as SGC).

Commenced project in Sept’16 which was successfully launched to the media on the 17th Jan’17 in association with Bond University.

(This project was a piece of assessment for the 20 x 1st Year Bond University Journalism students who undertook this work)

- Increase our engagement on internet radio ‘HTR Gold Coast’ via regular “What’s On” event announcements.
SECTION 2 - ACTIVITY SUMMARIES AND KPI's (cont.)

2.1 SUMMARY OF KEY PROJECTS & ACTIVITIES UNDERTAKEN DURING REVIEW PERIOD (1st January – 30th June’17) (cont.)

- Completed four (4) Small Business Workshops in association with Small Business Solutions & TAFE Qld.
  
  Workshops staged:
  
  Feb’17 (x 4) attendees  
  Mar’17 (x 5) attendees  
  Apr’17 (x 5) attendees  
  May’17 (x 6) attendees  
  Jun’17 (no workshop held due to Cooly Rocks On™ commitment)
  
  **Total:** 20 participants (Workshop size – 5 participants per class)

(Note: Successful attendees all received a Cert. IV in “Small Business Management” – growing skill set in Division 14)

- Assisted with promotional support to the development of the 2018 Commonwealth Games Programme “Be my Guest” presented by training organisation Tourconsult in the Southern Gold Coast.

- Promoted the “free” training courses offered by City of Gold Coast and/or GCT in the lead up to the 2018 Commonwealth Games (“Destination Host” programs) again in the destination.

- Collaborated with “Beach Volleyball Australia” and local Beach Volleyball providers to secure free use of our (4) x Beach Volleyball courts on Coolangatta Beach – successful hosting of Under 23 National Championships in Jan’17.
  
  (Courts provided at no cost to the City nor rate payers due to the generous sponsorship by The Strand Shopping Centre, Coolangatta – as facilitated by CSGC)

- Designed and built a functional brand-new website for “Cooly Rocks On™” Festival 2017.

2.2 SUMMARY OF KEY PROJECTS & ACTIVITIES PLANNED FOR NEXT REVIEW PERIOD (1st July – 31st December’17)

- Commit to staff training and upgrade knowledge and policies on WHS practices.

- Continue to encourage Gold Coast Tourism to provide a greater number of agent and media famil’s into the Southern Gold Coast destination and expand the program beyond just Currumbin Wildlife Sanctuary.

- Continue to promote our four (4) x Beach Volleyball Courts on Coolangatta Beach to local organisers and schools etc. to maximise the use of this “free” facility which fits within Council’s “active” and “healthy” lifestyle guidelines.

- Undertake a Board/Staff Strategic Planning Day at Currumbin RSL with Stuart Moore of EarthCheck as Facilitator. (Sat 29th Jul’17)

- Continue to promote relatively new tourism and cultural offerings within the region.
  
  – ie. Balter Brewery, Dust Temple, Freemans Organic Farm courses etc.

- Provide awareness of Asian Inbound opportunities for local product via Symposium at Southern Cross University (held 7th Sept’17) – 40 attendees.
SECTION 2 - ACTIVITY SUMMARIES AND KPI's (cont.)

2.2 SUMMARY OF KEY PROJECTS & ACTIVITIES PLANNED FOR NEXT REVIEW PERIOD (1st July – 31st December’17) (cont.)

- Facilitate a benchmark research project with Southern Cross University to measure occupancy and average room rate (ARR), to investigate impact from the 2018 Commonwealth Games and events generally.

- Introduce two (2) x Southern Cross University students and one (1) QUT student as Interns, to assist with arrangements for “Cooly Rocks On™” 2018 and other events.
  - i.e. 1 x Tourism student and 2 x Event Management students
  (Also providing a short-term work placement opportunity for a student with a disability)

- Continue to work with EarthCheck to position Southern Gold Coast as Australia’s leading sustainability and lifestyle destination. (next local workshop 8th Nov’17 at Currumbin RSL)

- Develop new training courses with TAFE Qld to support our “Small Business Workshops” as in:
  - Cert IV in New Small Business Management – currently offered
  - Diploma of Business - additional
  - Diploma of Leadership and Coaching - additional

- Introduction of low cost ($55 p/p) Marketing courses with a local enterprise (Juice Marketing) on the 2nd Tuesday of each month (except Jan’17 & Apr’17 due to Commonwealth Games 2018) and Dec’18) to cover:
  - Website best practices
  - Small Business Digital Marketing
  - Small Business Social Marketing
  - Small Business Marketing Challenges

- Engagement with both City of Gold Coast and GOLDOC with attendance at regular ‘Sustainability’ workshops/forums.

- Deliver events through ‘Kirra Criterium’ and ‘GC Festival of Kites’ at Kirra Foreshore. (Sat 21st Oct’17)

- Organise ‘Tugun Lights Up’ / ‘Movie in the Park’ event at Tugun Park for Christmas. (Sat 2nd Dec’17)

- Deliver annual ‘Coolangatta Christmas Carols’ in Queen Elizabeth Park. (Sun 10th Dec’17)

- In discussions with promoter as to availability of an overseas ‘Beatles Tribute Show’ with proposed ‘Beatles on the Beach’ event in 2018. (subject to touring schedule)

- Activate initial planning and footprint for ‘Cooly Rocks On™ 2018’ by the CSGC team.

- Deliver rollout of articles and advertising for digital publication ‘Weekend Edition’ from 1st Jul – 31st Dec’17, specifically in Brisbane (and Gold Coast) to develop ‘day tripper’ market.

- Continue presenting ‘What’s On in the Southern Gold Coast’ with internet radio station ‘HTR Gold Coast’.

- Support and facilitate ‘Where we are – Southern Gold Coast’ prestige colour booklet presentation for distribution early 2018 (pre- Commonwealth Games 2018), with 5,000 copies to be printed.

- Facilitate ‘New Year’s Eve Fireworks’ at Coolangatta (8pm & midnight) for Divisional Councillor, Gail O’Neill.
# SECTION 2 - ACTIVITY SUMMARIES AND KPI's (cont.)

## 2.3 STRATEGIC & OPERATIONAL KPI's

<table>
<thead>
<tr>
<th>City of Gold Coast Strategic Outcome</th>
<th>CSGC Project/Activity/Event</th>
<th>Measurable KPIs</th>
<th>Outcomes for Half Year to 30/06/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhancing the economic prosperity and sustainability of the Southern Gold Coast precinct, traders and businesses.</td>
<td>Increasing face to face engagement with local SGC traders/businesses.</td>
<td>1) Develop a strong, events based marketing strategy which results in an economic value add to the Southern Gold Coast Precinct equivalent to a min. of five times the CSGC annual gross budget.</td>
<td>Within the review period (Jan – Jun’17), CSGC supported a number of Events, e.g. Bleach* Festival, The Aussies, QCC Alley Classic, ANZAC Day and a Whole of City event (GC Film Festival) at Kirra Hill.</td>
</tr>
<tr>
<td></td>
<td>Provide increased activation via securing events in the region by creating opportunities for local businesses to be involved and derive a benefit from visitation to local events and festivals.</td>
<td>2) Visitor survey results indicates &gt; 90% satisfaction rating.</td>
<td>Community support for local events is strong towards local community based events.</td>
</tr>
<tr>
<td>Shaping a positive public perception of the Precinct</td>
<td>Increased &quot;share of voice&quot; in media - print, electronic and social for the Southern Gold Coast destination.</td>
<td>3) Media reports on the Precinct reflect a positive view of the precinct.</td>
<td>Very much the case - led by GC Sun whilst 91.7 ABC Gold Coast Radio very supportive of CSGC and in lifting our “share of voice”.</td>
</tr>
<tr>
<td></td>
<td>Awareness of local SGC branding recognition within the region (street banners, feather banners, scrim, event endorsement by CSGC on printed collateral).</td>
<td>4) Alignment of Southern Gold Coast Precinct Marketing Activities and offer Events and Activities.</td>
<td>With the Southern Gold Coast's overall diversity of events (Arts/Culture, Sporting &amp; Community), we promote that we are the Hub of Festivals &amp; Events. The events we deliver, similarly fit the local lifestyle &amp; topography of the region. We believe we can justly claim that the events conducted in the Southern Gold Coast are an ideal fit to our region.</td>
</tr>
<tr>
<td></td>
<td>Improved levels of customer service within the precinct.</td>
<td>5) Encourage Southern Gold Coast Precinct Businesses to engage with &quot;Embracing 2018 Commonwealth Games Be My Guest&quot; and Destination Challenge.</td>
<td>We have promoted and supported all &quot;Embracing 2018 Commonwealth Games Be My Guest&quot; programs. We believe that any CSGC initiatives promoted will be supported by the (small) business community provided they are competitively priced and have credible, useful courses to improve individual skill sets.</td>
</tr>
<tr>
<td></td>
<td>Adopt a &quot;buy local&quot; and support local businesses policy to ensure money raised in the precinct is reinvested in the local economy.</td>
<td>6) Where practically possible, provide ‘price is competitive’ and ‘quality is not compromised’, CSGC supports this platform.</td>
<td>Fully support this concept and initiative wherever possible. CSGC believes in putting back into local businesses.</td>
</tr>
</tbody>
</table>
### SECTION 2 - ACTIVITY SUMMARIES AND KPI's (cont.)

#### 2.3 STRATEGIC & OPERATIONAL KPI's (cont.)

<table>
<thead>
<tr>
<th>City of Gold Coast Strategic Outcome</th>
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<th>Outcomes for Half Year to 30/06/17</th>
</tr>
</thead>
</table>
| Increasing visitation from core markets by expanding tourism product offerings, events and activations within Southern Gold Coast precinct. | • Utilise data from individual events in the precinct as a yardstick of event appeal and market reach. | 7) Base line measure of SGC visitation established for major events. | • Event data is produced and visitation available for all major events e.g. Cooly Rocks On™.  
• CSGC has developed a detailed questionnaire based on Survey Monkey. This template is able to be used for Cooly Rocks On™ and other major events in the region as required. |
|  | • Direct engagement with major "Online" booking platforms (e.g. Expedia, Booking.com, Luxury Escapes, GTA etc.) | 8) Number of campaigns delivered in conjunction with GCT to promote events & activation through domestic and international networks. | • Discussions have been held with both Griffith & SCU Universities (Research Dept.), to find a suitable model which utilises University students in the catchment of suitable strategic information and data. CSGC have inserted a clause in its standard contracts which allows CSGC the right to undertake its own "research" at any CSGC funded events. Only campaign delivered with GCT is Cooly Rocks On™. |
|  | • Provide assistance to local businesses via training programs and by facilitation of leads/introductions. | 9) A min of 50% of events delivered by CSGC are attractive to visitors from outside the City with GCT networks leveraged to market to visitors. | • Sadly, not all events secure research on visitation when in early stage of development and their financial resources are limited to afford research. This is continuing "work in progress" with both SCU & Griffith Uni's to encourage student participation. |
|  | • Support businesses with free listings on our CSGC website. | 10) Deliver a min. of one "Whole of City" event or activation in collaboration with Council's Precinct Entities that would be attractive to visitors from outside the City. | • CSGC in association with our other Precinct Alliances, committed to be part of the GC Film Festival in Apr’17. We ran a ‘free’ public screening of the Surfing Classic “Endless Summer” (Sat 29th Apr’17) & children’s animated movie “Surf's Up” (Sun 30th Apr’17) at Kirra Hill Cultural & Community Centre. This joint commitment for a Whole of City event has been agreed to for Apr’18. |
### SECTION 2 - ACTIVITY SUMMARIES AND KPI's (cont.)

#### 2.3 STRATEGIC & OPERATIONAL KPI's (cont.)

<table>
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<tr>
<th>City of Gold Coast Strategic Outcome</th>
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<th>Outcomes for Half Year to 30/06/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen and diversify the economic base of the Southern Gold Coast resulting in increased employment and economic outcomes in a manner consistent with Council’s Economic Development Strategy (cont’d)</td>
<td>• Promoted local festivals &amp; events in the quarterly issues of tourist magazine &quot;Hello Gold Coast&quot; (audited circulation 100,000 copies / per issue) as well as on the CSGC website.</td>
<td>11) Collaborate with Council's Precinct Entities to grow existing events and activations limited by Precinct Boundaries.</td>
<td>• We continue to discuss &amp; grow our event offerings &amp; activations with each passing year. (Our event spending is not less than 25% of our total revenue budget).</td>
</tr>
<tr>
<td></td>
<td>• Strengthen business and educational opportunities within SGC to improve demand.</td>
<td>12) Provision of regular Business Events, Forums, Mentoring and Workshops to build the capacity of Businesses within the SGC leveraging Council's competitive Business Program where appropriate.</td>
<td>• In period of review we completed four (4) workshops with 20 participants. (Note: No workshops in Jan’17 (holiday season) or Jun’17 (due to pressures of Cooly Rocks On™ planning). Clearly, we are upskilling the local workforce, especially SME’s. In May’17, we also conducted our 1st &quot;Success Through Sustainability&quot; workshop attracting 25 participants from 13 local businesses. The presentation was jointly delivered by EC3 ‘EarthCheck’ &amp; TAFE (Qld).</td>
</tr>
<tr>
<td></td>
<td>13) Active promotion and referral of local businesses to Council's competitive Business Program</td>
<td>14) Participant Survey Results indicate &gt;90% satisfaction of CSGC organised Business Events (as per &quot;13&quot; above).</td>
<td>• Southern Gold Coast also played host to the 1st Small Business Association of Australia (SBAA) National forum at Southern Cross Uni on May 30th and 31st – attended by 150 delegates. CSGC facilitated the event which generated room nights and media coverage.</td>
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<td>• Regular meetings and engagement (each 2-3 months) have occurred with Economic Development (&amp; Major Projects) representatives. Our focus tends to be towards SME's &amp; micro businesses, of which we have approx. 2,000 within our region.</td>
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<td>• We complete surveys on all SBS/TAFE Workshops participants - extremely positive feedback on the Small Business Management courses provided and the Trainer / Business Mentor who facilitates the regular sessions.</td>
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</table>
SECTION 2 - ACTIVITY SUMMARIES AND KPI's (continued)

2.3 STRATEGIC & OPERATIONAL KPI's (cont.)

<table>
<thead>
<tr>
<th>City of Gold Coast Strategic Outcome</th>
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<th>Measurable KPIs</th>
<th>Outcomes for Half Year to 30/06/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen and diversify the economic base of the Southern Gold Coast resulting in</td>
<td>• Strengthen business and</td>
<td>15) Undertake activities to increase</td>
<td>• CSGC liaises with new businesses as they establish to offer assistance.</td>
</tr>
<tr>
<td>increased employment and economic outcomes in a manner consistent with Council's Economic</td>
<td>educational opportunities</td>
<td>investment into the SGC.</td>
<td>• CSGC has been particularly “active” for the past 4 years with Business Events and Forums. We run</td>
</tr>
<tr>
<td>Development Strategy (cont’d)</td>
<td>within SGC to improve</td>
<td></td>
<td>regular business workshops in association with Small Business Solutions/TAFE Qld. Our target</td>
</tr>
<tr>
<td>Attracting additional revenue and sponsorship for the purpose of reinvestment in</td>
<td>demand. (cont’d)</td>
<td></td>
<td>has been SME’s and micro businesses to lift the skill set. All our activities have received</td>
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<tr>
<td>enhancing the precinct’s visitor experience</td>
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<td></td>
<td>strong support and commitment. Survey results from participants as to workshops are positive</td>
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<td></td>
<td>to course content and presenter / mentor. The Board &amp; Management are now committed to develop</td>
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<td>a ‘Sustainability’ focus as a destination in concert with international facilitator “EarthCheck”.</td>
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<tr>
<td>15) Identify and deliver Economic Development Projects, aligned to the EDS, that aim to increase</td>
<td>16) Identify and deliver</td>
<td>Investigating ways to address this</td>
<td></td>
</tr>
<tr>
<td>the capacity of the workforce and the Education sector.</td>
<td>Economic Development</td>
<td>KPI but increasing enquiries.</td>
<td></td>
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<td>Projects, that aim to</td>
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<td>increase the capacity of</td>
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<td>the workforce and the</td>
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<tr>
<td></td>
<td>Education sector.</td>
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<tr>
<td>17) Identify and deliver projects that aim to leverage and grow the SGC's distinctive Creative</td>
<td>18) Provide ongoing advice</td>
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<tr>
<td>Industries.</td>
<td>provide Council Officers</td>
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<tr>
<td></td>
<td>on the broader economic</td>
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<td></td>
<td>challenges and opportunities</td>
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<td></td>
<td>within the SGC for</td>
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<td></td>
<td>inclusion in the City’s</td>
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<td></td>
<td>EDS.</td>
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<td></td>
<td>Work in progress - however, keen to develop a Community Hub concept</td>
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<tr>
<td></td>
<td>within the region be it Currumbin Industrial Park or in Coolangatta.</td>
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<td></td>
<td>Regularly dialogue with</td>
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<td></td>
<td>EDMP at least each three</td>
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<td>(3) months or less on this</td>
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<td></td>
<td>issue, to provide local</td>
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<tr>
<td></td>
<td>insights on issues,</td>
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<tr>
<td></td>
<td>challenges or successes.</td>
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</tbody>
</table>
### SECTION 2 - ACTIVITY SUMMARIES AND KPI’s (cont.)

<table>
<thead>
<tr>
<th>City of Gold Coast Strategic Outcome</th>
<th>CSGC Project/Activity/Event</th>
<th>Measurable KPIs</th>
<th>Outcomes for Half Year to 30/06/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attracting additional revenue and sponsorship for the purpose of reinvestment in enhancing the precinct’s visitor experience (cont’d)</td>
<td>• Engagement of a Partnership/Sponsorship Manager (Sept’17) to occur in latter half of 2017.</td>
<td>19) Generate a cash revenue stream for CSGC (via Sponsorship and Stakeholder Contributions and other revenue sources) to the equivalent of 5% of the special area levy.</td>
<td>• We are providing a greater strategic focus within our structure to lift our engagement with potential sponsors through new partnerships – Cooly Rocks On™ (this year run in-house) has created that opportunity as has other localised events undertaken by CSGC.</td>
</tr>
<tr>
<td></td>
<td>• Increasing no's and participation at Arts &amp; Cultural, Sporting &amp; Community Events with research platform as part of final Event Report.</td>
<td>20) Deliver a value &quot;in kind&quot; revenue stream to events to the equivalent of 2.5% of the Special area levy.</td>
<td>• As to Council’s ‘levy’ funding for the six months of $374,624, CSGC has raised considerable sponsorship funding for Cooly Rocks On™, leveraged to the extent of $470,000.</td>
</tr>
<tr>
<td>Demonstrating Stakeholder and visitor satisfaction of their event experience</td>
<td></td>
<td>21) Visitor survey results indicate &gt; 90% positive satisfaction rating of businesses, accommodation providers and event attendees.</td>
<td>• We are not required for Audit purposes to account for &quot;in kind&quot; support. (Ref: QAO 2016 Audit). As an LTO, we do however provide strong levels of &quot;in kind&quot; support to &quot;not-for-profits&quot; and/or community organisations on a regular basis.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>• Our event base and visitation numbers continue to lift year by year, yet the first six months of this year is generally softer than the back half of any year. eg. Bleach*, GC Film Festival, ANZAC Day, The Aussies, Cooly Rocks On™ (5 events).</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• In organising events, we are particularly conscious of the need to protect the local existing businesses, by not bringing in competing similar food product(s). Our aim is to consider local businesses through careful planning, when dealing with outside caterers or food trucks.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• CSGC similarly works towards supporting locally based businesses where purchasing is involved (Buy Local).</td>
</tr>
</tbody>
</table>
SECTION 2 - ACTIVITY SUMMARIES AND KPI's (cont.)

<table>
<thead>
<tr>
<th>City of Gold Coast Strategic Outcome</th>
<th>CSGC Project/Activity/Event</th>
<th>Measurable KPIs</th>
<th>Outcomes for Half Year to 30/06/17</th>
</tr>
</thead>
</table>
| Ensuring Best Practice Governance    | • The CSGC Board awareness on Corporate Governance is particularly high as a result of:  
• a review of a “Principal of good Corporate Governance” occurs each Board Meeting (10 per year).  
• Additional review and input via our Audit & Finance Committee (of 3 members) to ensure that all Policies and Procedures are in order and current (e.g. review of all CSGC Policies & Procedures).  
• Ensuring a healthy Audit Report is received from Qld Audit Office each year, includes “Cooly Rocks On™”. | 22) Few breaches (if any) of CSGC Policy and Procedures as a result of our Annual External Audit.  
23) Ensure minimum items highlighted by Auditor by providing good practise, procedures and policies. | • Our 2017 QAO audit was far more detailed than previous audits, in that we were being assessed on both CSGC & Cooly Rocks On™ which doubled the capacity of the review. Only one (1) low risk item as to ‘Long Service Leave Entitlement’ was identified and which has already been actioned by Management.  
• CSGC Policies and Procedures are regularly reviewed & adapted. We believe the Board & Management apply high levels of Corporate Governance in all areas of the business, ably supported by the Audit & Finance Committee of three (3) members.  
• The annual Audits reflect the effective Corporate Governance practices applied by CSGC Management. |

2.4 SPECIFIC ISSUES FOR COUNCIL’S CONSIDERATION

- Looking forward to securing legacy benefit(s) at Queen Elizabeth Park, Coolangatta post 2018 Commonwealth Games Beach Volleyball.

- We would hope Council will consider and review the newly imposed charges by Parks and Gardens (from 1st Jul’17), on application fees (and release the condition of a bond), when Alliance’s are conducting events in Council owned parks, given that the Alliance’s are entities of the City and are “not-for-profit”.

747th Council Meeting 28 November 2017  
Governance & Administration Committee Meeting 23 November 2017  
Adopted Report
SECTION 2 - ACTIVITY SUMMARIES AND KPI's (cont.)

3.0 PRECINCT ACTIONS - DTMP (Service Agreement Ref - Schedule 3)

Introduction:
As a signatory to Council's DTMP Partnership Agreement between Council, Gold Coast Tourism, the three (3) Precinct Alliances plus Study Gold Coast, CSGC provides the following comments as to the delivery of our actions and input / support in the process.

3.1 STRONGER PARTNERSHIPS

<table>
<thead>
<tr>
<th>DTMP Action</th>
<th>Actions</th>
<th>Lead</th>
<th>Support</th>
<th>CSGC Comment / Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1.1 Partnership Agreement</td>
<td>Establish a Gold Coast Tourism Partnership Agreement between GCT, the City and Precinct Entities that includes:</td>
<td>City / GCT</td>
<td>SPA, CSGC, BAL, TEQ, DTESB, QTIC</td>
<td>CSGC is committed to supporting / actioning elements of the Agreement as is required.</td>
</tr>
<tr>
<td>(Service Agreement Ref - Schedule 3 / 1.1)</td>
<td>- a long-term commitment to the partnership</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- delineation of clear roles and responsibilities</td>
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<td></td>
<td>- shared destination performance outcomes</td>
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<td></td>
<td>- comprehensive two-way reporting and accountability</td>
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</table>
### 4.0 QUALITY SERVICE AND INNOVATION IMPLEMENTATION PLAN (2016-2017)

<table>
<thead>
<tr>
<th>DTMP Action</th>
<th>Actions</th>
<th>Lead</th>
<th>Support</th>
<th>CSGC Comment / Action</th>
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</thead>
<tbody>
<tr>
<td><strong>4.1 Service Culture</strong></td>
<td>Enhance the service culture in the tourism and hospitality industry through the development and delivery of a customer service plan for the Gold Coast as a legacy outcome of GC2018. <em>(CSGC to support the local delivery of 'Be my Guest and Destination Host Programs', with any costs incurred funded as part of the City led program.)</em></td>
<td></td>
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<tr>
<td>Q Tic</td>
<td>GCT, SPA, CSGC, BAL,</td>
<td>CSGC has been active in influencing the Southern Gold Coast business culture through innovations with previous regular presentations since 2014 by foremost authority in Australia on &quot;Customer Service&quot;, Mr Martin Grunstein. Annual presentations were made in the region for the past three (3) years. The last being 5th Aug’16 and since this time we have embraced the “Be My Guest” program facilitated by ‘Tourconsult’. We have similarly promoted the &quot;Discover Gold Coast Challenge&quot; programs presented to front line Gold Coast staff.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>QTIC</td>
<td></td>
<td>City / DTESB</td>
<td>GCT, SPA, CSGC, BAL,</td>
<td>CSGC has been active in influencing the Southern Gold Coast business culture through innovations with previous regular presentations since 2014 by foremost authority in Australia on &quot;Customer Service&quot;, Mr Martin Grunstein. Annual presentations were made in the region for the past three (3) years. The last being 5th Aug’16 and since this time we have embraced the “Be My Guest” program facilitated by ‘Tourconsult’. We have similarly promoted the &quot;Discover Gold Coast Challenge&quot; programs presented to front line Gold Coast staff.</td>
</tr>
<tr>
<td><strong>4.2 Night Time Economy</strong></td>
<td>Develop and execute a Night Time Economy Plan addressing safety and security to sit beside any marketing and place management initiatives. Precinct managers, police and operators will need to work together to promote positive community perceptions about the destination. Night Time Economy Plan will also need to consider outcomes of the Public Domain Improvement Policy Review (action 6.9). <em>(CSGC role to provide input on local issues and opportunities to be addressed through a future plan)</em>.</td>
<td></td>
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</tr>
<tr>
<td>City</td>
<td>BAL, SPA, CSGC, Local Area Committees</td>
<td>Under the current Service Agreement, this is a twelve (12) month requirement / condition for CSGC. For our part, CSGC are adopting a &quot;watching brief&quot;, whereby we will provide input on local issues (as required) and any identified opportunities will be addressed at the appropriate time.</td>
<td></td>
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<tr>
<td><strong>4.3 Place Management Plan</strong></td>
<td>Deliver a dedicated program of place management across key tourism precincts which include the maintenance of public spaces (parks, gardens, walkways, toilets), urban renewal, cultural and local activation. Any amendments to be considered with the outcomes of the Public Domain Improvement Policy Review (action 6.9).</td>
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<tr>
<td>City</td>
<td>BAL, SPA, CSGC, Local Area Committees</td>
<td>Due to restricted resources of time and staff, little action has been undertaken on this KPI. We have created beach &quot;activation&quot; at Coolangatta Beach with the opening up of four (4) x Beach Volleyball Courts at &quot;no cost&quot; to the City nor the ratepayers of the City (Jul’16). This facility has acted as a catalyst for drawing beach volleyball engagement to Coolangatta e.g. Under 23's National Volleyball Championships (Jan’17), local schools and clubs. <em>(e.g. Coolangatta State School is one of several local schools which use the courts weekly for sports &quot;activation&quot;). Other activation enquiries are being received pre- the 2018 Commonwealth Games (Apr’18) including a group of 75 Canadian Travel Agents experiencing the activity on 7th Nov’17 (as arranged with TEQ Famil Unit).</em></td>
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5.0 **NATURE AND CULTURE** *(Service Agreement Ref - Schedule 3 / 6)*

<table>
<thead>
<tr>
<th>DTMP Action</th>
<th>Actions</th>
<th>Lead</th>
<th>Support</th>
<th>CSGC Comment / Action</th>
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</thead>
<tbody>
<tr>
<td><strong>5.1 Culture and Entertainment</strong> <em>(Service Agreement Ref - Schedule 3 / 6.6)</em></td>
<td>Actively promote and support an increase in cultural and entertainment activities which can be aligned with key tourism precincts.</td>
<td>City / BAL / SPA / CSGC</td>
<td></td>
<td>CSGC is advancing the opportunity of busking in the region and has busking locations in Coolangatta, Kirra and Tugun. Council By Laws Dept. has approved these sites. CSGC plan to encourage “busking” in the precinct in Dec’17 (pre-Christmas, with a Christmas Carols theme). We plan to expand the scope of busking in 2018 with added resources to manage the process in the lead up to and during the 2018 Commonwealth Games.</td>
</tr>
<tr>
<td><strong>5.2 Public Domain Improvement Policy</strong> <em>(Service Agreement Ref - Schedule 3 / 6.9 (6.6)</em></td>
<td>Advocate for the review of the City’s public domain policy in terms of street entertainment, cultural experiences, outdoor dining and signage through the Public Domain Improvement Strategy for GC2018 to benefit tourism with permanent changes.</td>
<td>City / GCT</td>
<td>BAL, SPA, CSGC</td>
<td>Activating Christmas Busking theme in Coolangatta Dec’17. Improved activation in Coolangatta from Apr’18. CSGC has completed and will follow the lead taken by the City and GCT as the key agencies responsible. Our CSGC community activities encourage street entertainment &amp; outdoor dining to support improved lifestyle, for which the Southern Gold Coast has become well known for.</td>
</tr>
</tbody>
</table>
SECTION 2 - ACTIVITY SUMMARIES AND KPI's  
(cont.)

6.0 EVENTS IMPLEMENTATION PLAN 2016-2017 (Service Agreement Ref - Schedule 3 / 7)

<table>
<thead>
<tr>
<th>DTMP Action</th>
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<th>Support</th>
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</table>
| 6.1 Events  | Given the wide number of events and limited resources, review the delineation of roles and responsibilities required to acquire, manage and deliver events that will drive new visitation to the city.  
Endorsed Action: Precinct Entities deliver events according to the revised Service Agreements and KPI's aligned to the DTMP | City / GCT / TEQ | BAL, SPA, CSGC | CSGC will continue to support and financially assist the growing list of events staged in our precinct subject to budget constraints. The Southern Gold Coast's diversity to host key Arts & Cultural Events, Sporting Events (centred around Surfing and/or Cycling) and Community events (which gain strong support from the residents of our eight (8) villages), ensures a strong commitment to events to drive visitation, increase room night stays and overall length of stay, leading to improved economic impact for our destination.  
As new events build year by year, the better the opportunity of long term "economic impact". It takes an event at least 8-10 years to build substantial visitation appeal & reputation. |

Conclusion:

CSGC Board and Management see a bright future for the Southern Gold Coast destination. Confidence is high in the lead up to the 2018 Commonwealth Games. The accommodation sector has been enjoying stronger business and new businesses are attracted to the unofficial lifestyle capital of the Gold Coast!

To capitalise on this, CSGC has relocated to a new office in Coolangatta, to be closer to where most of our activities and events occur, but also to be closer to new potential business partners based in Coolangatta.

The larger premises additionally allow CSGC to conduct small workshops (up to 10 participants) “in house”. Moving ahead with training for small business, with additional training courses in digital marketing, website development and improved marketing, are scheduled to be rolled out in 2018. The region has a desire to lead the “Sustainability” push on the Gold Coast. The Southern Coast has a potential to clearly differentiate itself, yet remain an integral and meaningful part of the Gold Coast's success story post the 2018 Commonwealth Games.
SECTION 3 - FINANCIAL MANAGEMENT

3.1 OVERVIEW FOR THE PERIOD ENDED 30th June 2017

1. Analysis of Results

The Company is working to the set of KPIs as agreed with Council and continues to achieve these KPI’s and objectives as required.

2. Major Activities

The major activities of the Company continue to be the promotion of Business Training / Courses and Economic Development activities in the Southern Gold Coast through "funding / sponsoring Events and Festivals" aimed at increasing tourism patronage of the Southern Gold Coast. Additionally, the general promotion and greater awareness of the appeal of the Southern Gold Coast through a greater “share of voice” in print and digital media.

These activities are in line with KPIs approved by the City of Gold Coast.

3. Overall Analysis of Actual Results versus Budget and any Significant Variances

The Company achieved an overall result that is in line with the set Budgets for the 2nd half of the year as at 30th Jun’17 as approved by the Board.

General :

The company continues to engage and be actively involved within the Southern Gold Coast Cultural, Sporting and Community events, through :

- **Cultural**
  - Bleach* Festival
  - Cooly Rocks On™

- **Community**
  - ANZAC Day @ Currumbin Beach
  - Gold Coast Film Festival

- **Sporting**
  - The Aussies
  - Alley Classic
  - Surfing QLD – MP Classic

Where necessary the Forecast/s were amended through Board approval, and funds were re-allocated accordingly to accommodate any changes.

4. Changes to Budgets / Forecasts

The Company's forecast was revised to include the following material items :

**Administration**

Additional un-anticipated expenses incurred due to the management of Cooly Rocks On™ Festival 2017 as approved by the CSGC Board with funds allocated to increased resources.

**Economic Development**

Budgeted funding income did not materialise and has been put on hold for the next financial year (Balcony TV, ED Research, Stakeholder Survey’s & GC Tourism brochure). The associated expense lines were adjusted accordingly.

**Tourism, Promotions & Marketing**

The forecast was adjusted to include the refreshing of the Cooly Rocks On™ logo with funds re-allocated as approved by the CSGC Board.
SECTION 3 - FINANCIAL MANAGEMENT
(cont.)

4. Changes to Budgets / Forecasts (cont.)

Events & Festivals

Additional funding, grants & corporate sponsorships were received during the financial period under review due to the addition & management of the Cooly Rocks On™ Festival. These amounts were expensed accordingly under approval of the CSGC Board.

5. Changes to Operations or Activities

The activities of the Company have expanded to incorporate the new projects noted in Item (4) above. There have been no changes to the base operations of the Company in this period.

6. Other Items of Interest

The first six months of the year is generally slower for events than the last six months, however, our region enjoyed various key drivers such as Bleach* Festival (Mar’17), ANZAC Day at Currumbin Beach (Apr’17) & the newly refreshed Cooly Rocks On™ Festival (Jun’17). The Board of CSGC endeavours to add additional new events to maintain the awareness of the Southern Gold Coast & build its existing profile.
### 3.2 STATEMENT OF COMPREHENSIVE INCOME

**FOR THE PERIOD ENDED 30th JUNE 2017**

<table>
<thead>
<tr>
<th></th>
<th>QTR 1 Actual</th>
<th>QTR 1 Budget</th>
<th>QTR 2 Actual</th>
<th>QTR 2 Budget</th>
<th>QTR 3 Forecast</th>
<th>QTR 3 Budget</th>
<th>QTR 4 Actual</th>
<th>QTR 4 Budget</th>
<th>YTD Actual</th>
<th>YTD Budget</th>
<th>Var Budget</th>
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<tbody>
<tr>
<td><strong>REVENUE</strong></td>
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<tr>
<td>Government Funding : CoGC Special Levy</td>
<td>187,312</td>
<td>187,312</td>
<td>187,312</td>
<td>187,312</td>
<td>187,312</td>
<td>187,312</td>
<td>749,247</td>
<td>749,247</td>
<td>-</td>
<td>767,978</td>
<td>-</td>
</tr>
<tr>
<td>Government Funding : CoGC Project / Event Funding</td>
<td>-</td>
<td>22,000</td>
<td>-</td>
<td>15,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>37,000</td>
<td>(37,000)</td>
<td>110,000</td>
<td>-</td>
</tr>
<tr>
<td>CSGC - Project Revenue</td>
<td>6,279</td>
<td>8,000</td>
<td>2,302</td>
<td>7,000</td>
<td>346</td>
<td>2,500</td>
<td>563</td>
<td>-</td>
<td>9,490</td>
<td>17,500</td>
<td>(8,010)</td>
</tr>
<tr>
<td>CSGC - Event Revenue</td>
<td>10,341</td>
<td>-</td>
<td>34,982</td>
<td>32,500</td>
<td>5,000</td>
<td>-</td>
<td>334</td>
<td>-</td>
<td>50,657</td>
<td>32,500</td>
<td>18,157</td>
</tr>
<tr>
<td>CRO 2017 - Event Revenue</td>
<td>-</td>
<td>-</td>
<td>105,000</td>
<td>180,000</td>
<td>254,240</td>
<td>282,452</td>
<td>373,689</td>
<td>268,146</td>
<td>732,929</td>
<td>730,599</td>
<td>2,331</td>
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<td>Interest Income</td>
<td>374</td>
<td>-</td>
<td>436</td>
<td>-</td>
<td>221</td>
<td>-</td>
<td>238</td>
<td>-</td>
<td>1,269</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>$204,306</td>
<td>$217,312</td>
<td>$330,032</td>
<td>$421,812</td>
<td>$447,119</td>
<td>$472,264</td>
<td>$562,135</td>
<td>$455,458</td>
<td>$1,543,592</td>
<td>$1,566,846</td>
<td>$1,627,983</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>QTR 1 Actual</th>
<th>QTR 1 Budget</th>
<th>QTR 2 Actual</th>
<th>QTR 2 Budget</th>
<th>QTR 3 Forecast</th>
<th>QTR 3 Budget</th>
<th>QTR 4 Actual</th>
<th>QTR 4 Budget</th>
<th>YTD Actual</th>
<th>YTD Budget</th>
<th>Var Budget</th>
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</thead>
<tbody>
<tr>
<td><strong>EXPENSES</strong></td>
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<td></td>
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<tr>
<td>Communications</td>
<td>462</td>
<td>565</td>
<td>-</td>
<td>565</td>
<td>71</td>
<td>565</td>
<td>161</td>
<td>565</td>
<td>693</td>
<td>2,260</td>
<td>(1,567)</td>
</tr>
<tr>
<td>Tourism, Promotions &amp; Marketing</td>
<td>13,615</td>
<td>17,674</td>
<td>9,872</td>
<td>17,549</td>
<td>11,535</td>
<td>17,724</td>
<td>51,762</td>
<td>70,296</td>
<td>(18,534)</td>
<td>70,166</td>
<td>-</td>
</tr>
<tr>
<td>Economic Development</td>
<td>16,439</td>
<td>46,403</td>
<td>5,871</td>
<td>43,353</td>
<td>4,972</td>
<td>22,703</td>
<td>(3,759)</td>
<td>20,203</td>
<td>23,524</td>
<td>132,662</td>
<td>(109,138)</td>
</tr>
<tr>
<td>Events &amp; Festivals : CRO 2017</td>
<td>16,799</td>
<td>-</td>
<td>78,780</td>
<td>116,643</td>
<td>135,297</td>
<td>130,373</td>
<td>469,657</td>
<td>466,583</td>
<td>700,533</td>
<td>713,599</td>
<td>(13,066)</td>
</tr>
<tr>
<td>Events &amp; Festivals : Cultural</td>
<td>15,000</td>
<td>21,120</td>
<td>56,950</td>
<td>49,350</td>
<td>60,481</td>
<td>22,350</td>
<td>29,250</td>
<td>63,580</td>
<td>161,681</td>
<td>156,400</td>
<td>5,281</td>
</tr>
<tr>
<td>Events &amp; Festivals : Sporting</td>
<td>945</td>
<td>10,000</td>
<td>14,000</td>
<td>14,000</td>
<td>-</td>
<td>3,000</td>
<td>26,000</td>
<td>12,500</td>
<td>40,945</td>
<td>156,400</td>
<td>25,000</td>
</tr>
<tr>
<td>Events &amp; Festivals : General</td>
<td>245</td>
<td>275</td>
<td>6,802</td>
<td>10,275</td>
<td>315</td>
<td>275</td>
<td>4,426</td>
<td>5,275</td>
<td>11,788</td>
<td>16,100</td>
<td>(4,312)</td>
</tr>
<tr>
<td>General Administration</td>
<td>43,042</td>
<td>39,295</td>
<td>52,691</td>
<td>39,295</td>
<td>786</td>
<td>500</td>
<td>624</td>
<td>500</td>
<td>2,839</td>
<td>2,000</td>
<td>839</td>
</tr>
<tr>
<td>Human Resources - Employees</td>
<td>82,680</td>
<td>64,001</td>
<td>64,001</td>
<td>64,001</td>
<td>86,425</td>
<td>64,001</td>
<td>85,786</td>
<td>64,001</td>
<td>349,112</td>
<td>256,005</td>
<td>93,107</td>
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<tr>
<td>Depreciation and Amortisation Expense</td>
<td>428</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>824</td>
<td>500</td>
<td>2,839</td>
<td>2,000</td>
<td>839</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$189,656</td>
<td>$199,833</td>
<td>$317,988</td>
<td>$356,032</td>
<td>$350,156</td>
<td>$297,661</td>
<td>$679,655</td>
<td>$687,476</td>
<td>$1,537,455</td>
<td>$1,541,002</td>
<td>$1,624,362</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Jul-Sept</th>
<th>Oct-Dec</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET PROFIT/(LOSS) BEFORE INCOME TAX</strong></td>
<td>$14,650</td>
<td>17,478</td>
<td>12,044</td>
<td>65,790</td>
<td>(117,520)</td>
</tr>
<tr>
<td><strong>INCOME TAX EXPENSES</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(232,018)</td>
</tr>
<tr>
<td><strong>NET PROFIT/(LOSS) AFTER INCOME TAX</strong></td>
<td>$14,650</td>
<td>17,478</td>
<td>12,044</td>
<td>65,790</td>
<td>6,137</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Jul-Sept</th>
<th>Oct-Dec</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yr 2</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Yr 3</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Budget</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Budget</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 3.3 STATEMENT OF FINANCIAL POSITION
AS AT 30th JUNE 2017

<table>
<thead>
<tr>
<th>Current reporting period</th>
<th>Same period last year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>YTD</strong></td>
<td><strong>30/6/17</strong></td>
</tr>
<tr>
<td><strong>$</strong></td>
<td><strong>$</strong></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$144,098</td>
</tr>
<tr>
<td>Trade and Other Receivables</td>
<td>$120,533</td>
</tr>
<tr>
<td>Prepayments</td>
<td>$1,405</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td><strong>$266,036</strong></td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Plant and Equipment</td>
<td><strong>$6,926</strong></td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT ASSETS</strong></td>
<td><strong>$6,926</strong></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$272,962</strong></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Trade and Other Payables</td>
<td>$173,892</td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>$0</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>$33,915</td>
</tr>
<tr>
<td>Other Current Liabilities</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td><strong>$207,806</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>$207,806</strong></td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>$65,155</strong></td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
</tr>
<tr>
<td>Retained Earning - Opening</td>
<td>$59,019</td>
</tr>
<tr>
<td>Retained Earnings - Current Year</td>
<td>$6,137</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td><strong>$65,155</strong></td>
</tr>
</tbody>
</table>
### 3.4 CASH FLOW STATEMENT AND FORECAST

**FOR THE PERIOD ENDED 30th JUNE 2017**

<table>
<thead>
<tr>
<th>QTR</th>
<th>CURRENT YEAR (Year 1)</th>
<th>FORECAST</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Budget</td>
</tr>
<tr>
<td>OPENING CASH</td>
<td>$103,798</td>
<td>$103,798</td>
</tr>
<tr>
<td>ADD OPERATING RECEIPTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSGC : CoGC (Special Levy &amp; Project Funding)</td>
<td>206,043</td>
<td>206,043</td>
</tr>
<tr>
<td>Events &amp; Festival Grants, Sponsorships &amp; Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income : (Cultural / Sporting / Other)</td>
<td>12,200</td>
<td>-</td>
</tr>
<tr>
<td>Income : (CRO 2017)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Economic Development Grants, Sponsorships &amp; Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income : (Projects)</td>
<td>5,662</td>
<td>33,000</td>
</tr>
<tr>
<td>Interest Received</td>
<td>374</td>
<td>-</td>
</tr>
<tr>
<td>Other Operating Receipts</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL RECEIPTS</td>
<td>$224,279</td>
<td>$239,043</td>
</tr>
<tr>
<td>LESS OPERATING PAYMENTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communications</td>
<td>508</td>
<td>622</td>
</tr>
<tr>
<td>Tourism, Promotions &amp; Marketing</td>
<td>14,529</td>
<td>19,441</td>
</tr>
<tr>
<td>Economic Development</td>
<td>11,997</td>
<td>51,043</td>
</tr>
<tr>
<td>Events &amp; Festivals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expense : (Cultural / Sporting / Other)</td>
<td>7,032</td>
<td>34,535</td>
</tr>
<tr>
<td>Expense : (CRO 2017)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>General Administration</td>
<td>50,284</td>
<td>43,775</td>
</tr>
<tr>
<td>Human Resources - Employees</td>
<td>70,023</td>
<td>64,001</td>
</tr>
<tr>
<td>ATO (PAYG/GST)</td>
<td>24,222</td>
<td>40,647</td>
</tr>
<tr>
<td>LESS CAPITAL PAYMENTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant and Equipment Purchases</td>
<td>780</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL PAYMENTS</td>
<td>$179,375</td>
<td>$213,417</td>
</tr>
<tr>
<td>CLOSING CASH (must equal cash per balance sheet)</td>
<td>$148,702</td>
<td>$129,424</td>
</tr>
</tbody>
</table>
### 3.5 MAJOR VARIANCES ANALYSIS

**FOR THE PERIOD ENDED 30th JUNE 2017**

<table>
<thead>
<tr>
<th>Category</th>
<th>YTD Actual $</th>
<th>YTD Budget $</th>
<th>Variance $</th>
<th>Variance %</th>
<th>Analysis (provide commentary when variance greater than 10% or $10,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Funding : GCCC Special Levy</td>
<td>749,247</td>
<td>749,247</td>
<td>0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Government Funding : GCCC Project Funding</td>
<td>0</td>
<td>37,000</td>
<td>-37,000</td>
<td>-100%</td>
<td>- Projects put on hold for next FY (Balcony TV &amp; ED Research)</td>
</tr>
<tr>
<td>CSGC - Project Revenue</td>
<td>9,490</td>
<td>17,500</td>
<td>-8,010</td>
<td>-46%</td>
<td>- Projects put on hold for next FY (Stake Holder Survey's &amp; GC Tourism Brochure)</td>
</tr>
<tr>
<td>CSGC - Event Revenue</td>
<td>50,657</td>
<td>32,500</td>
<td>18,157</td>
<td>56%</td>
<td>- Adjustment of Corporate Sponsorships received (Tugun Lights Up 2016 &amp; Coolangatta Christmas Concert 2016)</td>
</tr>
<tr>
<td>CRO 2017 - Event Revenue</td>
<td>732,929</td>
<td>730,599</td>
<td>2,331</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Interest Income (CSGC)</td>
<td>1,269</td>
<td>0</td>
<td>1,269</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Other Revenue</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>1,543,592</td>
<td>1,566,846</td>
<td>-23,254</td>
<td>-1.5%</td>
<td></td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communications</td>
<td>603</td>
<td>2,260</td>
<td>-1,567</td>
<td>-69%</td>
<td>- Adjustment of website and web maintenance provider resulting in savings of budgeted expense</td>
</tr>
<tr>
<td>Tourism, Promotions &amp; Marketing</td>
<td>51,762</td>
<td>70,296</td>
<td>-18,534</td>
<td>-26%</td>
<td>- Re-allocation of expense from general marketing to event marketing due to the management of the Cooly Rocks On™ Festival 2017</td>
</tr>
<tr>
<td>Economic Development</td>
<td>23,524</td>
<td>132,662</td>
<td>-109,138</td>
<td>-82%</td>
<td>- Re-allocation of expense/s and allocation of resources due to the management of the Cooly Rocks On™ Festival 2017</td>
</tr>
<tr>
<td>Events &amp; Festivals (Cultural / Sporting / Other)</td>
<td>202,626</td>
<td>196,400</td>
<td>6,226</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Events &amp; Festivals (General)</td>
<td>11,788</td>
<td>16,100</td>
<td>-4,312</td>
<td>-27%</td>
<td>- Re-allocation of expense/s and allocation of resources due to the management of the Cooly Rocks On™ Festival 2017</td>
</tr>
<tr>
<td>Events &amp; Festivals (CRO 2017)</td>
<td>700,533</td>
<td>713,599</td>
<td>-13,066</td>
<td>-2%</td>
<td></td>
</tr>
<tr>
<td>General Administration</td>
<td>194,579</td>
<td>151,680</td>
<td>42,899</td>
<td>28%</td>
<td>- Increase due to the management of the Cooly Rocks On™ Festival 2017</td>
</tr>
<tr>
<td>Human Resources - Employees</td>
<td>349,112</td>
<td>256,005</td>
<td>93,107</td>
<td>36%</td>
<td>- Staff Restructure/s (increased resources under ED / E&amp;P’s) as per Board Approval</td>
</tr>
<tr>
<td>Depreciation and Amortisation Expense</td>
<td>2,839</td>
<td>2,000</td>
<td>839</td>
<td>42%</td>
<td>- Additional purchase of PPE’s due to the management of the Cooly Rocks On™ Festival 2017</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>1,537,455</td>
<td>1,541,002</td>
<td>-3,547</td>
<td>-0.2%</td>
<td></td>
</tr>
<tr>
<td><strong>NET PROFIT/(LOSS) AFTER INCOME TAX</strong></td>
<td>6,137</td>
<td>25,844</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 3.6 RATIO ANALYSIS

**FOR THE PERIOD ENDED 30th JUNE 2017**

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Notes</th>
<th>Current reporting date ratio</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio (Current Assets / Current Liabilities)</td>
<td>A measure of short-term liquidity, the current ratio measures an organisation's ability to repay its short-term debt (due in the coming 12 months) by using short-term assets. Ideal current ratio is at least 2:1.</td>
<td>1.3 : 1</td>
<td>Ratio Reflects Fair Cash Position</td>
</tr>
<tr>
<td>Debt Ratio (Total Liabilities / Total Assets)</td>
<td>Measures percentage of assets provided by creditors and extent of using gearing. The lower the ratio, the greater the asset protection to creditors.</td>
<td>0.76</td>
<td>Reflects a Fair Financial Position</td>
</tr>
<tr>
<td>Profit Margin (Operating Profit / Net Sales)</td>
<td>Measures net profitability of an organisation</td>
<td>0.004</td>
<td>Reflects a Low Profit Margin in accordance with the Strategic intent for the Company (CSGC) by CoGC</td>
</tr>
</tbody>
</table>
Connecting Southern Gold Coast Limited
A.B.N. 63 133 678 841

Annual Report

For the year ended 30 June 2017
Connecting Southern Gold Coast Limited
Annual Report
For the year ended 30 June 2017

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<table>
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<tr>
<th>CONTENTS</th>
<th>PAGE</th>
</tr>
</thead>
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<td>Directors' Report</td>
<td>3-6</td>
</tr>
<tr>
<td>Auditor's Independence Declaration</td>
<td>7</td>
</tr>
<tr>
<td>Financial Statements</td>
<td>8-11</td>
</tr>
<tr>
<td>&gt;Statement of Comprehensive Income</td>
<td>8</td>
</tr>
<tr>
<td>&gt;Statement of Financial Position</td>
<td>9</td>
</tr>
<tr>
<td>&gt;Statement of Changes in Equity</td>
<td>10</td>
</tr>
<tr>
<td>&gt;Statement of Cash Flows</td>
<td>11</td>
</tr>
<tr>
<td>Notes to and forming part of the Financial</td>
<td>12-21</td>
</tr>
<tr>
<td>Statements</td>
<td></td>
</tr>
<tr>
<td>1. Summary of Significant Accounting Policies</td>
<td></td>
</tr>
<tr>
<td>2. Revenue and Other Income</td>
<td></td>
</tr>
<tr>
<td>3. Expenses</td>
<td></td>
</tr>
<tr>
<td>4. Cash and Cash Equivalents</td>
<td></td>
</tr>
<tr>
<td>5. Trade and Other Receivables</td>
<td></td>
</tr>
<tr>
<td>6. Plant and Equipment</td>
<td></td>
</tr>
<tr>
<td>7. Trade and Other Payables</td>
<td></td>
</tr>
<tr>
<td>8. Employee Benefits</td>
<td></td>
</tr>
<tr>
<td>9. Reconciliation of Cash Flows from Operating</td>
<td></td>
</tr>
<tr>
<td>Activities</td>
<td></td>
</tr>
<tr>
<td>10. Commitments</td>
<td></td>
</tr>
<tr>
<td>11. Contingent Liabilities and Contingent Assets</td>
<td></td>
</tr>
<tr>
<td>12. Capital Management</td>
<td></td>
</tr>
<tr>
<td>13. Related Party Disclosures</td>
<td></td>
</tr>
<tr>
<td>14. Member Guarantee</td>
<td></td>
</tr>
<tr>
<td>15. Economic Dependency</td>
<td></td>
</tr>
<tr>
<td>16. Events after the Reporting Period</td>
<td></td>
</tr>
<tr>
<td>17. Company Details</td>
<td></td>
</tr>
<tr>
<td>Directors' Declaration</td>
<td>22</td>
</tr>
<tr>
<td>Independent Auditor's Report</td>
<td>23-24</td>
</tr>
</tbody>
</table>
Connecting Southern Gold Coast Limited
Directors’ Report
For the year ended 30 June 2017

The Directors present the following report on Connecting Southern Gold Coast Limited ("the Company") for the Financial Year ended 30 June 2017. This report forms part of the Annual Report together with the Financial Statements, Notes to the Financial Statements and Auditor’s Report.

Directors
The Directors in office at any time, during or since the end of the Financial year were:

<table>
<thead>
<tr>
<th>Name</th>
<th>Qualifications &amp; Experience</th>
<th>Appointed</th>
<th>Resigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robyn Keenan</td>
<td>Business Leader - Tourism/Hospitality/Training</td>
<td>16/04/12</td>
<td>22/09/16</td>
</tr>
<tr>
<td>John Rankin</td>
<td>Business Leader - Real Estate/Investment</td>
<td>16/04/12</td>
<td>Continuing</td>
</tr>
<tr>
<td>Elizabeth Roberts</td>
<td>Academic - Southern Cross University</td>
<td>17/04/14</td>
<td>Continuing</td>
</tr>
<tr>
<td>Warwick Chesters</td>
<td>Lawyer</td>
<td>17/04/14</td>
<td>Continuing</td>
</tr>
<tr>
<td>Anne Stovin</td>
<td>Business Leader - Clubs</td>
<td>10/02/15</td>
<td>Continuing</td>
</tr>
<tr>
<td>Gail O’Neil</td>
<td>Divisional Councillor (Division 14)</td>
<td>7/04/16</td>
<td>Continuing</td>
</tr>
<tr>
<td>Greg Jenke</td>
<td>Business Leader - Medical/Welfare</td>
<td>22/09/16</td>
<td>New Appointment</td>
</tr>
<tr>
<td>Ben Crompton</td>
<td>Accountant/Lawyer</td>
<td>22/09/16</td>
<td>New Appointment</td>
</tr>
</tbody>
</table>

Company Secretary
The Company Secretary in office at any time, during or since the end of the financial year was:

<table>
<thead>
<tr>
<th>Name</th>
<th>Qualifications &amp; Experience</th>
<th>Appointed</th>
<th>Resigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grahame Thompson</td>
<td>B.Bus, FCPA, FCIS</td>
<td>07/03/12</td>
<td>Continuing</td>
</tr>
</tbody>
</table>

Attendance at meetings of Directors

<table>
<thead>
<tr>
<th>Date of Meeting</th>
<th>Board Member Attendance</th>
<th>A Stovin</th>
<th>J Rankin</th>
<th>R Keenan</th>
<th>E Roberts</th>
<th>W Chesters</th>
<th>G O’Neill</th>
<th>G Jenke</th>
<th>B Crompton</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2016</td>
<td>No Meeting Held</td>
<td></td>
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<tr>
<td>4/06/16</td>
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<tr>
<td>22/06/16</td>
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<td>✓</td>
<td>✓</td>
<td></td>
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<td>23/02/17</td>
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<td>✓</td>
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</tr>
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<td>23/03/17</td>
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<td>27/04/17</td>
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<td></td>
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</table>

May 2017

<table>
<thead>
<tr>
<th>Meetings</th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>26/06/17</td>
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<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attendance</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>2</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

Principal Activities
The Company’s Vision defines the Southern Gold Coast as being "where lifestyle attracts and sustains businesses, creative arts and events".

The Company assesses, conducts and supports various innovative business training development and initiatives, tourism marketing and promotional activities, special and vibrant events in the context of this Vision for the region in addition, the Company through its Chairperson, acts as an advocate for stakeholders on business and tourism related issues.

These activities contribute to achieving the strategy and objectives by attracting & growing sustainable business activities, attracting tourists and visitors from within and external to the Gold Coast, where they are encouraged to enjoy the attractions and offerings of our traders, resulting in an increase in economic benefits to our traders / businesses in the region as a whole.

The Company measures success in achieving objectives by conducting regular updates of baseline data, consumer surveys at events and as favourable acceptance of reporting against KPI’s presented to the City of Gold Coast.

Results from Operations
The profit of the Company for the Financial year was: $6,137 (2016: Profit $36,225)

State of Affairs
The Company is a non-profit entity and all retained profits will be used in the pursuit of its stated objectives in future financial periods,

There were no significant changes in the state of affairs of the Company during the year.
Connecting Southern Gold Coast Limited

Directors' Report

For the year ended 30 June 2017

Company Strategy

The Company's Mission is "To act as a facilitator of local business platforms driving future growth initiatives and creating opportunities for economic development in a sustainable and responsible manner".

The Company will achieve this by conducting successful and innovative business development initiatives, and tourism marketing and promotional activities that;

1) increase the economic prosperity of our traders and stakeholders;
2) enhance the positive perception of the region;
3) increase visitation; and
4) increase the ability to attract additional revenue to the region.

Short Term and Long Term Objectives

Short Term:

* Focus on delivering improved Customer Service levels in the region through the "Be My Guest" program ahead of the 2018 Commonwealth Games.
* Maximise awareness and publicity for the region via print, electronic and digital media awareness.
* Leverage greater levels of sponsorship via the private and public sector for our events.
* Continue to build and expand on our success with the Small Business Workshops run in association with Small Business Solutions (SBS) and TAFE (Qld).
* Encourage the accommodation sector to participate in our research survey undertaken by Southern Cross University's Research Department on analysing monthly occupancy and average room rates in the region for the period 1st April 2017 to 30th June 2018.
* Deliver a new beach event / concert to Coolangatta Beach via a "Beatles on the Beach" concert to increase awareness of the destination and provide an economic impact to the region and the opportunity to deliver a new annual activation for the Southern Gold Coast.
* Establish Sustainability Programs in the Southern Gold Coast in association with Small Business Solutions (SBS) and TAFE (Qld).
* Maximise media opportunities for the Southern Gold Coast surrounding the staging of the 2018 Commonwealth Games Events: 50km Race Walk; Cycling / Time Trials (Currumbin) and Beach Volleyball (Coolangatta).
* Seek more inbound agents and media famillies of the Southern Gold Coast in association with Tourism and Events Queensland (TEQ) and/or Gold Coast Tourism (GCT).

Long Term:

* Continue with annual delivery of seminars on Customer Service Programs post Gold Coast hosted April 2018 Commonwealth Games.
* Promotion and engagement with the Brisbane drive market through digital marketing platforms to promote our Southern Gold Coast Festivals and Events.
* Encouragement to the development(s) of a 4.5 star plus Hotel in the Southern Gold Coast.
* Support the relocation of the "Surf World Museum" to a Southern Gold Coast beachfront location.
* Ensure the continuance and success of the leading iconic 50's and 60's annual Nostalgia Festival "Cooly Rocks On"™ in the Kirra to Tweed Region during early June.
* Committed to the promotion and roll out of Sustainability Programs within the Southern Gold Coast and to encourage local businesses to adopt new environmental practices within their businesses.

Environmental Issues

As the Company's operations are of a passive nature, its activities do not have an effect on the physical environment. As a result, it is not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends

The Company is a public company limited by guarantee and has no share capital, The Company's constitution precludes the payment of dividends.

Subsequent Events

Since the end of the financial year and the date of this report, there has been no transaction or event of a material or unusual nature, in the opinion of the Directors, to significantly affect the operations or the state of affairs of the Company in future financial periods through the results of those operations.

Future Developments

The Company will continue to pursue its objectives of promoting the Southern Gold Coast area for the economic benefit of its traders.

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial periods has not been included in this report, because disclosure of the information would be likely to result in unreasonable prejudice to the Company.
Adopted Report

Connecting Southern Gold Coast Limited
Directors' Report
For the year ended 30 June 2017

Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not party to any such proceedings during the year.

Indemnification and Insurance of Officers

Indemnification

To the extent permitted by law and to the extent that the officer is not indemnified by Directors' and Officers' Insurance maintained by the Company, the Company indemnifies every person who is or has been an officer of the Company against any liability incurred by that person to another entity other than the Company.

Insurance Premiums

During the financial year, the Company continued to be covered by the City of Gold Coast Insurance Company Limited in respect of the Directors or Executive Officers for liability and legal expenses insurance contracts, for which no premiums were payable. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been the Directors or Executive Officers of the Company.

Member Guarantees

The Company is limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of $10 each towards meeting any outstanding obligations of the Company. At 30 June 2017 the number of members was "One" (2016: 1).
Connecting Southern Gold Coast Limited
Directors' Report
For the year ended 30 June 2017

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is under Section 307C of the Corporations Act 2001 in relation to the Audit for the Financial Year and is provided with this report.

Signed in accordance with a resolution of the Directors:

Anne Stovin
Director

Ben Crompton
Director

10/10/17
Dated

10/10/17
Dated
AUDITOR’S INDEPENDENCE DECLARATION

To the Directors of Connecting Southern Gold Coast Limited

This auditor’s independence declaration has been provided pursuant to s.307C of the Corporations Act 2001.

Independence declaration

As lead auditor for the audit of Connecting Southern Gold Coast Limited for the financial year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

P J Flemming FCPA
as delegate of the Auditor-General

Queensland Audit Office
Brisbane
Connecting Southern Gold Coast Limited
Statement of Comprehensive Income
For the year ended 30 June 2017

<table>
<thead>
<tr>
<th>Note</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1,543,592</td>
<td>786,850</td>
</tr>
<tr>
<td></td>
<td><strong>1,543,592</strong></td>
<td><strong>786,850</strong></td>
</tr>
<tr>
<td>EXPENSES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Development Expenditure</td>
<td>(23,523)</td>
<td>(16,716)</td>
</tr>
<tr>
<td>Promotions and Marketing Costs</td>
<td>(51,762)</td>
<td>(51,589)</td>
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<tr>
<td>Event and Festival Expenditure</td>
<td>(914,947)</td>
<td>(192,635)</td>
</tr>
<tr>
<td>Employment Benefits Expense</td>
<td>(349,113)</td>
<td>(328,547)</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>(2,839)</td>
<td>(1,226)</td>
</tr>
<tr>
<td>Administration and Communications</td>
<td>(195,271)</td>
<td>(159,914)</td>
</tr>
<tr>
<td></td>
<td><strong>(1,537,455)</strong></td>
<td><strong>(750,625)</strong></td>
</tr>
<tr>
<td>SURPLUS</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6,137</td>
<td>36,225</td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>6,137</strong></td>
<td><strong>36,225</strong></td>
</tr>
</tbody>
</table>

The above "Statement of Comprehensive Income" should be read in conjunction with the accompanying notes.
# Connecting Southern Gold Coast Limited

## Statement of Financial Position

As at 30 June 2017

<table>
<thead>
<tr>
<th>Note</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

### CURRENT ASSETS
- Cash and Cash Equivalents
  - 4 144,098  103,798
- Trade and Other Receivables
  - 5 120,533  23,184
- Prepayments
  - 1,405  1,464

**TOTAL CURRENT ASSETS**

- 266,036  128,446

### NON-CURRENT ASSETS
- Plant and Equipment
  - 6 6,926  5,052

**TOTAL NON-CURRENT ASSETS**

- 6,926  5,052

**TOTAL ASSETS**

- 272,962  133,498

### CURRENT LIABILITIES
- Trade and Other Payables
  - 7 173,892  51,965
- Employee Benefits
  - 8 33,915  22,515

**TOTAL CURRENT LIABILITIES**

- 207,807  74,480

**TOTAL LIABILITIES**

- 207,807  74,480

**NET ASSETS**

- 65,155  59,018

### EQUITY
- Retained Earnings
  - 65,155  59,018

**TOTAL EQUITY**

- 65,155  59,018

---

*The above "Statement of Financial Position" should be read in conjunction with the accompanying notes.*
Connecting Southern Gold Coast Limited  
Statement of Changes in Equity  
For the year ended 30 June 2017

<table>
<thead>
<tr>
<th>Retained Earnings</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at: 01 July 2015</td>
<td>22,794</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>36,225</td>
</tr>
<tr>
<td>Balance as at: 30 June 2016</td>
<td>59,018</td>
</tr>
<tr>
<td>Balance as at: 01 July 2016</td>
<td>59,018</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>6,137</td>
</tr>
<tr>
<td>Balance as at: 30 June 2017</td>
<td>65,155</td>
</tr>
</tbody>
</table>

The above "Statement of Changes in Equity" should be read in conjunction with the accompanying notes.
Connecting Southern Gold Coast Limited
Statement of Cash Flows
For the year ended 30 June 2017

<table>
<thead>
<tr>
<th>Note</th>
<th>2017 $</th>
<th>2016 $</th>
</tr>
</thead>
</table>

**CASH FLOWS FROM OPERATING ACTIVITIES**

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from Council of the City of Gold Coast</td>
<td>1,026,572</td>
<td>820,570</td>
</tr>
<tr>
<td>Receipts from Contributions, Donations and Sponsorships</td>
<td>562,984</td>
<td>61,448</td>
</tr>
<tr>
<td>Payments to Suppliers and Employees</td>
<td>(1,545,811)</td>
<td>(850,635)</td>
</tr>
<tr>
<td>Interest Received</td>
<td>1,269</td>
<td>3,026</td>
</tr>
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</table>

**NET CASH INFLOW FROM OPERATING ACTIVITIES**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>45,013</td>
<td>34,410</td>
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</table>

**CASH FLOWS FROM INVESTING ACTIVITIES**

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of Plant and Equipment</td>
<td>(4,713)</td>
<td>(5,989)</td>
</tr>
</tbody>
</table>

**NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(4,713)</td>
<td>(5,989)</td>
</tr>
</tbody>
</table>

Net Increase in Cash and Cash Equivalents

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Increase in Cash and Cash Equivalents</td>
<td>40,300</td>
<td>28,421</td>
</tr>
<tr>
<td>Cash and Cash Equivalents at the Beginning of the Financial Year</td>
<td>103,798</td>
<td>75,377</td>
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</table>

**CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>144,098</td>
<td>103,798</td>
</tr>
</tbody>
</table>

*The above "Statement of Cash Flows" should be read in conjunction with the accompanying notes.*
1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

*Connecting Southern Gold Coast Limited* (the “Company”) is a company domiciled in Australia. The address of the Company’s registered office is 5/421 Golden Four Drive, Tugun, QLD, 4224.

The Company is a not-for-profit entity which is limited by the guarantee of its members. The Company’s ultimate controlling entity is the Council of the City of Gold Coast.

(b) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (AASBs), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. A statement of compliance with the International Finance Reporting Standards (IFRS) can not be made due to the company applying not-for-profit sector specific requirements contained in the Australian Accounting Standards.

Except where otherwise stated, these financial statements have been prepared under the historical cost convention.

The Financial Statements were authorised for issue by the Board of Directors on the date the Director’s Declaration was signed.

(c) Currency and Rounding

All balances are stated in Australian Dollars and rounded to the nearest dollar.

(d) Comparatives

Where required by Australian Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(e) Critical Accounting Estimates and Judgements

The preparation of the financial statements requires the determination and use of certain critical accounting estimates, assumptions and management judgements about the carrying amounts of assets and liabilities. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions that have a potential significant effect are outlined in the following notes:

- Valuation of plant and equipment - Note 1(i)
- Depreciation - Note 1(i)
- Employee Benefits - Annual Leave - Note 1(k)
1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(f) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably and when the criteria for each of the company's different activities have been met.

Special Levies, Grants, Sponsorships, Contributions and Donations received are recognised in the year in which the company obtains control over them (control is generally obtained on receipt or when the entity has the right to receive them).

Festival Sponsorships and Revenue are recognised on completion of the event/s and on acceptance of any milestone requirement/s (as set out in the respective contract / agreement).

Interest Income is recognised as it accrues.

Revenue from sale of goods or rendering of services is recognised upon delivery of goods or services to the customer.

(g) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with banks that are readily convertible to known amounts of cash.

(h) Trade and Other Receivables

Trade and other receivables are recognised at the amounts due at the time of sale or service delivery (the agreed purchase / contract price).

The collectability of receivables is assessed periodically with allowance being made for impairment. Bad debts are written off when identified.

(i) Plant and Equipment

Recognition and Measurement

Plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

The recognition threshold on items of Plant and Equipment is $500.00 (Five Hundred Dollars)

Items with a lesser value are expensed in the year of acquisition.
1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(i) Plant and Equipment (cont.)

Depreciation
Plant and equipment are depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Depreciation Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and equipment</td>
<td>2 - 5 years</td>
</tr>
</tbody>
</table>

The assets' residual values and useful lives of plant and equipment assets are reviewed and adjusted if appropriate on an annual basis.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised as income in profit and loss in the period in which they anse.

(j) Trade and Other Payables

Trade and other payables are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase / contract price net of applicable discounts.

Amounts owing are unsecured and are generally settled on 30 day terms.

(k) Employee Benefits

Liabilities are recognised for employee benefits such as annual leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date.

Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs.

Amounts not expected to be settled are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

The obligations are presented as current liabilities in the balance sheet if the company does not have an unconditional right to defer settlement for at least 12 months after the recording period.

Superannuation contributions are made by the company to an employee's superannuation fund and are recorded as expenses when incurred.
1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(l) Financial Instruments

Recognition
Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes party to the contractual provisions of the financial instrument.

Classification
Financial instruments are classified and measured as follows:

Financial Assets:
(i) Cash and cash equivalents - held at fair value through profit and loss
(ii) Receivables - held at cost less impairment

Financial Liabilities:
(iii) Payables - held at cost

The Company does not enter into transactions for speculative purposes.

(m) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

The company does not have any finance leases.

(n) Income Tax

No provision for income tax has been raised as the Company is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

(o) Goods and Services Tax (GST)

Revenues, expenses, liabilities and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.
Connecting Southern Gold Coast Limited  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the year ended 30 June 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(p) New and Revised Accounting Standards

The Company adopts all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

For the reporting period to 30 June 2017, there was no adoption of new or revised accounting standards which had significant impact on the reported financial position, financial performance or cash flows of the Company.

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective and have not been adopted by the company for the year ended 30 June 2017, are outlined below along with an assessment of the impact.

<table>
<thead>
<tr>
<th>Accounting Standard #</th>
<th>Application Date</th>
<th>Nature of Change</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 9, Financial Instruments</td>
<td>01 Jan'18</td>
<td>AASB 9 replaces AASB 139 Financial Instruments - Recognition &amp; Measurement. The main change is to the requirements for the classification, measurement and disclosures associated with financial assets.</td>
<td>The new requirements are unlikely to result in a significant impact to the entity.</td>
</tr>
<tr>
<td>AASB 15, Revenue from Contracts with Customers</td>
<td>01 Jan'18</td>
<td>AASB 15 replaces AASB 118 Revenue, AASB 11 Construction Contracts and some revenue related interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.</td>
<td>The new requirements are unlikely to result in a significant impact to the entity.</td>
</tr>
<tr>
<td>AASB 16, Leases</td>
<td>01 Jan'19</td>
<td>AASB 1058 replaces AASB 117 Leases and some lease-related interpretations. It requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases. It also requires new and different disclosures about leases.</td>
<td>The new requirements are unlikely to result in a significant impact to the entity.</td>
</tr>
<tr>
<td>AASB 1058, Income of Not-for-Profit Entities</td>
<td>01 Jan'19</td>
<td>AASB 1058 replaces AASB 1004 Contributions. It establishes revenue recognition principles for not-for-profit entities where the consideration provided to acquire an asset is significantly less than the fair value of that asset. It will also defer income recognition in some circumstances for not-for-profit entities, particularly where there is a performance obligation or any other liability.</td>
<td>The new requirements are unlikely to result in a significant impact to the entity.</td>
</tr>
</tbody>
</table>

All other Australian Accounting Standards that have recently been issued or amended but are not yet effective have had no material impact on the company’s accounting policies or on these financial statements.

The company does not intend to adopt any of these pronouncements before their effective dates.
Connecting Southern Gold Coast Limited  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the year ended 30 June 2017

2 REVENUE

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Council of the City of Gold Coast - Special Levy</td>
<td>749,247</td>
<td>730,973</td>
</tr>
<tr>
<td>Council of the City of Gold Coast - Grants</td>
<td>184,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Other Grants</td>
<td>62,500</td>
<td>-</td>
</tr>
<tr>
<td>Festival Sponsorships and Revenue</td>
<td>537,745</td>
<td>33,988</td>
</tr>
<tr>
<td>Interest Received</td>
<td>1,269</td>
<td>3,026</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>8,831</td>
<td>3,863</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,543,592</strong></td>
<td><strong>786,850</strong></td>
</tr>
</tbody>
</table>

3 EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Benefits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Salaries and Wages</td>
<td>319,937</td>
<td>302,326</td>
</tr>
<tr>
<td>- Superannuation contributions</td>
<td>29,176</td>
<td>26,221</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>349,113</strong></td>
<td><strong>328,547</strong></td>
</tr>
<tr>
<td>Depreciation</td>
<td>2,839</td>
<td>1,226</td>
</tr>
<tr>
<td>Loss on Disposal of Plant and Equipment</td>
<td>-</td>
<td>970</td>
</tr>
</tbody>
</table>

**Notes:**
- Rental Expense on Operating Leases 17,229 21,211
- Annual Leave Expense 11,400 11,107
- Auditor's remuneration for audit of financial statements 16,166 9,210

(The estimated Auditor's Remuneration for Audit of Financial Statements for the 2016-17 financial statements is $8,800)

4 CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on Hand</td>
<td>142</td>
<td>302</td>
</tr>
<tr>
<td>Cash at Bank</td>
<td>143,956</td>
<td>103,496</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>144,098</strong></td>
<td><strong>103,798</strong></td>
</tr>
</tbody>
</table>

5 TRADE AND OTHER RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Receivables</td>
<td>52,555</td>
<td>17,371</td>
</tr>
<tr>
<td>Receivables due from related parties</td>
<td>5,500</td>
<td>-</td>
</tr>
<tr>
<td>GST Receivables</td>
<td>6,976</td>
<td>5,813</td>
</tr>
<tr>
<td>Accrued Receivables</td>
<td>55,502</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120,533</strong></td>
<td><strong>23,184</strong></td>
</tr>
</tbody>
</table>

Current trade receivables are generally on 30 day terms. These receivables are assessed for recoverability and impaired losses are recognised when there is objective evidence that an individual trade receivable is impaired.

Ageing of Trade and Other Receivables is as follows:

<table>
<thead>
<tr>
<th>Ageing</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Past Due</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-30 days</td>
<td>93,788</td>
<td>8,545</td>
</tr>
<tr>
<td>31-60 days</td>
<td>19,800</td>
<td>5,280</td>
</tr>
<tr>
<td>61-90 days</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Past Due over 90 days</td>
<td>6,945</td>
<td>9,359</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120,533</strong></td>
<td><strong>23,184</strong></td>
</tr>
</tbody>
</table>
6 PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and Equipment at Cost</td>
<td>31,810</td>
<td>27,097</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>(24,884)</td>
<td>(22,045)</td>
</tr>
<tr>
<td></td>
<td>6,926</td>
<td>5,052</td>
</tr>
</tbody>
</table>

The movements in the carrying amounts of Plant and Equipment between the beginning and the end of the financial year were as follows:

Plant and Equipment
Net Carrying Amount at the Beginning of the Year | 5,052  | 1,259  |
Additions at Cost | 4,713  | 5,989  |
(Loss) on Disposal of Assets | - | (970) |
Depreciation Expense | (2,839) | (1,226) |
Net Carrying Amount at the End of the Year | 6,926  | 5,052  |

7 TRADE AND OTHER PAYABLES

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Payables</td>
<td>116,270</td>
<td>28,085</td>
</tr>
<tr>
<td>Payables owing to Related Parties</td>
<td>965</td>
<td>-</td>
</tr>
<tr>
<td>Taxes Payable</td>
<td>13,339</td>
<td>14,987</td>
</tr>
<tr>
<td>Superannuation Payable</td>
<td>2,314</td>
<td>5,503</td>
</tr>
<tr>
<td>Provision for Audit</td>
<td>8,000</td>
<td>-</td>
</tr>
<tr>
<td>Provision for FBT</td>
<td>1,374</td>
<td>3,000</td>
</tr>
<tr>
<td>Accrued Project Costs</td>
<td>29,633</td>
<td>-</td>
</tr>
<tr>
<td>Other Creditors</td>
<td>1,997</td>
<td>380</td>
</tr>
<tr>
<td></td>
<td>173,892</td>
<td>51,965</td>
</tr>
</tbody>
</table>

8 EMPLOYEE BENEFITS

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Liability for Annual Leave</td>
<td>33,915</td>
<td>22,515</td>
</tr>
<tr>
<td></td>
<td>33,915</td>
<td>22,515</td>
</tr>
</tbody>
</table>

9 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus after Tax</td>
<td>6,137</td>
<td>36,225</td>
</tr>
<tr>
<td>Non-cash items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Depreciation</td>
<td>2,839</td>
<td>1,226</td>
</tr>
<tr>
<td>- Loss on disposal of Plant and Equipment</td>
<td>-</td>
<td>970</td>
</tr>
<tr>
<td>Changes in Operating Assets and Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- (Increase)/Decrease in Trade and Other Receivables</td>
<td>(97,349)</td>
<td>14,776</td>
</tr>
<tr>
<td>- (Increase) / Decrease in Prepayments</td>
<td>59</td>
<td>(88)</td>
</tr>
<tr>
<td>- Increase/(Decrease) in Trade and Other Payables</td>
<td>121,927</td>
<td>(29,806)</td>
</tr>
<tr>
<td>- Increase in Employee Benefits</td>
<td>11,400</td>
<td>11,107</td>
</tr>
<tr>
<td>Net Cash Flows from Operating Activities</td>
<td>45,013</td>
<td>34,410</td>
</tr>
</tbody>
</table>
Connecting Southern Gold Coast Limited
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

10 COMMITMENTS

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease commitments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Within one year</td>
<td>-</td>
<td>6,113</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>6,113</td>
</tr>
</tbody>
</table>

Operating commitments exist for non-cancellable operating leases contracted for but not capitalised in the financial statements. Commitments are based on fixed lease payment amounts with no price adjustment over the term of the lease.

11 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company is not aware of any Contingent Liabilities or Contingent Assets as at the date of this report.

12 CAPITAL MANAGEMENT

Management controls the capital of the company to ensure that adequate cash flows are generated to fund its programs and that returns from investments are maximised. The Board and management ensure that the overall risk management strategy is in line with this objective.

The company's capital consists of financial liabilities, supported by financial assets.

The Directors' overall risk management strategy is to assist the Company in meeting its financial targets whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Directors on a regular basis. These include credit risk policies and future cash flow requirements.

Management effectively manages the company's capital by assessing the company's financial risk and responding to changes in these risks and in the market.

There have been no changes to the strategy adopted by management to control the capital of the company since the previous year.

13 RELATED PARTY DISCLOSURES

The company's related parties include its key management personnel and related entities as described below.

Unless otherwise stated, transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Ultimate controlling entity

The Council of the City of Gold Coast is the ultimate controlling entity.
13 RELATED PARTY DISCLOSURES (cont.)

Transactions with ultimate controlling entity

The following transactions occurred with the Council of the City of Gold Coast:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Levy Amounts from Members</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Council of the City of Gold Coast: Controlled Entity Funding Agreement</td>
<td>749,247</td>
<td>730,973</td>
</tr>
<tr>
<td>Sponsorships and Grants from Members</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Council of the City of Gold Coast: Controlled Entity Funding Agreement &amp; Private / Corporate Sector</td>
<td>184,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Purchases from Members</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- KHCC Hall Hire</td>
<td>(1,418)</td>
<td>(351)</td>
</tr>
<tr>
<td>Amounts owed to / by Council of the City of Gold Coast</td>
<td>931,829</td>
<td>745,622</td>
</tr>
<tr>
<td>- Receivables</td>
<td>5,500</td>
<td></td>
</tr>
<tr>
<td>- Payables</td>
<td>(965)</td>
<td></td>
</tr>
</tbody>
</table>

Transactions with Council of the City of Gold Coast are on agreed terms.

Key Management Personnel Compensation Included in ‘Employment Benefits Expense’ is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term Employee Benefits</td>
<td>147,023</td>
<td>133,965</td>
</tr>
<tr>
<td>Post-employment Benefits</td>
<td>13,866</td>
<td>12,629</td>
</tr>
</tbody>
</table>

Key management personnel are defined as those having authority and responsibility for planning, directing and controlling the activities of the Company, being members of the Board and the Chief Executive Officer.

The Directors act in an honorary capacity and receive no compensation for their services.

No amounts are paid by the Company directly to the Directors of the Company.

Directors who hold positions as Councillors of the Council of the City of Gold Coast (the controlling entity) receive no compensation from the company for their services.
Connecting Southern Gold Coast Limited

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

13 RELATED PARTY DISCLOSURES (cont.)

Transactions with key management personnel

The Company has no investment in its member or its affiliates.

Neither the Directors nor their associates have an investment in the Company at the end of the reporting period.

No Director has entered into any contract with the Company since the end of the previous financial year and there were no contracts involving the Directors’ interests existing at the end of the current financial year.

Details of transactions between the company and other related parties are disclosed below.

<table>
<thead>
<tr>
<th>Nature of Transaction</th>
<th>Nature of Relationship</th>
<th>Amount of Transactions</th>
<th>Outstanding Balance at year end</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from Sponsorship</td>
<td>Board Director</td>
<td>2,250</td>
<td>-</td>
</tr>
<tr>
<td>Expenditure relating to Event funding</td>
<td>Board Director</td>
<td>5,000</td>
<td>-</td>
</tr>
<tr>
<td>Expenditure relating to Educational and Research support</td>
<td>Board Director</td>
<td>8,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Expenditure relating to Legal fees</td>
<td>Board Director</td>
<td>7,370</td>
<td>-</td>
</tr>
<tr>
<td>Expenditure relating to Digital and Graphic Design works</td>
<td>CEO</td>
<td>1,818</td>
<td>-</td>
</tr>
</tbody>
</table>

All transactions with key management personnel are on ordinary commercial terms.

14 MEMBER’S GUARANTEE

The Company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of $10 each towards meeting any outstanding obligations of the Company. At 30 June 2017 the number of members was one (2016 : 1), being the Council of the City of Gold Coast.

15 ECONOMIC DEPENDENCY

The continuing operations of the Company are dependent upon the receipt of levies from their member, the Council of the City of Gold Coast. The Company has extended its service agreement with the Council of the City of Gold Coast, the new agreement will conclude on 30 June 2019. The Council has approved funding of $881,478 for the 2017-18 financial year.

16 EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year and the date of this report, there has been no transaction or event of a material or unusual nature, in the opinion of the Directors, to significantly affect the operations or the state of affairs of the Company in future financial periods through the results of those operations.

17 COMPANY DETAILS

The Company’s registered office and principal place of business is at:

Suite 206, Level 2 The Strand, 72-80 Marine Parade, Coolangatta, QLD 4225.
Connecting Southern Gold Coast Limited
DIRECTORS’ DECLARATION

In the Directors’ opinion:

(a). The financial statements and notes, as set out on pages 8 to 21, are in accordance with the Corporations Act 2001, including:

(i) Complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(ii) Giving a true and fair view of the company’s financial position as at 30 June 2017 and of its performance for the financial year ended on that date, and

(b). In the Directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Board

[Signature]
Anne Stovin
Director

[Signature]
Ben Crompton
Director

10/10/17
Dated

10/10/17
Dated
INDEPENDENT AUDITOR’S REPORT

To the Members of Connecting Southern Gold Coast Limited

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Connecting Southern Gold Coast Limited.

In my opinion, the financial report:

a) gives a true and fair view of the company’s financial position as at 30 June 2017, and its financial performance and cash flows for the year then ended

b) complies with the Corporations Act 2001, the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors’ declaration.

Basis for opinion

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

I am independent of the company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the Auditor-General of Queensland Auditing Standards. I am also independent in accordance with the auditor independence requirements of the Corporations Act 2001, and confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor’s report.

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

Other information

Other information comprises the information included in the company’s directors’ report for the year ended 30 June 2017, but does not include the financial report and my auditor’s report thereon.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

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

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

**Responsibilities of the company for the financial report**

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company's directors are also responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the company.

- Conclude on the appropriateness of the company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report.
However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

P J Flemming FCPA
as delegate of the Auditor-General

Queensland Audit Office
Brisbane
ITEM 5

ORGANISATIONAL SERVICES

PROCUREMENT POLICY AND CONTRACT MANUAL

PS411/372/09(P5)

Attachment 1: Procurement Policy and Contract Manual – Summary of material amendments

1 BASIS FOR CONFIDENTIALITY

Not applicable.

2 EXECUTIVE SUMMARY

Not applicable.

3 PURPOSE OF REPORT

The report seeks approval of the amendments to the Procurement Policy and Contract Manual.

4 PREVIOUS RESOLUTIONS

Ex Minute G14.0225.023 (in part):

1 That Council engage an experienced public sector organisational development consultant to effect an analysis and review of Council’s operations in accordance with the attached proposal, to provide answers to the five (5) questions posed in the proposal, and to provide recommendations and an implementation plan.

3 That it be noted that the five (5) questions referred to in Part 1 are (inter alia) as follows:

   c Can procurement be better undertaken to reduce cost of delivery, speed of delivery and quality of delivery?

Ex Minute GA16.0602.007 (in part):

1. That Council adopts the use of the Strategic Contracting Procedures (Chapter 6 Part 2 of the Local Government Regulation 2012), moving from the Default Contracting Procedures of the Local Government Regulation 2012 (Chapter 6 Part 3) which allows Council to take a strategic approach to its procurement and contracting activities, identifying potential opportunities, while managing adverse risks.


Ex Minute GA17.0419.007 (in part):

2 That the current centralised procurement operating model be superseded by a centre-led operating model, featuring the following:

   a a category management approach
   b procurement officers embedded within directorates when and where appropriate
   c activities including a procurement activity driven by the business with procurement officers providing high quality support
   d category specialists within the procurement branch undertaking market research to assist the business areas
ITEM 5  (Continued)
PROCUREMENT POLICY AND CONTRACT MANUAL
PS411/372/09(P5)

- procurement officers involved in business forward planning to ensure agreement on the scope of the procurement activities required, the timing of the required procurement activities and the approach to be taken regarding the procurement activities

- Directors accountable through the Chief Executive Officer to ensure that Council's Annual Contracting Plan is a true reflection of the procurement activities expected to occur in the forthcoming financial year

- Chief Executive Officer, Chief Operating Officer and Directors responsible for the approval of tenders awarded at officer level and procurement officers formally entering into the resulting contracts

- reports seeking Council approval of a significant procurement activity to be presented to the relevant Standing Committee by the relevant Director or his or her nominee.

3 That the branch name be changed from Corporate Procurement to City Procurement.

4 That the functional responsibilities of the City Procurement branch be defined as depicted in Attachment C.

5 That effective from 1 July 2017, the current model of procurement savings being a separate component of the cash surplus target required to underpin the budget each year be discontinued, however the corporate (overall) budget surplus target be retained.


7 That section 5.5 (Identification of Procurement Savings) be removed from the Budget Review Policy.

8 That wording within section 4.1.7 (Evaluation process, methodology and criteria) of Attachment A – Contract Manual of the Procurement Policy and Contract Manual be altered:

From:

(a) Non scoring due diligence criteria
(b) Gate 1 – mandatory criteria
(c) Gate 2 – capability scoring criteria
(d) Gate 3 – value for money 'pricing' criteria

To:

(a) Non scoring due diligence criteria
(b) Gate 1 – mandatory criteria
(c) Gate 2 – capability scoring criteria (with 17% to be added to scores of local businesses and a winner of the Gold Coast Business Excellence Award, Gold Coast Young Entrepreneurs Award or Gold Coast Women in Business Award within the past 4 calendar years)
(d) Gate 3 – total cost of ownership/pricing criteria (with 15% to 30% to be deducted from the price of local businesses depending on the value of the contract)
(e) Gate 4 – value for money, a combination of capability (Gate 2) and total cost of ownership/pricing (Gate 3) outcomes
5 DISCUSSION

The Local Government Regulation 2012 (section 198) requires Council to prepare and adopt a procurement policy and review the policy annually. The Local Government Regulation 2012 (section 222) also requires a contract manual for local governments who have adopted the Strategic Contracting Procedures. A contract manual is a document that sets out the procedures for how the local government is to carry out all contracts. Council has combined these two requirements into its Procurement Policy and Contract Manual.

In 2015 Infosys Portland was engaged to undertake a strategic review of Council’s current procurement model (Strategic Procurement Review) and whether the model supports the efficient, effective and economical delivery of procurement and organisational outcomes within appropriate cost, quality and time benchmarks. The Strategic Procurement Review Project Working Group received the final recommendations of the Infosys Portland review in December 2016. In April 2017 Council adopted the key recommendations of the Strategic Procurement Review (GA17.0419.007).

The revised Procurement Policy and Contract Manual (refer Attachment 2) has incorporated the applicable adopted recommendations from the Strategic Procurement Review.

In addition to the above, the following changes are also proposed in the revised Procurement Policy and Contract Manual.

- Changes to the contract worth thresholds to compliment the change in the operating model from centralised to centre-led and align contract worth thresholds with the Work Health and Safety Act 2011 and Work Health and Safety Regulation 2011 requirements of appointing a Principal Contractor for construction works over $250,000.

<table>
<thead>
<tr>
<th>from:</th>
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<tbody>
<tr>
<td>small-sized contract: a contract with an expected worth $0 or more but less than $15,000 excluding GST</td>
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<tr>
<td>medium-sized contract: a contract with an expected worth more than $15,000 but less than $200,000 excluding GST</td>
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<td>large-sized contract: a contract with an expected contract worth more than $250,000 excluding GST</td>
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- Changes to implement Council resolution GA17.0817.003 that for the 2017-18 financial year, Council’s notional pricing advantage to local suppliers be capped at $250,000.

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<tbody>
<tr>
<td>For the 2016-17 financial year, this pricing advantage is capped at $300,000</td>
<td>For the 2017-18 financial year, this pricing advantage is capped at a total of $250,000</td>
</tr>
</tbody>
</table>
ITEM 5 (Continued)
PROCUREMENT POLICY AND CONTRACT MANUAL
PS411/372/09(P5)

- Changes to officer administrative authorisations to compliment the change in the operating model from centralised to centre-led.

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<tr>
<th>from:</th>
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<tbody>
<tr>
<td>Manager - $250,000</td>
<td>Manager - $500,000</td>
</tr>
<tr>
<td>Executive Coordinator - $100,000</td>
<td>Executive Coordinator - $200,000</td>
</tr>
<tr>
<td>Level 8 Officer - $50,000</td>
<td>Level 8 Officer - $100,000</td>
</tr>
<tr>
<td>Level 7 Officer - $25,000</td>
<td>Level 7 Officer - $50,000</td>
</tr>
<tr>
<td>Level 6 Officer - $15,000</td>
<td>Level 6 Officer - $25,000</td>
</tr>
</tbody>
</table>

- Changes to include incoming and outgoing sponsorship agreements.

Material amendments to the Procurement Policy and Contract Manual are provided in Attachment 1. The proposed revised Procurement Policy and Contract Manual is provided as Attachment 2.

Approval is sought for the proposed amendments to the Procurement Policy and Contract Manual.

6 ALIGNMENT TO THE CORPORATE PLAN, CORPORATE STRATEGIES AND OPERATIONAL PLAN

Procurement and contracting activities contribute to and are aligned with the following themes, outcomes and signature actions of the City Vision and Gold Coast 2022.

Supporting the Delivery of Gold Coast 2022

A. We plan for the future of the city. We make good choices and create a better future for the Gold Coast Community

   Implement the City Vision through the development and implementation of long-term plans, including Gold Coast 2022 (Corporate Plan) and corporate strategies.

B. We manage the city responsibly. Our stewardship of the city provides value for money for ratepayers

   Implement a robust management and control environment, supported by the key functions including Legal Services, Integrity and Ethics, Corporate Policies, Internal and External Audit and the City’s Audit Committee.

7 GOLD COAST 2018 COMMONWEALTH GAMES IMPACT

Council Commonwealth Games procurement and contracting activities are carried out in accordance Council’s Procurement Policy and Contract Manual.

8 FUNDING AND RESOURCING REQUIREMENTS

Budget/Funding Considerations

There will not be any additional costs involved in implementing the proposed Procurement Policy and Contract Manual.

Costs for Capital Works and Service Proposals

Not applicable.
ITEM 5 (Continued)
PROCUREMENT POLICY AND CONTRACT MANUAL
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In accordance with the budget review guidelines the following circumstances require referral to the Special Budget Committee

Not applicable.

People and Culture
Not applicable.

9 RISK MANAGEMENT

Operating under the Strategic Contracting Procedures and the Procurement Policy and Contract Manual will provide Council with greater flexibility to manage risks related with procurement activities and contributes specifically to the management of Corporate Governance Compliance Framework and mitigation of Corporate Risk CO000435 Failure to achieve a sustainable long-term financial position leading to negative impacts on Council's ability to deliver on its key focus area commitments.

10 STATUTORY MATTERS

The Strategic Contracting Procedures are found in Chapter 6, Part 2 of the Local Government Regulation 2012.

Section 198 Procurement Policy

(1) A local government must prepare and adopt a policy about procurement (a procurement policy).
(2) The procurement policy must include details of the principles, including the sound contracting principles, that the local government will apply in the financial year for purchasing goods and services.
(3) A local government must review its procurement policy annually.

Section 222 Contract Manual

(1) A local government must make and adopt a contract manual.
(2) A contract manual is a document that sets out the procedures for how the local government is to carry out all contracts.
(3) The contract manual must—
   (a) apply the sound contracting principles; and
   (b) be consistent with, and support, the achievement of the strategic direction stated in the local government's 5-year corporate plan; and
   (c) if the local government has adopted a contracting plan—be consistent with the contracting plan; and
   (d) include a policy about how the local government is to deal with any non-current assets that have a value of less than the amount mentioned in section 224(8).

11 COUNCIL POLICIES

Amendments to the Procurement Policy and Contract Manual are summarised in Attachment 1.

The discontinuation of procurement savings targets and processes requires removal of Section 5.5 (Identification of Procurement Savings) from the Budget Review Policy.

The Conflicts of Interest Policy is also being separately revised to ensure the appropriate transparency and equity exists in Council’s decision making processes, including procurement activities. The proposed revised policy will foreseeably strengthen controls relating to procurement and support the shift towards a centre-led procurement operating model.
ITEM 5 (Continued)
PROCUREMENT POLICY AND CONTRACT MANUAL
PS411/372/09(P5)

12 DELEGATIONS

13 COORDINATION & CONSULTATION
The Strategic Procurement Review was sponsored by the Mayor with significant input from the Chief Operating Officer, Director Organisational Services, Director Gold Coast Water and Waste, and the Manager Corporate Assurance.

Council adopted the recommendations which have resulted in the proposed amendments to the Procurement Policy and Contract Manual (Attachment 2) (GA17.0419.007). Legal Services have provided input into the proposed amendments.

The operating model and the proposed amendments to the contract worth thresholds were endorsed by the Executive Leadership Team, to be considered by Council.

Right to Information (RTI) and Information Privacy (IP) Legislation 2009
Not applicable.

14 STAKEHOLDER IMPACTS

External / community stakeholder Impacts
The proposed Procurement Policy and Contract Manual (Attachment 2) has differences as identified within Attachment 1 compared to the current Procurement Policy and Contract Manual which will be communicated externally to suppliers and contractors.

Internal (Organisational) Stakeholder Impacts
The provisions of the Procurement Policy and Contract Manual apply to all officers of Council. Communication of the amendments will be provided in accordance with the approved policy communication and implementation plans.

15 TIMING
The revised Procurement Policy and Contract Manual will come into effect on approval by Council.

16 CONCLUSION
The Local Government Regulation 2012 (section 198) requires Council to prepare and adopt a procurement policy and review the policy annually. The Local Government Regulation 2012 (section 222) also requires a contract manual for local governments who have adopted the Strategic Contracting Procedures.

The Procurement Policy and Contract Manual has undergone a review and approval is sought for its proposed amendments.
ITEM 5 (Continued)
PROCUREMENT POLICY AND CONTRACT MANUAL
PS411/372/09(P5)

17 RECOMMENDATION

It is recommended that Council resolves as follows:


Author: Jackie Thompson
Executive Coordinator Procurement Planning
11 November 2017
64567315, 65506015, 58809252

Authorised by: Peter Morichovitis
Acting Director Organisational Services

COMMITTEE RECOMMENDATION GA17.1123.005
moved Cr Owen-Jones seconded Cr Gates


CARRIED
### Attachment 1 – Procurement Policy and Contract Manual - Summary of material amendments

<table>
<thead>
<tr>
<th>Section</th>
<th>Section Name</th>
<th>Proposed - Update to</th>
<th>Current</th>
<th>Change reason</th>
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<tbody>
<tr>
<td>Policy</td>
<td>Policy Statement</td>
<td>(amended)</td>
<td>Council must utilise procurement and contracting to advance the strategic priorities and outcomes of the Corporate Plan whilst achieving value for money with probity and accountability. In doing so, Council must meet its legislative obligations under the Local Government Act 2009 and the Local Government Regulation 2012.</td>
<td>To align with GA17.0419.007</td>
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<td></td>
<td>Council ensures regard is had to the sound contracting principles when entering into a contract for (i) the supply of goods or services or (ii) the disposal of assets (Local Government Act 2009 section 104).</td>
<td>Council conducts all procurement and contracting activities in accordance with the Strategic Contracting Procedures [chapter 6 part 2] of the Local Government Regulation 2012 and all Council officers must comply with the requirements of the Contract Manual (Attachment A).</td>
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<td>The sound contracting principles are: (a) value for money; and</td>
<td>The Contract Manual (Attachment A) sets out the procedures for how Council must carry out all procurement and contracting activities, consistent with and supporting the strategic direction of the Corporate Plan and the Annual Contracting Plan.</td>
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<td>(b) open and effective competition; and</td>
<td>Council must apply the following sound contracting principles. a) Value for money b) Open and effective competition c) The development of competitive local business and industry d) Environmental protection e) Ethical behaviour and fair dealing</td>
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<td>(c) the development of competitive local business and industry; and</td>
<td>Following adoption of the Annual Plan and Budget, Council adopts an Annual Contracting Plan. This plan, and any associated Significant Contracting Plans, may include specific exemptions from the requirements of this Policy and Contract Manual.</td>
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<td>(d) environmental protection; and</td>
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<td>(e) ethical behaviour and fair dealing.</td>
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<td>Council conducts its procurement and contracting activities to advance the strategic priorities and outcomes of the Corporate Plan whilst achieving value for money with probity and accountability. In doing so, Council must meet its legislative obligations under the Local Government Act 2009 and the Local Government Regulation 2012.</td>
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<td>Council has resolved to take a strategic approach to its activities for the making of a contract for the supply of goods or services, or the disposal of non-current assets.</td>
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<td>Council must prepare and adopt a procurement policy including details of the principles that the Council will apply in the financial year for purchasing goods and services, and review its procurement policy annually (Local Government Regulation 2012 section 198).</td>
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<td></td>
<td>Council must make and adopt a Contract Manual (Local Government Regulation 2012 section 222). The Contract Manual (Attachment A) sets out the procedures for how Council is to carry out all contracts for the supply of goods or services, or the disposal of non-current assets. All Council officers must comply with the requirements of the Contract Manual (Attachment A).</td>
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<td>The Contract Manual must: (a) apply the sound contracting principles; and</td>
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<td></td>
<td>(b) be consistent with, and support, the achievement of the strategic direction stated in the local government’s 5-year corporate plan; and</td>
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<td>(c) be consistent with the Annual Contracting Plan; and</td>
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<td></td>
<td>(d) include a policy about how the local government is to deal with any non-current assets that have a value of less than the amount mentioned in section 224(8) of the Local Government Regulation 2012.</td>
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<td>Council officers exercising an administrative authorisation to spend from approved budgets must do so through the City Procurement Branch, Organisational Services. For any procurement or contracting activity, City Procurement must be engaged through the Corporate Planning and Budget Process.</td>
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<td>Following adoption of the Annual Plan and Budget, Council adopts an Annual Contracting Plan. This plan, and any associated Significant Contracting Plans, may include specific exemptions from the requirements of this policy and Contract Manual.</td>
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## PROCUREMENT POLICY AND CONTRACT MANUAL
**PS411/372/09(P5)**

### ITEM 5  (Continued)

#### Section Name: Scope: Exclusions

<table>
<thead>
<tr>
<th>Proposed - Update to</th>
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</table>
| **(removed)**        | • property development infrastructure agreements  
|                      | • Beneficial Enterprises  
|                      | • workers compensation and insurance |

Change reason: To align to the Strategic Contracting Procedures under the Local Government Regulation 2012 (Chapter 6 Part 2)

#### Section Name: Delegations

<table>
<thead>
<tr>
<th>Proposed - Update to</th>
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<tr>
<td><strong>(removed)</strong></td>
<td>Delegation No. DE01793, DE1508</td>
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</table>

Change reason: To align with GA17.0419.007

#### Section Name: Open and effective competition

<table>
<thead>
<tr>
<th>Proposed - Update to</th>
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</table>
| **(amended)**        | This principle mandates transparent processes and the promotion of effective competition between potential suppliers of goods or services to Council, or **those who may wish to receive grant funding or sponsorship from Council**.  
|                      | The objectives are to:  
|                      | • maximise the prospect of obtaining the most advantageous outcome  
|                      | • ensure that those desirous of supplying Council or being supplied with Council funds are given a reasonable opportunity to do so.  
|                      | Open and effective competition will be assisted by ensuring that:  
|                      | • procurement and contracting procedures and processes are visible to Council, suppliers and the public  
|                      | • suppliers of goods and services and parties seeking funding have an equal opportunity to do business with Council  
|                      | • invitations are specified in such a way as to encourage competition amongst suppliers and funding recipients, with a view to attracting value for money offers. |

Change reason: To align to the Strategic Contracting Procedures under the Local Government Regulation 2012 (Chapter 6 Part 2)

#### Section Name: Applying the local business pricing advantage

<table>
<thead>
<tr>
<th>Proposed - Update to</th>
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<tbody>
<tr>
<td><strong>(amended)</strong></td>
<td>For the 2017-18 financial year, this pricing advantage is capped at a total of <strong>$250,000</strong>.</td>
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Change reason: To align with GA17.0817.003

#### Section Name: Procurement Savings

<table>
<thead>
<tr>
<th>Proposed - Update to</th>
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</table>
| **(removed)**        | Council has developed and quantified bankable financial procurement savings targets and protocols as defined in the Annual Plan to deliver savings and value for money for Council through the application of strategic procurement techniques. Council officers must adhere to the procurement savings protocols as defined following and within the Budget Review Policy.  
|                      | A procurement category for which a new contract will affect a budget year shall be the subject of potential procurement savings. For recurrent budgets, the anticipated contract amount will be calculated using last year's spend (price x volume) plus the Council stipulated CPI increase. If no baseline spend exists and for non-recurrent budgets, the budget amount will be based on a validated estimate.  
|                      | Officers will be required to provide sufficient justification in the method of estimating in |

Change reason: To align with GA17.0419.007
<table>
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<th>Change reason</th>
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</table>
| Attachment A - Contract Manual section 3.1 | Key roles and accountabilities | (amended)  
  Council operates a centre-led procurement model via the City Procurement Branch, structured on a category management approach. City Procurement officers are positioned as valued business partners, enablers and advisors to the wider Council directorates.  
  Procurement activity will be driven by the business with City Procurement officers providing high quality support.  
  Directors will be accountable to ensure that Council’s Annual Contracting Plan is a true reflection of the procurement activities expected to occur.  
  Procurement officers will be involved in the initial stages of business forward planning to ensure there is agreement on the scope of the procurement activities required, the timing of the required procurement activities and the approach.  
  Reports seeking Council approval for procurement or contracting activities must be presented to the relevant Standing Committee by the relevant Director. | The Chief Procurement Office is the single point of accountability for all Council procurement and contracting matters. Procurement and contracting governance mechanisms will be implemented through the Chief Procurement Office to:  
  • provide strategic procurement and contracting oversight  
  • provide corporate procurement and contracting governance and direction  
  • oversee the implementation of this policy and contract manual and the Annual Contracting Plan  
  • ensure the benefits able to be achieved from strategic procurement methodologies are maximised corporately | To align with GA17.0419.007 |
| Attachment A - Contract Manual section 3.4 | Contracting administrative authorisations | (added)  
  • the activities included in the annual Contracting Plan are a true reflection of the procurement activities expected to occur. | Each Directorate involved in procurement and contracting activities is responsible for the effective and efficient use of public money. Compliance with the Procurement Policy and Contract Manual, the Annual Contracting Plan and associated procedures is mandatory. Officers aware of any instances of non-compliance must immediately advise their line manager and the Chief Procurement Office for remedial action. | To align with GA17.0419.007 |
| Attachment A - Contract Manual section 4.1 | Strategic Planning | (added)  
  Council will plan its contracting activities by way of a strategic and integrated process of identifying, understanding and delivering contracting requirements within the wider organisational planning and performance, asset management, program delivery and corporate risk (including WHS) management frameworks, aligned to the strategic objectives of the Corporate Plan. This includes formulating a portfolio of procurement activities for at least a financial year and considering the strategic implications of each activity (i.e. the Annual Contracting Plan). | | To align with GA17.0419.007 and the Strategic Contracting Procedures under the Local Government Regulation 2012 (Chapter 6 Part 2) |
| Attachment A - Contract Manual section 4.1.1 | Annual Contracting Plan | (added)  
  Directors are accountable to ensure that Council’s Annual Contracting Plan is a true reflection of the procurement activities expected to occur in the forthcoming financial year. | | To align with GA17.0419.007 |
**ITEM 5 (Continued)**

**PROCUREMENT POLICY AND CONTRACT MANUAL**

**PS411/372/09(P5)**

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<tbody>
<tr>
<td>Attachment A - Contract Manual section 4.2.6</td>
<td>Total cost of ownership (TCO) model</td>
<td>(removed)</td>
<td>Independent estimates (e.g. a qualified quantity surveyor or estimator) should be sought where the anticipated contract spend is more than $1,000,000 and an historical baseline does not exist, or as determined by the Chief Procurement Office. The Chief Procurement Office will be involved in verifying the provided estimates. Such estimates will be utilised as the baseline of spend from which the procurement savings will be measured. To achieve this, an estimate must be as accurate as possible in accordance with the requirements and associated standards within the context of the contracting activity.</td>
<td>To align with GA17.0419.007</td>
</tr>
<tr>
<td>Attachment A - Contract Manual section 4.2.9</td>
<td>Contract worth thresholds</td>
<td>(added)</td>
<td>The thresholds defined below apply equally to both expense and revenue contracts.</td>
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<td>(amended)</td>
<td>• Small-sized contract: a contract with an expected worth of $0 or more but less than $25,000 (excluding GST) &lt;br&gt; • Medium-sized contract: a contract with an expected worth of more than $25,000 but less than $250,000 (excluding GST) &lt;br&gt; • Large-sized contract: a contract with an expected contract worth more than $250,000 (excluding GST)</td>
<td>To align with GA17.0419.007 and the Work Health and Safety Act 2011 and Work Health and Safety Regulation 2011 requirements of appointing a Principal Contractor for construction works over $250,000</td>
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<tr>
<td>Attachment A - Contract Manual section 4.2.14</td>
<td>Exceptions to seeking competitive offers</td>
<td>(amended)</td>
<td>Where Council resolution is required to utilise an exception and a procurement activity has not been included in the adopted Annual Contracting Plan, the necessary agenda report must be submitted to the relevant Standing Committee.</td>
<td>To align with GA17.0419.007</td>
</tr>
<tr>
<td>Attachment A - Contract Manual section 4.2.15</td>
<td>Evaluation of offers</td>
<td>(amended)</td>
<td>Evaluation process &lt;br&gt; Offers will generally be evaluated via a four (4) gate evaluation process; unless an alternative evaluation methodology has been approved by the Chief Procurement Officer prior to inviting offers. &lt;br&gt; As a first step, a due diligence check is performed on all offers to enable Council to filter offers that do not conform to the invitation to offer requirements or pose unacceptable risk. &lt;br&gt; Due diligence checks may include, but are not limited to: &lt;br&gt; • ensuring fully completed documentation, pricing, insurances, registrations and licences &lt;br&gt; • legal entity, reference, financial, legislative and corporate checks &lt;br&gt; • deviations, alternative offers and conflicts of interests &lt;br&gt; • discussions with tenderers, demonstrations and site visits. &lt;br&gt; These due diligence checks are ongoing and also allow Council to assess the risk of an offer at any stage of the evaluation process to determine whether the offer is acceptable to continue in the evaluation process.</td>
<td>To align with GA17.0419.007</td>
</tr>
</tbody>
</table>
Gate 1. Evaluate against Mandatory Criteria - disqualify non-conforming offers.

Mandatory criteria are designed to enable Council to filter out offers that do not conform to the mandatory requirements that are specified in the invitation to offer documentation. These non-conforming offers (which do not meet the mandatory criteria requirements) will generally not be further evaluated.

Gate 2. Evaluate against Capability Scoring Criteria - select capable offers based on a combination of capability and local business and industry preferential factors.

These criteria are designed to enable Council to assign a relative score for each capability criterion. Each capability scoring criterion has a percentage weighting allocated to it to represent its relative importance and worth in the selection process.

Local business and industry preferential factors are mandatory scoring criteria to be applied after the other scoring criteria (83%) have been scored with a:
- 15% allocation of weighting based on local content (locality), and
- 2% weighting related to the Gold Coast Awards (see section 2.2.2).

Capability scoring criteria enable Council to focus on evaluating which suppliers have the required capability based on their scores, to move through to Gate 3.

Gate 3. TCO/pricing - quantify offers based on TCO/pricing.

A TCO or at least offer price must be quantified for all offers that have made Gate 3.

The local business pricing advantage must be deducted from local suppliers in accordance with the percentages stated in section 2.2.1.

All offers from within Gate 3 move to Gate 4.

Gate 4. Value for money criteria - select the most advantageous offer(s) based on a weighted combination of capability (Gate 2) and TCO (Gate 3) outcomes.

Gate 4 considers both qualitative and quantitative criteria relative to each offer in accordance with the predetermined weightings as documented in the Evaluation and Probity Plan, to determine the most advantageous offer to Council.

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<tbody>
<tr>
<td>Gate 1</td>
<td>Evaluate against Mandatory Criteria</td>
<td>- disqualify non-conforming offers.</td>
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<tr>
<td>Gate 2</td>
<td>Evaluate against Capability Scoring Criteria</td>
<td>- select capable offers based on a combination of capability and local business and industry preferential factors.</td>
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<tr>
<td>Gate 3</td>
<td>TCO/pricing</td>
<td>- quantify offers based on TCO/pricing.</td>
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<tr>
<td>Gate 4</td>
<td>Value for money criteria</td>
<td>- select the most advantageous offer(s) based on a weighted combination of capability (Gate 2) and TCO (Gate 3) outcomes.</td>
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<th>Evaluation Criteria</th>
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<tbody>
<tr>
<td>Due diligence criteria – are designed to enable Council to filter offers that do not conform to the invitation to Offer requirements or pose unacceptable risk to Council. Due diligence criteria allow Council to assess the risk of an offer, at any stage of the evaluation process, to determine whether the offer is acceptable to continue in the evaluation process. Due diligence criteria may include, but are not limited to:</td>
</tr>
<tr>
<td>• fully completed documentation, insurances and licences</td>
</tr>
<tr>
<td>• legal entity, reference, financial, legislative and corporate checks</td>
</tr>
<tr>
<td>• deviations, alternative offers, conflicts of interests, confidential, alternative offers</td>
</tr>
<tr>
<td>• discussions with tenderers, demonstrations and site visits.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gate 1. Mandatory criteria</th>
<th>- disqualify non-conforming offers</th>
</tr>
</thead>
<tbody>
<tr>
<td>These criteria are designed to enable Council to filter out offers that do not conform to the mandatory requirements that are specified in the invitation to Offer or evaluated in terms of the minimum specified requirements. These non-conforming offers (which do not meet the mandatory criteria requirements) will often not be further evaluated in subsequent Gates 2 and 3.</td>
<td></td>
</tr>
<tr>
<td>Mandatory criteria may include:</td>
<td></td>
</tr>
<tr>
<td>• acceptance of proposed terms and conditions</td>
<td></td>
</tr>
<tr>
<td>• possession of certain classes of licences or registrations required by legislation (e.g. RPEQ)</td>
<td></td>
</tr>
<tr>
<td>• satisfactorily documented Work Health and Safety systems</td>
<td></td>
</tr>
<tr>
<td>• environmental licences</td>
<td></td>
</tr>
<tr>
<td>Mandatory criteria are typically assessed with ‘yes’ or ‘no’ conformance, or may entail a percentage of conformance (e.g. 70%); an explanation for which must be documented and supported in the Evaluation and Probity Plan.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gate 2. Capability scoring criteria</th>
<th>- select capable offers based on a combination of capability and local business and industry factors (see section 2.2).</th>
</tr>
</thead>
<tbody>
<tr>
<td>These criteria are designed to enable Council to assign a relative score (usually out of ten) for each capability criterion. Each capability scoring criterion has a percentage weighting allocated to it to represent its relative importance and worth in the selection process (out of 100%).</td>
<td></td>
</tr>
<tr>
<td>Local business and industry is a ‘mandatory’ scoring criteria to be applied after the other scoring criteria (83%) have been scored with a:</td>
<td></td>
</tr>
<tr>
<td>• 15% allocation of weighting based on local content (locality) and</td>
<td></td>
</tr>
<tr>
<td>• 2% weighting related to the Gold Coast Business Excellence Awards, Gold Coast Young Entrepreneurs Awards or Gold Coast Women in Business Awards.</td>
<td></td>
</tr>
<tr>
<td>Capability scoring criteria may include:</td>
<td></td>
</tr>
<tr>
<td>• experience supported by referees and current contractual commitments</td>
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</tr>
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</table>
### Section 4.2.18 | Contract management and administration

**Attachment A - Contract Manual section 4.2.18**

<table>
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<tr>
<th>Proposed - Update to</th>
<th>Current</th>
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<tbody>
<tr>
<td>Contract management and administration</td>
<td>• program and methodology demonstrated ability to deliver the requirements</td>
</tr>
<tr>
<td>(added)</td>
<td>• capability of management systems, key personnel, materials plant and equipment, technical and product information</td>
</tr>
<tr>
<td></td>
<td>• customer service, innovation, social benefits</td>
</tr>
<tr>
<td></td>
<td>• satisfactorily documented environmental and sustainability systems</td>
</tr>
<tr>
<td></td>
<td>• Suitability of materials, plant and equipment</td>
</tr>
<tr>
<td></td>
<td>• satisfactorily documented Quality assurance (QA) system</td>
</tr>
<tr>
<td></td>
<td>• satisfactorily documented Work Health and Safety (WHS) systems</td>
</tr>
<tr>
<td></td>
<td>• (mandatory 17%) Local Business and Industry preferential weightings (see section 2.2.2)</td>
</tr>
</tbody>
</table>

Capability scoring criteria enable Council to focus on evaluating which suppliers have the required capability based on their scores to move through to Gate 3.

**Gate 3. Value for money criteria** - select the most advantageous offers based on a combination of TCO and local business pricing advantage (see section 2.2).

These criteria are designed to enable Council to identify the best value and determine the most advantageous outcome. These criteria should identify how value for money is to be evaluated if it is to include other considerations other than simply the lowest price.

Value for money criteria may include:

- price of the works or goods and services
- total cost of ownership model assessment (see section 4.1.6)
- (mandatory) local business pricing advantage (see section 2.2.1).

Where value for money is not otherwise defined then the lowest priced submission, after application of the local pricing advantage, having been evaluated as being capable of meeting Council’s ‘capability scoring’ requirements of Gate 2 will be the preferred offer.

**Attachment A - Contract Manual section 4.2.20**

<table>
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</thead>
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<tr>
<td>Disposal of non-current assets</td>
<td>• for the disposal of land or an interest in land</td>
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<td>(added)</td>
<td>(removed)</td>
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</table>

The strategic contracting procedures, and hence this policy and Contract Manual, do not apply to a contract for the disposal of land (Local Government Regulation 2012 section 217(4)). The default procedures and in particular section 236 will continue to apply to contracts for the disposal of land or an interest in land.

**To align with GA17.0419.007**

For Queensland Audit Office – Interim management report for the year ended 30 June 2017: items 4.1.1 4.1.2 - no central monitoring of contracts and contract variations and extensions.

**To align to the Strategic Contracting Procedures under the Local Government Regulation 2012 (Chapter 6 Part 2)**
<table>
<thead>
<tr>
<th>Section</th>
<th>Section Name</th>
<th>Proposed - Update to</th>
<th>Current</th>
<th>Change reason</th>
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<tr>
<td>Attachment A - Contract Manual section 4.2.21</td>
<td>Incoming/ outgoing sponsorship agreements</td>
<td>(added new section) There are many contracts Council is likely to wish to enter into that entail Council: • receiving incoming sponsorship (which is a species of supply of services (financial services)) by an external party and a supply, by Council, to the sponsor, of sponsorship benefits; or • providing outgoing sponsorship benefits (cash or in kind service provision); or • providing grant funding (separate to its Community Grants Policy) to others tied to delivery by funded entities of certain outcomes or deliverables. Council must have regard to the sound contracting principles and for those that entail a supply of goods or services or disposal of non-current assets, are required to be covered by the Contract Manual. Council officers will, unless an alternative approach is identified in the Annual Contracting Plan, apply the respective adopted guidelines for the particular economic development initiatives (e.g. Partnership Program, Investment Attraction Program, Export Assistance Scheme and Sponsorship Program).</td>
<td></td>
<td>To align to the Strategic Contracting Procedures under the Local Government Regulation 2012 (Chapter 6 Part 2)</td>
</tr>
<tr>
<td>Attachment A - Contract Manual section 4.3.6</td>
<td>Corporate purchasing cards</td>
<td>(amended) Card limits are to a maximum transaction value of $3,000 (excluding GST)</td>
<td>to a maximum transaction value of $1,000 (excluding GST)</td>
<td>To align with GA17.0419.007</td>
</tr>
<tr>
<td>Attachment A - Contract Manual (Current section 4.3.7)</td>
<td>Payroll reimbursements</td>
<td>(removed) Council operates in a cashless environment for procurement and contracting activities. (i.e. no petty cash facilities or cash advances). Council officers may obtain payroll reimbursement for low value, one-off expenditure incurred by completing the payroll reimbursement form and evidencing the transaction with a receipt issued by the supplier. Reimbursements must be authorised by an officer with the appropriate administrative authority who is a supervisor of, and in the direct hierarchy of, the officer claiming the reimbursement. Original receipts showing GST must be provided prior to any approval. Reimbursement claims with respect to the purchase of food, beverages, hospitality, flowers, gifts, clothing, etc – are subject to the conditions of the Entertainment and Hospitality Expenditure Policy and Corporate Travel and Accommodation Policy. Where reimbursement claims are likely to become recurring expenditure, officers must refer their requirements to the Chief Procurement Office for evaluation of an alternative procurement method.</td>
<td></td>
<td>To align to the Strategic Contracting Procedures under the Local Government Regulation 2012 (Chapter 6 Part 2)</td>
</tr>
<tr>
<td>Attachment D</td>
<td>Standard Expenditure Approval Limits</td>
<td>(amended) Manager $500,000 Executive Coordinator $250,000 Level 8 $100,000 Level 7 $50,000 Level 6 $25,000</td>
<td>Manager $250,000 Executive Coordinator $100,000 Level 8 $50,000 Level 7 $25,000 Level 6 $15,000</td>
<td>To align with GA17.0419.007</td>
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PROCUREMENT POLICY AND CONTRACT MANUAL
PS411/372/09(P5)

Procurement Policy and Contract Manual

DETAILS

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<th>November 2017</th>
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<tr>
<td>Contact officer:</td>
<td>Chief Procurement Officer, Organisational Services</td>
</tr>
<tr>
<td>Next review date:</td>
<td></td>
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<td>File reference:</td>
<td>PS411/372/09</td>
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<td>This policy</td>
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<td>41527850</td>
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OBJECTIVES AND MEASURES

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<th>Objectives</th>
<th>Value for money and alignment to the Corporate Plan</th>
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<tr>
<td></td>
<td>Value for money is not limited to price alone. The value for money assessment includes:</td>
</tr>
<tr>
<td></td>
<td>- contribution to and supporting the advancement of Council of the City of Gold Coast (Council) priorities and strategic objectives including buying local and innovation</td>
</tr>
<tr>
<td></td>
<td>- non-cost factors such as fitness for purpose, innovation, quality, risk profile, service, support, work health and safety (WHS), community, environment and sustainability requirements</td>
</tr>
<tr>
<td></td>
<td>- cost-related factors including whole-of-life costs and transaction costs associated with acquisition, use, administration, holding, maintenance and disposal of assets.</td>
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</table>

<table>
<thead>
<tr>
<th>Probity and accountability for procurement and contracting outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council conducts its procurement and contracting activities in a transparent manner which demonstrates probity and accountability.</td>
</tr>
<tr>
<td>Procurement and contracting tasks:</td>
</tr>
<tr>
<td>- are performed ethically, transparently and with fairness to all participants</td>
</tr>
<tr>
<td>- achieve the anticipated outcomes in a manner consistent with legislative requirements and the objectives of this policy.</td>
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</table>

<table>
<thead>
<tr>
<th>Performance Measures</th>
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<td>Procurement savings</td>
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<tr>
<td></td>
<td>Percentage of procurement spend with local suppliers</td>
</tr>
<tr>
<td></td>
<td>Percentage of contracts shown on the Annual Contracting Plan</td>
</tr>
<tr>
<td></td>
<td>Percentage of procurement spend aligned to strategic outcomes</td>
</tr>
</tbody>
</table>

| Risk Assessment | Low |

POLICY STATEMENT

Council ensures regard is had to the sound contracting principles when entering into a contract for
Procurement Policy and Contract Manual

(i) the supply of goods or services or (ii) the disposal of assets (*Local Government Act 2009* section 104).

The sound contracting principles are:

(a) value for money; and
(b) open and effective competition; and
(c) the development of competitive local business and industry; and
(d) environmental protection; and
(e) ethical behaviour and fair dealing.

Council conducts its procurement and contracting activities to advance the strategic priorities and outcomes of the Corporate Plan whilst achieving value for money with probity and accountability. In doing so, Council must meet its legislative obligations under the *Local Government Act 2009* and the *Local Government Regulation 2012*.

Council has resolved to take a strategic approach to its activities for the making of a contract for the supply of goods or services, or the disposal of non-current assets.

Council must prepare and adopt a procurement policy including details of the principles that the Council will apply in the financial year for purchasing goods and services, and review its procurement policy annually (*Local Government Regulation 2012* section 198).

Council must make and adopt a Contract Manual (*Local Government Regulation 2012* section 222). The Contract Manual (Attachment A) sets out the procedures for how Council is to carry out all contracts for the supply of goods or services, or the disposal of non-current assets. All Council officers must comply with the requirements of the Contract Manual (Attachment A).

The Contract Manual must:

(a) apply the sound contracting principles; and
(b) be consistent with, and support, the achievement of the strategic direction stated in the local government’s 5-year corporate plan; and
(c) be consistent with the Annual Contracting Plan; and
(d) include a policy about how the local government is to deal with any non-current assets that have a value of less than the amount mentioned in section 224(8) of the *Local Government Regulation 2012*.

Council officers exercising an administrative authorisation to spend from approved budgets must do so through the City Procurement Branch, Organisational Services. For any procurement or contracting activity, City Procurement must be engaged through the Corporate Planning and Budget Process.

Following adoption of the Annual Plan and Budget, Council adopts an Annual Contracting Plan. This plan, and any associated Significant Contracting Plans, may include specific exemptions from the requirements of this policy and Contract Manual.

**SCOPE**

Policy provisions apply to:

**Who**

- all officers of Council
ITEM 5 (Continued)
PROCUREMENT POLICY AND CONTRACT MANUAL
PS411/372/09(P5)

Procurement Policy and Contract Manual

• all consultants, contractors or contingent labour engaged by, or associated with Council who are involved in any procurement or contracting activity, or part thereof, on behalf of, or as agents for, Council Councillors.

What

All procurement and contracting activities (for the making and carrying out of contracts) for all spend categories for:
• the supply of goods and services (including construction services)
• the disposal of non-current assets (excluding land but including the disposal of an interest in land).

All procurement and contracting activities including:
• formal contracts
• revenue neutral or revenue positive contracts
• licences and lease agreements
• purchase requisitions (shopping carts)
• purchase orders
• corporate purchasing cards
• stores inventory management and warehousing
• non-order purchases.

Exclusions

Other provisions of the legislation that govern activities not within the scope of this policy such as:
• procurement and disposal of land
• disposal of current-assets (note that in disposing of current assets, Council must still have regard to the sound contracting principles)
• property development infrastructure agreements regulated by the Planning Act
• grants administered via the Community Grants Policy
• government fees, licensing, registrations and levies
• refunds and reimbursements
• contracts for the direct employment of Council officers.

DEFINITIONS

See Attachment C - Definitions.

RELATED POLICIES AND DELEGATIONS

This policy is to be interpreted subject to, and limited by, other related policy and legislation including the following:

Council Policy
• Asset Custodian Policy (Infrastructure and Land)
• Asset Management Policy
• Benefits and Gifts Policy
• Budget Review Policy
• Cash and Negotiable Instruments Handling Policy
Procurement Policy and Contract Manual

- Code of Conduct for Employees Policy
- Community Grants Policy
- Conflicts of Interest for Employees Policy
- Council Leasing Policy - State Reserves and Council Freehold Land for Sporting, Recreational, Community Services and Educational Purposes
- Complaints (Administrative Actions) Policy
- Corporate Travel and Accommodation Policy - Employees and Contractors
- Delegated Power and Authorisations Policy
- Digital City Policy
- Entertainment and Hospitality Expenditure Policy
- Expenses Reimbursement and Provision of Facilities for Mayor and Councillors Policy
- Fraud and Corruption Control Policy
- Internal Audit Policy
- Information Privacy Policy
- Local Area Works and Services Program Policy
- Right to Information and Information Provision Policy
- Whistleblowers (Public Interest Disclosure) Policy
- Work Health and Safety Policy

Delegations

LEGISLATION

External Legislation / Guidelines

- A New Tax System (Goods and Services Tax) Act 1999
- Building and Construction Industry Payment Act 2004
- Environmental Protection Act 1994
- Fair Trading Act 1989
- Financial Accountability Act 2009
- Information Privacy Act 2009
- Local Government Act 2009
- Local Government Regulation 2012
- Public Sector Ethics Act 1994
- Queensland Building and Construction Commission 2014
- Right to Information Act 2009
- Statutory Bodies Financial Arrangements Act 1982
- Trade Practices Act 1974
- Work Health and Safety Act 2011
- Work Health and Safety Regulation 2011

SUPPORTING DOCUMENTS

Attachment A – Contract Manual
ITEM 5 (Continued)
PROCUREMENT POLICY AND CONTRACT MANUAL
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Procurement Policy and Contract Manual

Attachment B – Councillors' Disagreement with Procurement Recommendation Standard
Attachment C – Definitions
Attachment D – Standard Expenditure Approval Limits (Administrative Authorisations)

Corporate Budget and Planning Process
Procurement Complaints Process
Delegations and Authorisations Register – Delegations
Delegations and Authorisations Register – Administrative Authorisations
The City’s Corporate Plan (Gold Coast 2022)
Workplace Health and Safety Management System (WHSMS)

RESPONSIBILITIES

<table>
<thead>
<tr>
<th>Sponsor</th>
<th>Director Organisational Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>Chief Procurement Officer</td>
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## VERSION CONTROL

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<td>Purchase orders (PO)</td>
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</tr>
<tr>
<td>4.3.3</td>
<td>Delivery and receipting</td>
<td>201</td>
</tr>
<tr>
<td>4.3.4</td>
<td>Inventory management and warehousing</td>
<td>201</td>
</tr>
<tr>
<td>4.3.5</td>
<td>Invoices and payments</td>
<td>201</td>
</tr>
<tr>
<td>4.3.6</td>
<td>Corporate purchasing cards</td>
<td>201</td>
</tr>
<tr>
<td>4.3.7</td>
<td>Non-order purchases</td>
<td>202</td>
</tr>
</tbody>
</table>
1 CONTRACTING PRINCIPLES

All procurement is represented in a contractual arrangement of one form or another and is governed by contract law.

In establishing and carrying out contracts within scope of this policy (for the supply of goods and services or the disposal of non-current assets), Council must have regard to the five sound contracting principles.

Evaluation of proposed contracts should take into account the relativities of the various principles.

Where different weightings are applied to any of the principles, such must be documented in the evaluation recommendation.

1.1 Value for money

The objective of the value for money principle is to ensure that all procurement and contracting activities represent the best return and performance for money spent from a ‘total cost of ownership’ (TCO) or ‘whole-of-life costs’ perspective to assist Council to effectively and efficiently use public money.

Value for money should not be limited to price alone. In assessing value for money, officers must consider:

- the contribution to the advancement of Council priorities and vision; including buying local, innovative procurement initiatives, maximising the legacy of the GC2018, community and social benefits, and sustainability considerations consistent with and supporting the strategic direction of the Corporate Plan
- factors such as fit for purpose, innovation, maintenance and support, relevant experience and performance, availability and suitability of staff, plant and equipment, application of relevant and sound systems of operational management, risk, legal and reputation exposure, and business continuity
- cost-related factors including whole-of-life costs and transactional costs associated with the acquisition, use, administration, holding, maintenance and disposal of the goods and/or services.

As the application of the value for money principle may not necessarily favour the lowest price, contracting decisions must substantiate how application of the principles ensures Council is receiving the most advantageous outcome.

1.2 Open and effective competition

This principle mandates transparent processes and the promotion of effective competition between potential suppliers of goods or services to Council, or those who may wish to receive grant funding or sponsorship from Council.

The objectives are to:

- maximise the prospect of obtaining the most advantageous outcome
- ensure that those desirous of supplying Council or being supplied with Council funds are given a reasonable opportunity to do so.

Open and effective competition will be assisted by ensuring that:

- procurement and contracting procedures and processes are visible to Council, suppliers and the public
- suppliers of goods and services and parties seeking funding have an equal opportunity to do business with Council
- invitations are specified in such a way as to encourage competition amongst suppliers and funding recipients, with a view to attracting value for money offers.
1.3 Development of competitive local business and industry

This principle aims to proactively support local business and industry to provide jobs on the Gold Coast in recognition of the economic, innovative and social benefits that this brings.

This objective will be pursued by ensuring that:

- matters of advantage inherent in local procurement and contracting are recognised and factored into determining the most advantageous offer for Council through application of the competitive local business and industry preferential factors (see section 2.2)
- unique and innovative initiatives are explored that achieve the local business development objectives of the Economic Development Strategy 2013-2023 (see section 2.3)
- social procurement initiatives are progressed in order to provide economic and employment opportunities to disadvantaged communities of the Gold Coast (see section 2.4).

1.4 Environmental protection

The objective of the principle of environmental protection is to maintain a commitment to long-term, ecological sustainability through procurement and contracting activities that conserve resources, save energy, minimise waste, protect human health and maintain environmental quality and safety.

This objective will be promoted or pursued by:

- contracting activities that minimise environmental impact
- providing opportunities for the assessment of low environmental impact products and services that meet Council’s requirements
- encouraging, through focused supplier relationships, the development of local sources for low environmental impact goods and services
- ensuring invitations to suppliers include advice of Council’s commitment to the environment and to seek long-term, environmentally sustainable alternatives
- requesting sufficient information from suppliers to enable evaluation of issues relative to environmental protection
- ensuring that suppliers of goods and services involving any environmentally relevant activity (ERA) are compliant with legislation.

1.5 Ethical behaviour and fair dealing

This principle encompasses:

- applying sound ethical principles and equitable and fair opportunities
- ensuring probity, transparency and accountability for all contracting outcomes
- ensuring officers with contracting responsibilities act with integrity and in a way that shows concern for public interest.

Ethical behaviour and fair dealing will be promoted by fulfilling the requirements of Council’s Code of Conduct, working with sound ethics and ensuring Council and suppliers:

- promote high standards of professionalism in procurement and contracting activities
- use procurement and contracting processes, systems and procedures that provide a consistent approach to Council’s policy requirements
- develop evaluation and probity plans for contracting activities
- develop contract management plans for identified contracting activities
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- note interactions with suppliers and record content of meetings
- safeguard suppliers’ commercially-confidential information and/or intellectual property
- ensure procurement and contracting processes are transparent so that suppliers are treated equitably
- ensure that Council officers involved in contracting avoid and/or declare any conflicts of interest consistent with the Code of Conduct for Employees Policy, Conflicts of Interest for Employees Policy, Benefits and Gifts Policy and the relevant legislation.
2 PROCUREMENT AND CONTRACTING REQUISITES

The following procurement and contracting requisites should be applied whilst having regard to the five sound contacting principles and be consistent with and support the achievement of the strategic direction of the Corporate Plan.

2.1 Australian made

Council prefers to procure goods made in Australia.

2.2 Competitive local business and industry preferential factors

When applying the principle ‘development of competitive local business and industry’ Council will:

- reserve the right to invite only local businesses to offer for appropriate contracts or categories of spend
- include a statement in its invitation to offer documentation that Council, through this policy, encourages the development of competitive local business and industry
- for contracts with an expected worth less than $250,000, where competitive offers are mandatory, only seek offers from local businesses in the first instance (where such are assessed to be reasonably capable of supplying Council’s needs at reasonable prices)
- provide a 15 per cent local content preferential weighting to the capability scoring evaluation criteria (see section 2.2.2)
- provide a two per cent Gold Coast Awards preferential weighting to the capability scoring evaluation criteria (see section 2.2.2)
- provide a pricing advantage to local businesses for contracts with a worth less than $1,000,000 per annum (see section 2.2.1)
- reserve the right to only invite offers from a limited supply base for innovative or social initiatives for appropriate contracts or categories of spend (see sections 2.3 and 2.4).

The weightings and pricing advantage threshold will apply at a separable portion level.

If the application of the competitive local business and industry preferential factors will result in an outcome that is believed to be unreasonable, will not deliver value for money, or is deemed to not be advantageous; the matter must be referred to the Chief Procurement Officer for further consideration in consultation with the relevant Director.

Business categorisation for competitive local business and industry preferential factors

For the purposes of competitive local business and industry preferential factors, businesses supplying Council have been categorised as shown in Table 1 following.

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Developing or established Gold Coast business</td>
</tr>
<tr>
<td>B</td>
<td>Branch office on the Gold Coast directly employing a minimum of 10 FTEs (not contractors)</td>
</tr>
<tr>
<td>C</td>
<td>Branch office on the Gold Coast, established for a minimum of six months, directly employing less than 10 FTEs (not contractors)</td>
</tr>
<tr>
<td>D</td>
<td>Adjacent local government (Logan, Scenic Rim, Redland or Tweed Shire) business</td>
</tr>
</tbody>
</table>
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<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>E</td>
<td>Queensland business</td>
</tr>
<tr>
<td>F</td>
<td>Interstate business</td>
</tr>
<tr>
<td>G</td>
<td>Overseas business</td>
</tr>
</tbody>
</table>

A Category A business is a business that:
- has its head office on the Gold Coast and conducts business within Gold Coast city boundaries (includes sole traders) prior to a contract being awarded for which their offer has been submitted
- may also conduct business outside of the Gold Coast.

Any branch office (Category B or C business) must:
- be a branch office of the business submitting the offer, not of a subsidiary or parent company
- constitute a physical address, not a post office box or other mailing address.

Remaining proximities (adjacent local government, Queensland, interstate and overseas locations) are determined by the location of the business’s head office.

2.2.1 Applying the local business pricing advantage

If the best value pricing offer is from a Category A, B or C business (refer Table 1) then this offer is regarded as the most advantageous.

For contracts where quotations are sought (generally with an expected worth less than $250,000), if the best value pricing offer is from a Category D, E, F or G business, but a pricing offer from a Category A or B business is within:
- 30 per cent of the best value pricing offer for contracts less than $50,000
- 25 per cent of the best value pricing offer for contracts between $50,000 and $100,000
- 20 per cent of the best value pricing offer for contracts between $100,000 and $250,000.

then the offer from the Category A or B business will be regarded as the most advantageous.

For contracts where invitations to offer are utilised with an expected worth less than $1,000,000 per annum, if the best value pricing offer is from a Category D, E, F or G business, but a pricing offer from a Category A or B business is within 15 per cent of the best value pricing offer, then the offer from the Category A or B business will be regarded as the most advantageous.

For the purposes of Gate 3 in the invitation to offer evaluation process (see section 4.2.16), the aforementioned percentages are deducted off the TCO/price of local businesses.

For the 2017-18 financial year, this pricing advantage is capped at a total of $250,000.

2.2.2 Applying the local business and industry preferential weightings

Local Content

A 15 per cent weighting related to the business locality will be included in Council’s capability scoring evaluation criteria, allocated as shown in Table 2 following.
### Table 2: Local content scoring

<table>
<thead>
<tr>
<th>Score</th>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>A</td>
<td>Developing or established Gold Coast business</td>
</tr>
<tr>
<td>12%</td>
<td>B</td>
<td>Branch office on the Gold Coast directly employing a minimum of 10 FTEs (not contractors)</td>
</tr>
<tr>
<td>9%</td>
<td>C</td>
<td>Branch office on the Gold Coast, established for a minimum of six months, directly employing less than 10 FTEs (not contractors)</td>
</tr>
<tr>
<td>4%</td>
<td>D</td>
<td>Adjacent local government (Logan, Scenic Rim, Redland or Tweed Shire) business</td>
</tr>
<tr>
<td>2%</td>
<td>E</td>
<td>Queensland business</td>
</tr>
<tr>
<td>1%</td>
<td>F</td>
<td>Interstate business</td>
</tr>
<tr>
<td>0%</td>
<td>G</td>
<td>Overseas business</td>
</tr>
</tbody>
</table>

### Gold Coast Awards

A two percent weighting relating to Gold Coast Awards will be included in Council’s capability scoring evaluation criteria, allocated as shown in Table 3 following.

### Table 3: Gold Coast awards scoring

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2%</td>
<td>A winner of an annual Gold Coast Business Excellence Award, Gold Coast Young Entrepreneurs Award or Gold Coast Women in Business Award within the past 4 calendar years</td>
</tr>
<tr>
<td>1%</td>
<td>A winner of a monthly Gold Coast Business Excellence Award, or finalist of a Gold Coast Young Entrepreneurs Award or Gold Coast Women in Business Award within the past 4 calendar years</td>
</tr>
<tr>
<td>0%</td>
<td>All other businesses</td>
</tr>
</tbody>
</table>

### 2.3 Innovative Procurement

Innovation is fundamental to enhancing value for money outcomes for Council. Innovative solutions can be developed in the market long before they are identified by Council. Such solutions generally provide Council with a unique and/or innovative solution to a problem, address an opportunity, or enhance the services Council provides to its rate payers.

Council intends to provide for circumstances in which it seeks to engage an innovative procurement activity and work with suppliers to expand opportunities and identify suitable procurement spend categories for innovative procurement initiatives.

### 2.4 Social Procurement

Council is committed to social procurement, a strategic approach to meeting social objectives through procurement and contracting, and in particular facilitating employment opportunities to disadvantaged communities on the Gold Coast.

Social procurement delivers benefits to Council including:
- developing and attracting social enterprises
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- encouraging local businesses to include social or community objectives into daily business practices
- promoting employment opportunities and inclusive and accessible work environments for young people or older persons who are unemployed, people from Culturally and Linguistically Diverse (CALD) backgrounds and people with disabilities
- building the skills, knowledge and ability of not-for-profit community groups to enable them to access funding and expand services.

Council intends to use a portion of its annual procurement spend to engage suppliers that provide a direct benefit to the disadvantaged communities of the Gold Coast, including offering tender opportunities directly to social enterprises and social benefit suppliers.

Council intends to work with social groups and suppliers to expand opportunities and identify suitable procurement spend categories for social procurement initiatives.

2.5 Quality assurance (QA) systems

Quality assurance (QA) is a method whereby Council can increase its confidence that procured goods and/or services will be of consistent quality. Council prefers to satisfy its requirements for goods or services from suppliers with quality systems in place.

For contracts with an anticipated worth more than $250,000 it is appropriate to consider the risk involved in not procuring from suppliers who can provide an assurance that goods and services will be of appropriate and consistent quality and hold industry certification regarding implementation of such systems.

2.6 Sustainable procurement

Council is committed to protecting the environment and doing business with ethical and socially responsible suppliers and procuring goods and services that achieve sustainability outcomes such as those that have a reduced negative impact on the environment and/or an improved social outcome.

Sustainable procurement means that when buying goods and services, Council will consider:

- strategies to avoid unnecessary consumption and manage demand
- minimising environmental impacts over the whole-of-life of the goods and/or services
- suppliers’ socially responsible practices
- value for money over the whole-of-life of the goods and/or services, rather than just initial cost.

Sustainability impacts should be considered from a TCO or whole-of-life perspective, including considering the sourcing of raw materials, manufacturing processes, packaging (e.g. suppliers who take back end-of-life products or packaging), distribution and transport, storage, operation and maintenance, disposal and potential for life extension through reuse or recycling. In addition to sustainability impacts directly associated with the good or service, the sustainability credentials of the supplier organisation should also be considered to ensure that they are ethically, socially and environmentally responsible.

2.7 Environmentally friendly products

Council prefers to procure products that have been designed to minimise environmental harm resulting from their resource extraction, processing, manufacturing, operation and disposal.

Products which will be preferred:

- demonstrate a design that avoids or reduces environmental harm resulting from the waste produced through operation of the product
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- consume a relatively small amount of energy, water or other resources during the product’s manufacture, use and disposal
- are provided with minimal packaging material
- have been manufactured and assembled from resource components that have not contributed to the endangerment of threatened species or threatened environments.

Products to be avoided include those containing, emitting or producing:

- chlorofluorocarbons (CFC), halons or other ozone depleting gases
- asbestos
- banned pesticides and persistent or bio-accumulating pesticides
- carbon dioxide (CO2), methane, nitrous oxides, hydrochlorofluorocarbons (HCFCs), carbon tetrachloride and other greenhouse gases
- hazardous solvents (e.g. paints, glues).

2.8 Recycled products

Council prefers where appropriate to procure Australian recycled products.

2.9 Environmentally Relevant Activities

The Environmental Protection Act 1994 requires that an operator of an environmentally relevant activity (ERA) holds appropriate authorisation issued by a relevant authority stipulated by the Act. Services that fall under the definition of an ERA must not be procured from operators who are not licensed or approved under the relevant legislation.

Officers sourcing services which are, or could be, classified as an ERA must ensure that the supplier holds appropriate authorisation and that the requirement for the environmental authority is included in any specification of work or services to be performed.

2.10 Work Health and Safety (WHS)

Council must ensure, so far as reasonably practicable, the health and safety of all workers throughout Council’s business or undertaking, and that its activities do not place other persons at risk from work carried out as part of the business or undertaking.

In order to ensure that Council meets its WHS obligations during the procurement and contracting activities, Directorate areas are to identify for each contract a Council Contract Representative (CCR). The CCR is to as far as reasonably practicable ensure Council maintains its duty of care at all stages of the procurement and contracting process, that all workers and other persons are not put at risk from the carrying out of works or the provision of goods and services that is procured by Council.

CCRs are, as far as reasonably practicable, to be involved in all stages of the procurement and contracting process to ensure that:

- all foreseeable health and safety risks associated with a potential contract are identified
- specifications comply with the relevant legislation
- evaluation criteria request sufficient and appropriate WHS systems to ensure that risks are minimised and/or eliminated
- Council’s operational obligations with regards to WHS contract performance monitoring and management are actioned under the contract.
The CCRs should seek WHS subject matter expertise and assistance from their Directorate Safety Advisors and the Corporate Safety Auditors throughout all stages of the procurement process, and the administration and management of contracts. The Corporate Safety Auditors can provide assistance in undertaking on site WHS performance monitoring.

Officers involved in procurement and contracting activity must comply with the requirements of Council’s Workplace Health and Safety Policy and Workplace Health and Safety Management System (WHSMS).

2.11 Probity

During the entire procurement process, any officers who intend to have any input or influence should familiarise themselves with Council’s Code of Conduct and Conflict of Interest for Employees Policy.

All officers involved in procurement and contracting activity must comply with the following interlinked principles and objectives of probity.

- Use of a competitive process.
- Fairness and impartiality.
- Transparency of process.
- Independence through effective management of conflicts of interest.
- Accountability of process.
- Security and confidentiality of information and materials.

A probity auditor or advisor must be engaged for the procurement activity of:

- goods and services above $10 million
- construction above $50 million.

The Chief Procurement Officer or his nominated delegate will undertake this function, where a probity auditor/advisor has not been nominated to the procurement activity.

2.12 Managing conflicts of interest

Officers participating in procurement and contracting activities must comply with the requirements of Council’s Code of Conduct, Conflicts of Interest for Employees Policy and Benefits and Gifts Policy and must:

- notify the Chief Procurement Officer immediately they become aware of any conflict of interest (perceived, potential or actual)
- not accept gifts from parties related to any procurement or contracting activity
- action the pre and post offer declarations of conflict of interest and confidentiality as applicable.

2.13 Financing alternatives

A decision to acquire equipment may comprise two activities: to decide the most advantageous supplier of the equipment, and to determine the most advantageous method of financing the acquisition.

Specific financing arrangements may require additional approvals including that from Treasury.
3 PROCUREMENT AND CONTRACTING RESPONSIBILITIES AND ACCOUNTABILITIES

3.1 Key roles and accountabilities

Council operates a centre-led procurement model via the City Procurement Branch, structured on a category management approach. City Procurement officers are positioned as valued business partners, enablers and advisors to the wider Council directorates.

Procurement activity will be driven by the business with City Procurement officers providing high quality support.

Directors will be accountable to ensure that Council’s Annual Contracting Plan is a true reflection of the procurement activities expected to occur.

Procurement officers will be involved in the initial stages of business forward planning to ensure there is agreement on the scope of the procurement activities required, the timing of the required procurement activities and the approach.

Reports seeking Council approval for procurement or contracting activities must be presented to the relevant Standing Committee by the relevant Director.

3.2 Category management

Council will execute a category approach for contracting activities. In doing so, Council will:

- conduct strategic analysis of its future requirements and supply markets and categorise its spend into categories based on criteria including relative expenditure, surety of supply and risk
- develop category management expertise to manage the spend categories
- conduct detailed category analysis, market and supplier analysis for the spend categories
- develop strategies to identify, plan and capitalise on the most advantageous opportunities within each category
- execute the appropriate sourcing methodologies for each category.

3.3 Contracting delegations

Section 238 of the Local Government Regulation 2012 applies if a local government delegates, under section 257 of the Local Government Act 2009, power to make, amend or discharge a contract for the local government.

Delegations to enter into, vary or discharge contracts within scope of this policy predominantly reside with City Procurement. Officers outside of City Procurement must not enter into, vary or discharge a contract within scope of this policy unless they hold a specific delegation (e.g. corporate purchase card holders).

Officers with the requisite administrative authorisations (refer section 3.4 and Attachment D) may authorise spending from approved annual budgets but only by requesting delegates to enter into, vary or discharge contracts.

A delegate may enter into, vary or discharge a contract for Council if:

- Council’s expenditure, because of the contractual action, has been provided for in the approved annual budget for the financial year:
  - when the contractual action is taken or
• in which the delegation resolution is made, if the expenditure is within the limits stated in the resolution, or
• the contractual action has been taken because of genuine emergency or hardship (Local Government Regulation 2012 section 238(2)).

Note that an approved annual budget for each financial year:

• is prepared on an accrual basis
• includes statements of the following for the financial year for which it is prepared and the next two (2) financial years:
  • financial position
  • cash flow
  • income and expenditure
  • changes in equity (see section 169 of the Local Government Regulation 2012).

3.4 Contracting administrative authorisations

Administrative authorisations do not confer any delegated powers to make, amend or discharge contracts. All that such authorisations do is confer authority to request delegates (who have the power to enter into, vary or discharge contracts within the scope of this policy) to execute purchase orders and other contractual arrangements or any other transactional or administrative requirements or documentation that results in entry to, varying or discharging contracts.

In authorising the purchase requisition (shopping cart), purchase order, Annual Contracting Plan, Significant Contracting Plans, Contract Request Form or otherwise requesting a delegate to enter into, vary or discharge a contract; holders of administrative authorisations are providing certification that:

• sufficient funds are available in the current approved annual budget for the line item for which the goods and/or services are to be contracted
• the value to be used for determining the authorised amount, in all cases, is the gross value of the expenditure (excluding GST) proposed for an individual procurement or the total sum of a contract over the period for which the agreement will be in place. Trade-in values must not be deducted from purchase values when determining the administrative authority level
• the estimates for which the goods or services are to be contracted are accurate and reflect the actual requirements
• the activities involved in the procurement process have been carried out in compliance with this policy and Contract Manual
• all the requisite approvals have been received in order for the contracting activity to proceed
• the activities included in the Annual Contracting Plan are a true reflection of the procurement activities expected to occur.

Council has standardised its administrative authorisations (i.e. expenditure approval limits) as defined in Attachment D - Standard Expenditure Approval Limits (Administrative Authorisations).

3.5 Legal advice/services and selection of contract terms

Officers requiring legal advice/services on procurement and contracting activities, including the development and management of contracts must do so through a City Procurement delegate. The City Procurement delegate is responsible for initiating legal advice as and when required.
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Council emulates, to the extent that such is possible, the various contract templates developed by the State of Queensland.

City Procurement delegates are arbiters regarding what contract terms and conditions are to be used. Officers who would like to insert or depart from the standard terms and conditions, must seek advice from a City Procurement delegate who is responsible for sourcing legal advice as and when required.

All contractual disputes or complaints about the conduct of procurement and contracting activities must be referred to the Chief Procurement Officer as the point of resolution. The Chief Procurement Officer in consultation with the relevant Director will then determine what further support and assistance is required to resolve the dispute.

3.6 Right to Information and confidentiality

Right to Information legislation and the Local Government Act promote openness and transparency. A core overarching principle is to emphasise and promote the right to government information and provide a right of access to information in the government’s possession or under the government’s control unless, on balance, it is contrary to the public interest to provide the information. Hence it is antithetical for Council to promise that it will treat most information relating to its contracting, as confidential.

Invitation to offer documentation should seek to ensure that this is explained and invite suppliers to:

- submit all and any information on the basis that the public has a right to know all of such
- specifically label any information that is supplied on the basis that it is to be kept confidential, only if Council agrees to receive and accept such on those terms.

City Procurement will supply information to suppliers who request feedback on their offers in terms of the following.

- Communications to unsuccessful suppliers may provide information identifying gaps in their offer to provide an opportunity for improvement in future offers.
- The initial communications to an unsuccessful supplier must be through an ‘unsuccessful letter’. The feedback would put the onus on the unsuccessful supplier to take action to seek further information, if they desire. The feedback must offer and provide a point of contact for debrief if requested.
- Debriefs are recommended to be carried out face-to-face or by phone. Debriefs must be general and target any substantial gaps between an unsuccessful supplier’s scoring and the criteria provided; that is what Council would have expected the supplier to provide in response to the criteria to achieve a higher score. Comparative information with other suppliers (e.g. other suppliers scores) must not be shared.
- Information that has been made public via the approval process (e.g. Council agenda report) may be made available to suppliers.

3.7 Supplier complaints

All complaints regarding procurement and contracting activity must be directed to the Chief Procurement Officer as the first point of contact to provide the opportunity for the procurement function to deal with and resolve the issue.
4 CATEGORY MANAGEMENT

Section 222 of the Local Government Regulation 2012 requires that Council define the procedures Council must follow to carry out all contracts.

This section outlines:

- what procedures are to be followed when assessing risk in contracting activities, planning what sourcing and delivery methodologies are appropriate, selecting contract terms and conditions, selecting and evaluating those who should be awarded contracts and entering into or making contracts; and
- how Council proposes to manage the contract administration functions throughout the life of the contract, such as procedures relating to receipt and approval of payment claims and/or invoices, and contract and supplier performance management.

4.1 Strategic Planning

Council will plan its contracting activities by way of a strategic and integrated process of identifying, understanding and delivering contracting requirements within the wider organisational planning and performance, asset management, program delivery and corporate risk (including WHS) management frameworks; aligned to the strategic objectives of the Corporate Plan. This includes formulating a portfolio of procurement activities for at least a financial year and considering the strategic implications of each activity (i.e. the Annual Contracting Plan).

The strategic procurement planning process involves the following.

4.1.1 Annual Contracting Plan

Directors are accountable to ensure that Council’s Annual Contracting Plan is a true reflection of the procurement activities expected to occur within the financial year. They must also ensure that for any provision of goods and services or the disposal of non-current assets, City Procurement is engaged at Phases 1 and 2 of the Corporate Planning and Budget Process, to assist Council plan its procurement and contracting activities through the development of the Annual Contracting Plan.

The Annual Contracting Plan must include (Local Government Regulation 2012 section 220):

- the types of contracts that Council proposes to make for the financial year (estimated value, duration, proposed sourcing strategy and time to market)
- the principles and strategies for performing the contracts
- a market assessment of each type of contract based on an assessment of relative cost and difficulty of securing supply
- the contracts Council considers significant having regard to the market assessment and a policy on the making of a Significant Contracting Plan (see section 4.2.14).

The Annual Contracting Plan must be consistent with, and support the achievement of the strategic direction of the Corporate Plan.
Council, by resolution, may amend the Annual Contracting Plan at any time before the end of the year to which the plan relates.

Where a proposed contracting activity has not yet been included in the Annual Contracting Plan, and Council:

- has provided for the expenditure required to service the commitment the contract will give rise to in its approved annual budget; invitations to offer can be issued to the market and the City Procurement delegates can generally accept a recommendation to enter into the contract.
- has not provided for the expenditure required to service the commitment the contract will give rise to or where a Council resolution is required prior to issuing an invitation to market; the necessary agenda report must be submitted to the relevant Standing Committee by the relevant Director for consideration, prior to referral to the Special Budget Committee if required.

4.2 Category and Relationship Management

The category and relationship management process involves the following.

- The **Plan** phase is designed to gather the initial category information to determine the feasibility of initiating a procurement exercise. The Plan phase includes conducting internal and external analysis, developing and evaluating sourcing options and strategies, and culminates with an optimal ‘go to market’ strategy.
- The **Engage** phase is used to gather supplier pricing, capability and potential performance information to be used to select the appropriate supplier(s) for the procurement category.
- The **Manage** phase is designed to effectively manage the life of the new contract from execution, implementation to the contract-end. Not only to ensure the contracted service levels are achieved, but to discover and realise additional value through the life of the contractual relationship.

4.2.1 Planning

Planning for contracting activities is to be commensurate with the value, strategic nature and risk for the category. City Procurement are to be involved in business forward planning to ensure agreement on the scope of the procurement activities required, the timing of the required procurement activities and the approach to be taken regarding the procurement activities.

4.2.2 Engaging City Procurement

Where a procurement or contracting activity has not been included in the Annual Contracting Plan, as soon as officers appreciate there may be a need to enter into a contract within the scope of this policy, City Procurement must be notified.

Preferably this should be via the online Contract Request Form (CRF), Exception Request Form (ERF) or as advised by City Procurement, providing the requisite information for the procurement activity to proceed including:
4.2.3 Category and market analysis

Consistent with the Annual Contracting Plan, City Procurement will conduct regular supply market analyses to assist informed decision making and provide information regarding how specific supply markets work, the direction in which they are heading, the key suppliers and the value they place on Council as a customer.

4.2.4 Request for information (RFI)

Council may utilise a ‘request for information’ process to assist in decisions regarding subsequent steps required and potential structures for a procurement process including analysis of the supplier market in terms of its capacity to provide the required outcomes. The RFI is not intended to provide a legal framework for future relationships.

City Procurement will invite a request for information on behalf of Council officers.

4.2.5 Specifications

Directorate areas are responsible for compiling approved specifications to meet Council’s strategic requirements.

A specification:

- must be as explicit as possible in defining the requirements and associated standards within the context of the proposed contract, to maximise the selection of the ‘right’ contractor
- must be written in such a way so as to promote open and effective competition
- must include Work Health and Safety requirements, both in terms of known and potential hazards and risks.

Once issued to suppliers, a specification may be changed either by:

- issue of an addendum, prior to the invitation to offer period closing, or
- issue of an invitation to change offer, to take into consideration the change, after the invitation to offer period has closed but before an offer has been accepted (see section 4.2.13)

Care must be taken to ensure the nature and scope of what is being changed may not give rise to objections that Council has deprived other suppliers of the opportunity to provide an offer.

4.2.6 Total cost of ownership (TCO) model

Directorate areas are responsible for compiling valid, accurate, reasonable and meaningful estimates based on a ‘total cost of ownership’ model.

A TCO model should:

- be developed for each procurement category or contracting activity as part of the sourcing process
- quantify all the key costs associated with a procurement category or contracting activities ‘cradle-to-grave’ or ‘whole-of-life’ cycle; beginning with the identification of the business requirements, the development of the specification, the procurement of the good or service, the implementation of the contract and administration and management of, the utilisation of the good or service and ultimately its disposal, decommission or demobilisation.
4.2.7 Evaluation and Probity Plan

Officers intending to have any input or influence in the evaluation process must familiarise themselves with Council’s Code of Conduct and the Conflict of Interest for Employees Policy. Officers acting as part of an evaluation team will be required to sign conflict of interest declarations and confidentiality agreements as required by the evaluation process or as advised by City Procurement.

Before releasing an invitation to offer to the market, the composition of the evaluation team must have been determined. An evaluation team will generally consist of two or more officers (e.g. City Procurement representative, the CCR and other stakeholders) and evaluate offers in accordance with an approved Evaluation and Probity Plan.

Evaluation and Probity Plans include details of the evaluation process, methodology, criteria and weightings, the procurement and evaluation timetable, roles and responsibilities, security and disclosure of information, confidentiality and probity requirements (see section 4.2.15).

The evaluation team must develop and approve the Evaluation and Probity Plan prior to inviting offers and commencing evaluations for all contracts worth more than $250,000 (or as required when advised by City Procurement).

4.2.8 Expression of interest (EOI)

Council may utilise an ‘expressions of interest’ (EOI) process:

- when evaluating the possible supplier base in advance of establishing detailed project information for a particular project. There may be situations when Council’s exact requirements for a project may be too uncertain to enable open tenders to be called because it will depend upon assistance from suppliers in nominating available options such as available technologies or technical solutions
- with a view to collating and inviting written offers from a short-list, when a short-listing process would save Council and prospective suppliers from wasting time and resources in responding to a full public process, particularly where the invitation to offer may involve a major contract or project and entail suppliers expending large sunk costs into the invitation to offer process
- when narrowing a large supplier base and establishing a shorter list of suitable suppliers before calling written offers
- in situations where security/confidentiality concerns are relevant.

Specifications for EOI’s will:

- generally be less specific than those used in a public tender process
- focus more on resources, experience and other material to evidence a capability to complete the proposed requirement.

Officers intending that Council should use the EOI process to establish a contract must include the requirement in the Annual Contracting Plan or prepare an individual agenda report for Council to resolve that it is satisfied that inviting an EOI before inviting written offers from the short-listed suppliers would be in the public interest. Such agenda reports must be submitted to the relevant Standing Committee. Once Council has resolved that an EOI is the most advantageous route to follow, then the EOI must be undertaken unless Council resolves otherwise.

City Procurement will invite EOI’s on behalf of Council.
4.2.9 Contract worth thresholds

Council is committed to the development of competitive supply markets.

Officers must, subject to the exceptions to seek competitive offers (see section 4.2.14) or unless an alternative sourcing strategy is approved via the Annual Contracting Plan, invite offers in accordance with the requirements of the thresholds for a small, medium and large-sized contract.

The thresholds defined below apply equally to both expense and revenue contracts.

**Small-sized contract: a contract with an expected worth of $0 or more but less than $25,000 (excluding GST)**

Contracts worth $0 or more but less than $3,000 require at least one written offer for the provision of goods or services.

Contracts worth more than $3,000 but less than $25,000 require at least two written offers for the provision of goods or services.

Invitations to submit an offer for small-sized contracts must:

- be issued by Council officers in the format advised by City Procurement to suppliers assessed to be reasonably capable of supplying Council’s needs at reasonable prices
- as far as practicable, be issued to a pool of different local businesses on a rotating basis
- only be issued and received from local businesses in the first instance, as is outlined in the competitive local business and industry preferential factors (see section 2.2)
- apply the local business and industry preferential factors to the evaluation capability scoring criteria where such are applied, and the local business pricing advantage if applicable (see section 2.2)

**Medium-sized contract: a contract with an expected worth of more than $25,000 but less than $250,000 (excluding GST)**

Contracts worth more than $25,000 but less than $250,000 require at least three written offers for the provision of goods or services.

Invitations to submit an offer for medium-sized contracts must:

- be issued by Council officers, in the format advised by City Procurement, to suppliers assessed to be reasonably capable of supplying Council’s needs at reasonable prices
- as far as practicable be issued to a pool of different local businesses on a rotating basis
- only be issued and received from local businesses in the first instance, as is outlined in the competitive local business and industry preferential factors (see section 2.2)
- apply the local business and industry preferential factors to the evaluation capability scoring criteria where such are applied, and the local business pricing advantage if applicable (see section 2.2)

**Large-sized contract: a contract with an expected contract worth of more than $250,000 (excluding GST)**

City Procurement will issue public invitations to offer to establish contracts which have an expected worth of more than $250,000 over the proposed term of the contract (see section 4.2.10).

Invitations to offer for large-sized contracts are subject to the provisions of the competitive local business and industry factors (see section 2.2).
4.2.10  Determination/aggregation of the value of contract requirements

The requirements for specific procurement actions are determined by the anticipated value of the related transaction.

The value of a proposed contract must be calculated on the basis of the aggregation of the gross value of the requirement over the proposed required period.

Where regular purchases are contemplated, it is reasonable to consider the cumulative value over time and to derive from that an aggregated contract worth.

Contracts/purchase orders must not be split to:

- circumvent administrative levels of authority or delegations; or
- manipulate the method of inviting offers in relation to the contract worth thresholds.

4.2.11  Invitation to offer process

City Procurement will provide governance and advice regarding how the invitation to offer processes should be conducted in such a way as to ensure that Council’s objectives of value for money, probity and accountability are met.

The invitation to offer documents generally include; invitation to offer details, conditions of offer, the evaluation process, specification, conditions of contract and response forms listing information required for the purposes of evaluating the offer and forming a contract.

Lodgement of Offers

Suppliers may be directed to lodge their offers via an electronic tender box as defined in the invitation to offer documentation. The electronic tender box system automatically closes off the invitation to offer at the close time/date to eliminate the receipt of late offers.

Generally offers that have not been lodged on or before the closing date and time will not be accepted. The Chief Procurement Officer may authorise the acceptance of such late offers if satisfied such would not pose any unacceptable probity issues.

The invitation to offer should generally enable offers to be submitted in two distinct and separate files; namely:

- ‘non-pricing’ response forms, and
- pricing response forms.

Time allowed for suppliers to respond

From the date a public advertisement for an invitation to offer is published by Council, at least 21 days should generally be allowed before the closing date of the invitation to offer period. The City Procurement delegate may provide a longer invitation to offer period for complex procurement initiatives, or shorter periods for less complex procurements.

The City Procurement delegate may grant extensions to the closing date, if:

- a supplier provides justification for additional time required (e.g. delayed clarification from Council)
- substantial changes to specifications are required due to scope changes.
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Any extension must be granted to all potential suppliers. Suppliers who have already submitted an offer prior to the closing date must also be offered the option of resubmitting an offer on/before the revised closing date.

Non-conforming or alternative offers
It is acceptable to encourage alternative offers. Such may yield more innovative ways and solutions or provide different risk allocation than has been specified by Council. The decision as to whether any non-conforming or alternative offers may be accepted with or without a conforming offer should be specified in the invitation to offer documents.

Management of communications
Following the issue of the invitation to offer documentation and during the invitation to offer process:

- all communications to suppliers must be carried out through the nominated representative specified in the invitation to offer documents
- an accurate written record must be made of all communications
- the nominated representative will keep all relevant parties informed of progress and any issues arising.

In the event that an amendment to the invitation to offer documentation becomes necessary, all suppliers are to receive the same information by way of an addendum to the invitation of offer.

4.2.12 Supplier briefings/site inspections
Where beneficial to the process, supplier briefings and/or site inspections may be undertaken and should include all suppliers wishing to respond to the invitation to offer.

Briefing presentations, questions and answers must be published as an addendum to the invitation to offer documents to ensure all potential suppliers have access to the same information as some suppliers may not be able to attend a supplier briefing or site inspection. Attendance at such should not be a mandatory condition or utilised as an opportunity to provide additional information to those who elect to attend.

4.2.13 Invitation to change an offer
Where Council makes a change to the requirements of the invitation to offer documents after the invitation to offer period has closed and before any offer is accepted, Council may invite all suppliers who submitted an offer to change their offers.

Should the change (if it had been included in the original documentation) have resulted in alternative suppliers submitting an offer, the invitation to offer should be withdrawn and readvertised.

It is advisable to ensure that change requests do not breach commercial confidentiality or intellectual property rights of any supplier whose offer has been submitted.

4.2.14 Exceptions to seeking competitive offers
Council must consider the exceptions to the requirement to seek competitive offers, whilst applying the procurement principles to determine the most advantageous outcome for Council.

Where Council resolution is required to utilise an exception and a procurement activity has not been included in the adopted Annual Contracting Plan, the necessary agenda report must be submitted to the relevant Standing Committee.
Single or sole sourcing

Council may enter into a contract without first inviting competitive offers for particular situations or categories of spend where it is impractical or disadvantageous to undertake a competitive process as follows.

- Procuring under a government arrangement (e.g. Federal government, state government or another local government) or an LGAQ arrangement (e.g. Local Buy).
- The contract is made with a sole sourced supplier as the supply market is restricted making it disadvantageous or impractical to seek competitive offers, as follows:
  - the unique or propriety nature of the goods or services being sought has no suitable alternatives available
  - statement of licence, legislated requirements, third part ownership of assets or industry regulated standards
  - the compatibility of the goods or services matches an existing system, or equipment, or is a proprietary item/brand
  - memberships/subscriptions/conferences (e.g. professional associations, industry bodies, institutes)
  - training to organisations/bodies where alternatives do not practically exist (e.g. professional associations, industry bodies, institutes)
  - ongoing licencing for existing systems
  - support and maintenance to existing systems.

- Where Council resolves it is satisfied to single source as follows:
  - where continuity of a previous/current engagement is required to maintain the continuity of expert advice, making it disadvantageous or impractical to undertake a competitive process
  - where only one supplier is reasonably available to provide the goods and/or services
  - it is in the public interest to single source for a program or service category (particularly in relation to innovative procurement (see section 2.3) and social procurement (see section 2.4))
  - where the specialised nature of the services that are sought, makes it disadvantageous or impractical to undertake a competitive process
  - where the confidential nature of the services that are sought, makes it disadvantageous or impractical to undertake a competitive process.

- Where a genuine emergency exists as determined by the relevant Director to be a genuine emergency, threat to life, environment, property or reputation. A genuine emergency ceases to exist once the situation has been made ‘safe’ as determined by the relevant Director. Once a genuine emergency ceases to exist the standard procurement processes will take effect.

- The contract is for the procurement of goods and is made by auction.
- The contract is for the procurement of second-hand goods.

Significant Contracting Plans

Council may enter into a contract without first inviting competitive offers if the Annual Contracting Plan identifies that a contract be considered a significant contract and the sourcing strategy is defined as a method of limiting open and effective competition (e.g. single sourcing, select tender, etc.).

A Significant Contracting Plan is a document stating:
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- the objectives of the significant contract
- how the objectives are to be achieved
- how the achievements of the objectives will be measured
- any alternative ways of achieving the objectives, and why the alternatives were not recommended
- the proposed contractual arrangements for the activity
- a risk analysis of the market from which the goods and/or services are to be obtained.

Council proposes to identify in its Annual Contracting Plan as significant, those contracts with:
- an anticipated contract worth more than $10 million (excluding GST), or
- high criticality/high complexity/high risk procurements.

A Significant Contracting Plan must be made for each significant contract, before an invitation to offer is released to the market.

A Significant Contracting Plan may be amended by resolution at any time before the end of the financial year to which the plan relates.

Register of prequalified suppliers
Council may enter into a contract without first inviting competitive offers, if the contract is entered into with a supplier from a register of prequalified suppliers.

A prequalified supplier is a supplier who has been assessed by Council as having the technical, financial and managerial capability to perform contracts on time and in accordance with agreed requirements.

A register of prequalified suppliers may only be established by Council, if:
- the preparation and evaluation of invitations every time that the goods and/or services are needed would be costly; or
- the capability or financial capacity of the supplier of the goods and/or services is critical; or
- the supply of the goods and/or services involves significant security considerations; or
- a precondition of an offer to contract for the goods and/or services is compliance with particular standards or conditions set by Council; or
- the ability of local businesses to supply the goods and/or services needs to be discovered or developed.

Council will establish a register of prequalified suppliers through a public invitation to offer process. Council will seek to include terms allowing a supplier to be omitted from the register for poor performance.

Council will have regard to the sound contracting principles when:
- deciding on which suppliers should be added to the register of prequalified suppliers
- selecting a supplier for an individual project/transaction from the register.

Before requesting a register of prequalified suppliers be created; there should be reasonable likelihood that any supplier included will, subject to satisfactory performance, be awarded work off the register. Officers must not request the creation of a register merely to provide coverage for a possible contingency.

Preferred supplier arrangement
Council may enter into contract without first inviting competitive offers, if the contract is entered into with a supplier from a preferred supplier arrangement.

A preferred supplier arrangement may only be established when Council:
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- requires goods and/or services in large volumes, or frequently; and
- is able to obtain better value for money by accumulating the demand for the goods and/or services; and
- is able to describe the goods and/or services in terms that would be well understood in the relevant industry.

A preferred supplier arrangement must be established in compliance with the following.

- Invite offers in accordance with the public invitation to offer process.
- The invitation to offer describes the terms of the preferred supplier arrangement.
- Select suppliers to be added to the arrangement based on the sound contracting principles.
- Include terms allowing the contract to be terminated for the poor performance of the supplier.

4.2.15 Evaluation of offers

Council will evaluate offers in accordance with the process, methodology and criteria defined in the Evaluation and Probity Plan (see section 4.2.7).

To ensure transparency and probity in the evaluation process:

- the evaluation process, methodology and criteria (but not necessarily the weightings) may be outlined in the invitation to offer documentation.
- once the invitation to offer period has closed neither the evaluation process, methodology nor the criteria (including weightings) may be changed, except via the requirements of the invitation to change an offer process defined in section 4.2.13.

Evaluation of offers will:

- determine the most advantageous offer for recommendation for acceptance.
- have regard to the procurement and contracting principles and requisites consistent with and supporting the achievement of the strategic direction of the Corporate Plan.
- apply the applicable local business and industry preferential factors (see section 2.2).
- be adequately documented so as to demonstrate how the recommendation of the most advantageous offer has been determined.
- ensure that all supplier information in response to an invitation to offer is regarded as confidential.

Evaluation process

Offers will generally be evaluated via a four (4) gate evaluation process; unless an alternative evaluation methodology has been approved by the Chief Procurement Officer prior to inviting offers.

As a first step, a due diligence check is performed on all offers to enable Council to filter offers that do not conform to the invitation to offer requirements or pose unacceptable risk.

Due diligence checks may include, but are not limited to:

- ensuring fully completed documentation, pricing, insurances, registrations and licences.
- legal entity, reference, financial, legislative and corporate checks.
- deviations, alternative offers and conflicts of interests.
- discussions with tenderers, demonstrations and site visits.

These due diligence checks are ongoing and also allow Council to assess the risk of an offer at any stage of the evaluation process to determine whether the offer is acceptable to continue in the evaluation process.
Gate 1. Evaluate against Mandatory Criteria - disqualify non-conforming offers.

Mandatory criteria are designed to enable Council to filter out offers that do not conform to the mandatory requirements that are specified in the invitation to offer documentation. These non-conforming offers (which do not meet the mandatory criteria requirements) will generally not be further evaluated.

Gate 2. Evaluate against Capability Scoring Criteria - select capable offers based on a combination of capability and local business and industry preferential factors.

These criteria are designed to enable Council to assign a relative score for each capability criterion. Each capability scoring criterion has a percentage weighting allocated to it to represent its relative importance and worth in the selection process.

Local business and industry preferential factors are mandatory scoring criteria to be applied after the other scoring criteria (83%) have been scored with a:

- 15% allocation of weighting based on local content (locality), and
- 2% weighting related to the Gold Coast Awards (see section 2.2.2).

Capability scoring criteria enable Council to focus on evaluating which suppliers have the required capability based on their scores, to move through to Gate 3.

Gate 3. TCO/pricing - quantify offers based on TCO/pricing.

A TCO or at least offer price must be quantified for all offers that have made Gate 3.

The local business pricing advantage must be deducted from local suppliers in accordance with the percentages stated in section 2.2.1.

All offers from within Gate 3 move to Gate 4.

Gate 4. Value for money criteria - select the most advantageous offer(s) based on a weighted combination of capability (Gate 2) and TCO (Gate 3) outcomes.

Gate 4 considers both qualitative and quantitative criteria relative to each other in accordance with the predetermined weightings as documented in the Evaluation and Probity Plan, to determine the most advantageous offer to Council.

4.2.16 Post offer negotiations

Negotiations with suppliers who have made it to Gates 3 may occur if it is viewed negotiations may improve value for money.

A negotiation strategy should be developed and agreed prior to commencing any negotiation, and must encompass the following.

- All short-listed suppliers are invited to participate.
- At the conclusion of each round of negotiations, all suppliers may be invited to submit an amended offer.
- Suppliers must be advised when they are to submit their best and final offer.

Probity considerations for negotiations include the following.

- Apply the principle: what is done for one applies to all on the short-list.
- Negotiations are not to be used for the purpose of clarifying aspects of an offer. Clarification of offers must be completed before a short-list of suppliers for negotiations is finalised.
Once the short-list has been established, it is essential that the equality of opportunity for the short-listed suppliers is maintained throughout the negotiations.

During a negotiation, the identities or commercial-in-confidence information of any other supplier with whom negotiations are taking place must not be disclosed to another supplier. Such commercial-in-confidence information includes (but is not limited to) prices, value-adds, operational methodology or other information identified by a supplier as being ‘commercial-in-confidence’.

In order to avoid any misunderstanding as to the nature and extent of any negotiations, the basis of the negotiations must be provided in writing to the suppliers invited to negotiate.

A record of negotiations must be kept.

A supplier’s offer will not be considered unsuccessful until formally notified of that fact. The commencement of negotiations with one or more other suppliers is not an indication that a particular supplier’s offer has been unsuccessful.

4.2.17 Acceptance of offers

Council may decide not to accept any offers it receives, however, if Council decides to accept an offer, it may accept the offer it determines to be the most advantageous, having regard to Council’s contracting principles and requisites, consistent with and supporting the achievement of the strategic direction of the Corporate Plan.

For a contract to be formed, the offer of the recommended supplier(s) must be accepted and executed by the officer holding the appropriate delegation.

Council approval is required to accept a recommendation and enter into a contract where a delegate does not have the power to make such decisions, and/or where the expenditure required to service the contractual commitment has not been included in an approved budget.

4.2.18 Contract management and administration

Consistent with the Annual Contracting Plan, Council generally undertakes performance management of contracts commensurate with the value, strategic nature and risk posed by the contract or activity.

Contract Management Plans will be developed for each identified contract commensurate with the risk and value of the contract, defining the tasks, roles and accountabilities required to effectively manage and administer the contract.

Contract management and administration activities include:

- finalisation of the Contract Management Plan and contract risk assessment
- operational management of the contract
- managing contract and supplier performance
- managing contract and operational WHS performance
- developing and managing supplier relationships
- administering the contract (including documentation, financial and contract risk administration)
- managing contract variations and extensions
- managing complaints, non-conformances and disputes
- contract close-out, lessons learnt and final performance review
- reviewing ongoing category performance.

Directorates are responsible for how they manage and administer contracts in an effective and efficient manner in order to ensure that Council meets its obligations during the term of any contract. For each
contract, Directorates must identify a Council Contract Representative (CCR). The CCR as far as reasonably practicable is responsible for Council’s obligations for the operational implementation and management of the contract.

For some contracts (principally construction and high risk works as defined under the WHS legislation), Council will appoint a Superintendent to administer and manage the contract. Where a Superintendent is appointed, the operational aspects of the contract will be administered and managed by the Superintendent in consultation with the CCR. The CCR is responsible to ensure that the Superintendent is performing its functions under the contract.

**Contract Management Plan**

A Contract Management Plan contains the key information about how a contract will be managed. It establishes systems and processes to ensure that the supplier and Council comply with the terms and conditions during the life of the contract. It also establishes a framework against which the performance of both parties can be monitored and problems easily identified – either before or as they occur.

A draft of the Contract Management Plan is developed during the sourcing process. Throughout the sourcing process, the category team will gain valuable information about the arrangements under the contract that will be important to reflect in the Contract Management Plan, such as:

- detailed knowledge of the goods/services purchased under the contract and the objectives of both parties
- issues raised by the supplier that were negotiated as part of the contract
- performance measures and governance frameworks developed and agreed with the supplier
- any risks that were identified (relating to either the goods/services purchased or the supplier) that need to be managed under the contract
- any savings or benefits that are expected to be achieved under the contract that need to be monitored and managed.

The CCR is responsible for finalising the Contract Management Plan and confirming the contract management and administration roles and responsibilities for the duration of the contract. In addition they must ensure that the officers assigned understand their respective roles and responsibilities, and have the required experience, knowledge, capacity and authority for the role.

**Contract performance management**

Contract performance management must be undertaken throughout the life of the contract. Along with performance indicators and standards, arrangements for monitoring and assessment should be set out in the contract and Contract Management Plan, along with the action that would result from underperformance.

Performance management involves:

- Performance monitoring – collecting data on performance
- Performance assessment – deciding whether performance meets Council’s needs; and
- Taking appropriate action – such as understanding and extending features of good performance, correcting areas of underperformance, or amending the contract requirements to meet changing needs.

The CCR must establish a reporting and contract performance review process that is appropriate for the contract, based on the KPIs in the contract and the Contract Management Plan. The CCR must receive regular contract performance reports from the supplier in accordance with the contract obligations.
It is the responsibility of the CCR to initiate discussions with the contractor regarding performance issues in order to resolve them. A formal performance management process must be undertaken where there is a possibility that the performance issues may result in unsatisfactory outcomes to Council.

All performance discussions must be documented and stored in the contract management system and/or contract file.

Underperformance must not be overlooked for the sake of the relationship.

Where a supplier fails to satisfy the performance requirements of a contract, appropriate actions must be taken, in accordance with the conditions of contract, to rectify the poor performance (see section 3.5). Such may entail terminating the contract if the poor performance cannot be rectified (see section 4.2.19). Officers managing contracts must ensure that full details of any supplier performance issues (including verbal) are recorded in the contract management system and relevant contract file.

**Contract variation management**

A variation is an agreed amendment (addition to, or omission from the scope of work that was originally agreed) to a contract that changes the original terms, conditions or scope of the contract.

Key reasons why variations are sometimes needed include:

- Specification revisions and/or adjustments
- Technology changes or improvements
- Changes in legislation that impact on the contract and specification
- Demand fluctuations
- Requests for additional goods and services outside of the original contract scope

Any proposed variation must be assessed to ensure that it complies with the provisions of this policy and Contract Manual and must be carried out in the format advised by City Procurement. Officers must analyse all consequences of the proposed contract amendment to make sure there are no unintended effects of the variation.

The reasons for the variation must be documented and agreed to by a delegate with power to make such decisions. Where the variation has a financial impact, the delegates will expect that holders of administrative authorisations in the Directorates verify that funds are in approved budgets to meet the costs prior to the variation being actioned.

Officers must ensure that the contract variations are not of such a level that they significantly change the contract requirements and/or substantial parts of the original procurement. If this is the case, it may be necessary to undertake another procurement process because the revised arrangements are substantially different to those selected during the original procurement.

**Contract extension option management**

A contract extension option clause usually gives one party to a contract the right to elect to continue its term for further periods at certain prices or with pricing payable to be adjusted by an objective formula.

Where an extension option is present, Council must firstly assess whether value for money will best be achieved by exercising the extensions option or by going back out to the open market.
Where a contract extension option is taken up, the contract must be managed in accordance with the terms of the contract. In addition, relevant approvals and/or authorisations must be obtained prior to the delegate actioning the extension.

**Contract record keeping/administration**

Information management is an important part of contract management as accurate records must be maintained and accessible. Key contract information must be kept updated in the centralised contract management system to enable a single source of truth.

Contract files must be maintained in Council’s document management system to fully document all processes and decisions relevant to administration and management of the contract.

Following award of the contract, all correspondence issued to the supplier must be in writing and all instructions (including amendments and variations), notices, approvals and acknowledgements must be kept in the contract file.

The contract spend must be monitored throughout the lifecycle of the contract and the information must be maintained within the contract management system to reflect any agreed variations to the contract value.

Financial reconciliations must be conducted between purchase orders/work orders approved, invoices paid against the contract, and the approved contract value.

**Contract close-out**

Prior to close-out of the contract, the CCR must conduct a final performance review in order to evaluate the contractor performance and provide feedback that may be used as a reference for future evaluations/work. The depth and detail of the review process will vary depending on the contract. However, the review process is critical regardless of the size and value of the contract.

Where appropriate, the CCR must provide all or part of the feedback from the contract review to the other contracted party or parties. This will enable any future arrangements to better meet the needs of Council.

Once a contract has concluded, it is important that the contract is reviewed and lessons are captured in the contract management system. This supports Council’s objective to continually improve its contract management capability.

Upon final completion of the contract delivery of the goods or services, the CCR must conduct appropriate inspection/testing to check for any defects. Where the CCR identifies a defect in the deliverables from the supplier, the CCR must issue a correction notice to the supplier detailing what rectification action is required. The supplier will be required to submit a ‘defects correction plan’ detailing the plans to rectify the defect. Following acceptance of the defect correction plan by the CCR, the supplier will undertake the rectification work in accordance with the plan. Once the supplier has completed the rectification work and satisfactorily corrected the defect, the CCR must confirm that the defects have been rectified.

In certain circumstances, the need for the contracted goods/services will continue, however, a commercial decision may be made to engage another supplier to provide the similar set of goods/services. The transition period from one contract to another can be a high-risk period for Council. It is the responsibility of the CCR to develop a transition plan. The CCR must consider the following aspects when developing the transition plan.

- Identify any specific differences between the current and future contract.
- Develop a new communication plan, identify stakeholders, both internally and externally who may be impacted by the change.
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• Update internal processes or procedures with any changes required under the new contract.

Depending on the size and complexity of the contract, the transition period may take several months and require ongoing management by the CCR.

At the conclusion/expiry of the contract, the CCR must formally close the contract according to the agreed terms and conditions.

4.2.19 Termination of contracts

All contracts entered into by Council should contain a provision entitling Council to:

• ‘terminate for convenience’; and
• terminate for breach or non-performance.

Council must follow the procedures specified in the contract to terminate that contract. Termination decisions must be made in consultation with City Procurement (see section 3.5).

Where a ‘termination for convenience’ clause cannot be negotiated into a contract and the provision of goods and services is critical, the Chief Procurement Officer may approve a contract without a ‘termination for convenience’ clause.

4.2.20 Disposal of non-current assets

Council officers will, subject to the exceptions for valuable non-current assets or unless an alternative disposal approach is approved in the Annual Contracting Plan, dispose of non-current assets through the invitation to tender or sale by public auction above the following values.

• Plant or equipment - worth $5,000 (excluding GST).
• Any other non-current asset - worth $10,000 or more (excluding GST).

Items of lesser value may be disposed of by other means provided probity is maintained and value for money is achieved.

Exceptions for valuable non-current assets

The strategic contracting procedures, and hence this policy and Contract Manual, do not apply to a contract for the disposal of land (Local Government Regulation 2012 section 217(4)). The default procedures and in particular section 236 will continue to apply to contracts for the disposal of land or an interest in land.

Council may dispose of valuable non-current assets, other than by tender or auction if:

• the valuable non-current asset:
  • was previously offered for sale by tender or auction but was not sold, and
  • is sold for more than the highest tender or auction bid that was received
• the valuable non-current asset is disposed of to:
  • a government agency
  • a community organisation
• for the disposal of valuable non-current asset, other than land, by way of a trade in, if:
  • the supply is, or is to be, made under the requirements of this Contract Manual, and
  • the disposal is, or is to be, part of the contract for the supply
Procurement Policy and Contract Manual
Attachment A – Contract Manual

- for the disposal of a valuable non-current asset by the grant of a lease - the grant of a lease has been previously offered by tender or auction, but a lease has not been entered into.

Should Council make a decision to donate valuable non-current assets, such is likely to be done as an exercise of beneficial enterprise powers and must usually comply with this policy, the Contract Manual and the sound contracting principles.

4.2.21 Incoming/outgoing sponsorship agreements

There are many contracts Council is likely to wish to enter into that entail Council:

- receiving incoming sponsorship (which is a species of supply of services (financial services)) by an external party and a supply, by Council, to the sponsor, of sponsorship benefits; or
- providing outgoing sponsorship benefits (cash or in kind service provision); or
- providing grant funding (separate to its Community Grants Policy) to others tied to delivery by funded entities of certain outcomes or deliverables.

Council must have regard to the sound contracting principles and for those that entail a supply of goods or services or disposal of non-current assets, are required to be covered by the Contract Manual.

Council officers will, unless an alternative approach is identified in the Annual Contracting Plan, apply the respective adopted guidelines for the particular economic development initiatives (e.g. Partnership Program, Investment Attraction Program, Export Assistance Scheme and Sponsorship Program).

4.3 Procurement Operations

The typical Council procurement operations include the following.

4.3.1 Purchase requisitions (shopping carts)

At the time of creating shopping carts, Council’s online catalogue (via SAP) should be searched to determine if the item is either available through Council’s stores or via a Council contract.

Council purchase orders will be raised and issued by City Procurement from properly completed purchase requisitions (shopping carts) which have been authorised by officers with appropriate administrative authorisation.

‘Free text’ shopping carts must not be used where an item exists in a Council online catalogue.

Splitting of spend over a number of requisitions to remain below administrative authorisation or delegation levels or contract worth thresholds is not permitted.

‘Buy on behalf of’ access is approved on a case-by-case basis by the City Procurement delegate on receipt of a request from the relevant Manager.

4.3.2 Purchase orders (PO)

Purchase orders will be raised for:
ITEM 5 (Continued)
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Attachment A – Contract Manual

- day-to-day transactional procurement against previously established Council or other eligible contracts
- contracting activities where the standard purchase order terms and conditions are considered appropriate to mitigate the anticipated risks inherent in the purchase. This is generally for low value, one-off purchases.

Officers must not enter into verbal agreements with suppliers. The provision of the goods and/or service must not commence until the purchase order has been issued. Shopping cart numbers do not constitute a purchase order number.

All purchase order modifications are to be carried out in the format advised by City Procurement and must be approved by the officer holding the applicable administrative authorisation. A modified purchase order will be issued to the supplier reflecting the agreed variations to the order.

4.3.3 Delivery and receipting

Directorate areas must appoint officers responsible for acceptance of delivery and ‘receipting’ of goods and services within Council’s SAP system to ensure timely payment of invoices. Receipting must be performed within two working days of physically receiving the goods and/or services.

Receipting officers must:

- not authorise receipts other than those for which their authorisation is nominated
- use the supporting delivery documentation (e.g. delivery docket, timesheet, packing slip) and reference the delivery documentation number in the SAP system as part of the transaction
- not rely on an invoice from the supplier to perform receipting responsibilities.

Invoices which are work-flowed to a receipting officer must be actioned and returned to Accounts Payable by workflow within three working days.

4.3.4 Inventory management and warehousing

Council carries out inventory management and warehousing functions to effectively manage warehouse operations, achieve maximum performance in inventory control and ensure that stock is available to meet the needs of the customers as required.

Requests for stores items should be made via an online reservation in Council's SAP system.

4.3.5 Invoices and payments

Payments to suppliers will be made in accordance with the payment terms of the agreed contract or purchase order after the receipt of a correctly presented tax invoice.

Payment will be made to the legal entity with which Council has entered into the contractual arrangement, either via a Council contract or a purchase order.

A three-way document match is required between the purchase order, goods/service receipt and invoice or claim for payment. Invoice mismatches must be actioned in a format as advised by City Procurement.

4.3.6 Corporate purchasing cards

Corporate purchasing cards may be used (by officers holding the applicable delegation) for the procurement of Council business.
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Council utilises corporate purchasing cards for one-off procurements, where an existing contractual arrangement does not facilitate the procurement need, in accordance with the corporate purchasing card procedures.

Card use is limited by monthly limits and by an individual transaction value on goods and/or services.

Card limits are to a maximum transaction value of $3,000 (excluding GST), unless specific approval has been received for a higher value limit.

Corporate purchasing cards are not to be used for partial payment of a procured item/activity whereby the remaining payment is via a purchase order.

Council may from time to time authorise the special use of purchasing cards to meet particular requirements.

4.3.7 Non-order purchases

Council typically utilises non-order payments to facilitate payments for arrangements that are not of a procurement nature, on behalf of Council officers who hold the requisite delegated authority to enter into these arrangements on behalf of Council.
ITEM 5 (Continued)
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Procurement Policy and Contract Manual
Attachment B – Councillors’ Disagreement with Procurement Recommendation Standard

In the event that Councillors disagree with officer’s conclusions and recommendations on the acceptance of offers, the following process applies:

1. The matter is referred to a closed session of the Governance and Administration Committee with the relevant officers attending in order for all Councillors to be briefed as to the process and reason for the recommendation, and to ask questions of the officers.

2. If Councillors are still not satisfied with the recommendation, Councillors must review the scope/specification for the invitation to offer and;
   a. if the scope/specification is no longer in accordance with Council’s objectives, the invitation to offer process may be terminated, or
   b. if the scope/specification is applicable, then Councillors must perform the role of the evaluation team and re-evaluate the invitation to offer in accordance with the approved Evaluation and Probity Plan, methodology, process and criteria in the same way the original process was conducted.
   c. if the re-evaluation of the invitation to offer by such Councillors:
      i. alters the original evaluation outcomes and recommendations, then the officer recommendation may be varied accordingly, noting in the recommendation that it has been varied by the Councillors taking on the role of the evaluation team.
      ii. results in the original evaluation outcomes and recommendations, the options available to Councillors are to either:
         - accept the original officer’s recommendation, or
         - terminate the process and not award to any supplier.

The Councillors’ disagreement with the officer’s recommendation and the ensuing process conducted must be duly documented and incorporated into Council’s records, and in accordance with section 273 of the Local Government Regulation 2012, the minutes of the meeting include a statement of the reasons for not adopting the recommendation.

This will ensure the process for reviewing an officer’s recommendation or making any variation to the recommendation is transparent and in accordance with the following contracting principles.

In deciding whether to enter into a contract for the procurement for the carrying out of works, the provision of goods and/or services or the disposal of non-current assets Council may accept the offer most advantageous to it, consistent with and supporting the achievement of the strategic direction of the Corporate Plan, having regard to the following five sound contracting principles set out in section 104(3) of the Local Government Act 2009.

a) Value for money
b) Open and effective competition
c) The development of competitive local business and industry
d) Environmental protection
e) Ethical behaviour and fair dealing
ITEM 5 (Continued)
PROCUREMENT POLICY AND CONTRACT MANUAL
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Procurement Policy and Contract Manual
Attachment C - Definitions

The following definitions apply to the Procurement Policy and Contract Manual.

administrative authorisation - instrument used as a device to communicate that an officer has authority to ask a delegate to make vary or discharge a contract. There is no head of power in the Local Government Act 2009 which envisages Council will use administrative authorisations as a proxy for conferring power on a person which is ordinarily done via using delegations.

Annual Budget - Council’s annual budget identifies the planned expenditure and revenue approved by Council for a financial year. This includes the specific activities identified as a priority under the Operational Plan.

Annual Contracting Plan - see section 220 of the Local Government Regulation 2012.

asset custodian - the Council officer allocated responsibility (by the CEO) for the life cycle management of an asset.

authorising officer - an officer holding an administrative authorisation empowering them to request City Procurement to use a delegation to enter into, discharge or vary a contract for supply of goods and/or services or the disposal of non-current assets.


buy on behalf of - SAP requisitioning functionality available for officers that perform administration functions for officers in the field. This functionality enables the officer to create shopping carts and receipts on behalf of nominated officers in the field who have an administrative authorisation.

carrying out of works – supply of construction services.

category - a logical grouping of like products or services which makes up a natural group of procurement spend.

category team - a cross functional team established for the purposes of sourcing of a specific procurement category.

City Procurement - the City Procurement Branch of the Organisational Services Directorate, managed by the Chief Procurement Officer.

community event - see definition in Community Grants Policy.

confidential supplier - a supplier of services of such confidential nature that it would be impractical or disadvantageous to invite offers from alternate suppliers.


contracting activity - all activities that relate to the carrying out of a contract (within scope of this policy) for the supply of goods and services or the disposal of non-current assets, including pre-contract planning and post-contract management and administration.

Contracts Manager - see Superintendent.

Corporate Plan (Gold Coast 2022) – the Council’s Corporate Plan outlines Council’s vision and translates it into medium and long-term priorities for a minimum five year period.

Council - Council of the City of Gold Coast; or City of Gold Coast.

council contract representative (CCR) - an officer, nominated by Directorates, responsible for Council’s obligations for the operational implementation and management of a contract, including, where a Contracts
Manager/Superintendent is appointed, ensuring the functions allocated to the Contracts Manager/Superintendent are being carried out.

delegate - a Council officer holding a delegation.

donation - see definition in Community Grants Policy.

electronic tender box – the tender box generally used by Council for the electronic issue and receipt of public invitations to offer, known as Local Buy’s ‘LG tender box’ found at www.lgtenderbox.com.au.

environmentally relevant activity (ERA) - an activity defined under the Environmental Protection Act 1994 (Qld).

evaluated receipts settlement (ERS) - SAP system functionality for the utilisation of recipient created tax invoice’s (RCTIs).

Evaluation and Probity Plan - a formal plan generally developed and approved, as part of an invitation to offer process, typically detailing the evaluation methodology, process, criteria and weightings, roles and responsibilities, and the probity requirements.

expression of interest (EOI) - a preliminary invitation designed to elicit information and often to short-list suppliers who will be invited to provide a written offer.

free text shopping cart - a SAP shopping cart created by ‘free texting’ the definition and information. Used where a catalogued item does not exist.

grant funding – money or in kind support provided and usually tied to a requirement for the recipient to use such to achieve certain nominated objectives or deliverables.

innovative procurement - a program with the objective of pursuing innovative beneficial objectives of Council.

large-sized contract - a contract with an expected worth $250,000 (excluding GST) or more over the proposed term of the contract.

LGA arrangement - see section 234 of the Local Government Regulation 2012.

medium-sized contract - a contract with an expected worth of $25,000 or more but less than $250,000 over the proposed term of the contract (excluding GST).

non order purchase - the purchase of a good or service and subsequent payment made without the issuing of a purchase order to the supplier, and/or where payment is made to facilitate payments for other contracts that are not within scope of this policy.

not-for-profit organisation - see definition in Community Grants Policy.

offer - supplier response to invitation to offer documents.

Operational Plan - The Operational Plan is a detailed document showing how it is intended to give effect to one year’s portion of the Gold Coast 2022. It is a statement of specific works to be undertaken and services to be provided in order to progress the goals and objectives set out in the Gold Coast 2022.

policy - a statement formally adopted by Council or the CEO that describes Council’s position on a particular issue. Policies provide guidance for future action by clearly stating the policy objectives, scope and responsibilities for implementation.

procurement activity - see contracting activity and all activities that relate to the making and entering into a contract for carrying out of work, or the provision of goods and services, or the disposal of non-current assets.
procurement officer - an officer of the City Procurement Branch, Organisational Services.

purchase order - a uniquely numbered order form detailing Council’s requirements in relation to a contract.

purchase requisition - a statement of requirements which form the basis for the production of official purchase orders, and precede the issue of the order. (Referred to as a ‘shopping carts’ in SAP).

quality assurance (QA) - a management function that includes establishing specifications that can be met by suppliers, is repeatable; utilising suppliers that have the capability to provide adequate quality within those specifications; utilising control processes that assure high-quality products and services, and developing the means for measuring the products, service and cost performance of suppliers and comparing it with requirements.

recipient created tax invoice (RCTI) - a tax invoice which is created by Council in lieu of a supplier invoice and issued on behalf of the supplier.

recyclable product - those products that are manufactured from materials that can be recycled.

recycled product - those products that are manufactured from a percentage of recycled waste resources.

request for information (RFI) - an invitation for entities to submit proposals for the purpose of gathering information.

requisitioning officer – an officer raising a requisition/shopping cart for a purchase or stores item.

reservation - SAP system terminology for a stores requisition.

shopping cart - SAP system terminology for a purchase requisition.

Significant Contracting Plan - see section 221 of the Local Government Regulation 2012.

single sourced supplier - a supplier that Council can single source from without conducting a competitive process.

small-sized contract - a contract worth $0 or more but less than $25,000 (excluding GST).

social benefits supplier - an organisation or business whose mission is centred on a social purpose (e.g. social enterprise) or organisations who are owned by groups or people who are considered disadvantaged and who therefore channel economic and social resources back into marginalised communities.

social enterprise - organisations that are led by an economic, social, cultural, or environmental mission consistent with a public or community benefit; trade to fulfil their mission; derive a substantial portion of their income from trade; and reinvest the majority of their profit/surplus in the fulfilment of their mission.

social procurement - a strategic approach to meeting social objectives through procurement and in particular providing employment opportunities via procurement to disadvantaged communities on the Gold Coast.

sole supplier - the only supplier reasonably able to supply the goods and/or services required.

specialised supplier - a supplier of goods and/or services of such specialised nature that it would be impractical or disadvantageous to invite offers from alternate suppliers.

specification - a detailed description (including drawings, where applicable) of the outcome Council is seeking from the supplier.
**ITEM 5 (Continued)**

**PROCUREMENT POLICY AND CONTRACT MANUAL**

**PS411/372/09(P5)**

Procurement Policy and Contract Manual

Attachment C - Definitions

**sponsorship** – may be either incoming (where third parties provide money or other support to defray Council’s operating costs) or outgoing (where Council provides money or other support to defray the recipients operating costs).

**strategic planning** - the process by which the organisation envisions its future and develops strategies, goals, objectives and action plans to achieve that future.

**Superintendent** - see *Contracts Manager* a position commonly used in various suites of contracts to undertake nominated contract administration functions and powers conferred by the contract, appointed in some contracts.

**supplier** - an entity capable of supplying required goods and/or services. Suppliers include manufacturers, stockists, agents, merchants, distributors, consultants, tenderers, vendors and contractors.

**supplier base** - that segment of the marketplace providing a particular or range of goods or services as may be required from time to time to satisfy Council’s requirements through procurement and contracting activities.

**total cost of ownership (TCO)** - all costs incurred during the lifetime of the product or service contract, including: design, storage, maintenance, transportation, material handling, purchase cost, operational performance, disposal, distribution, obsolescence and damage. Also referred to as “all-inclusive costs” or “whole-of-life costs.” Includes having regard to not only the lowest cost but also fitness for purpose, innovation, maintenance and support, proven past experience or expertise, availability suitability of staff and resources, existence of QA systems and risk factors.

**vision** - a statement that articulates the desired future the organisation is working towards.

**whole-of-life-costs** - see *total cost of ownership (TCO)*.
## ITEM 5 (Continued)
### PROCUREMENT POLICY AND CONTRACT MANUAL
**PS411/372/09(P5)**

**Procurement Policy and Contract Manual**

**Attachment D - Standard Expenditure Approval Limits**

(Administrative Authorisations)

<table>
<thead>
<tr>
<th>Position Level</th>
<th>Administrative Authorisation</th>
</tr>
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<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>$500 million</td>
</tr>
<tr>
<td>Chief Operating Officer</td>
<td>$100 million</td>
</tr>
<tr>
<td>Director</td>
<td>$10 million</td>
</tr>
<tr>
<td>City Solicitor</td>
<td>$5 million</td>
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<tr>
<td>Manager</td>
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<tr>
<td>Executive Coordinator</td>
<td>$250,000</td>
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<tr>
<td>Level 8</td>
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<tr>
<td>Level 7</td>
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<tr>
<td>Level 4</td>
<td>$5,000</td>
</tr>
<tr>
<td>Levels 1 to 3</td>
<td>$1,000</td>
</tr>
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</table>
PROCEDURAL MOTION
moved Cr McDonald seconded Cr Taylor

That the Committee move into Closed Session pursuant to section 275 (1) of the Local Government Regulation 2012, for the consideration of the following item for the reason shown:-

<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Proposed Redevelopment Of Paradise Centre Lease – Owner’s Consent</td>
<td>Prejudicial Matter</td>
</tr>
</tbody>
</table>

CARRIED

PROCEDURAL MOTION
moved Cr Owen-Jones seconded Cr Boulton

That the Committee move into Open Session.

CARRIED

Following resumption into Open Session Item 6 was moved and carried as shown on the following pages.
1 BASIS FOR CONFIDENTIALITY

1.1 I recommend that this report be considered in Closed Session pursuant to section 275 (1) of the Local Government Regulation 2012 for the reason that the matter involves

(h) other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

1.2 I recommend that the report/attachment be deemed non-confidential except for those parts deemed by the Chief Executive Officer to remain confidential in accordance with sections 171 (3) and 200 (5) of the Local Government Act 2009.

2 EXECUTIVE SUMMARY

Not Applicable.

3 PURPOSE OF REPORT

To advise Council of a proposed redevelopment of part of the “Paradise Centre” in Surfers Paradise, a condition precedent being that the City provide consent to such in the context of gaining the necessary approvals for the redevelopment to proceed.

4 PREVIOUS RESOLUTIONS

Not Applicable.

5 DISCUSSION

5.1 Background

The Paradise Centre in Surfers Paradise was developed in 1981. At the time of development, the developer secured from the City a lease over parts of Lots 388 on WD4837 and Lots 2-4 on RP21835 (see attachment 1 for indicative lease boundary and which excludes the footprint of the Surfers Paradise Surf Life Saving Club lease area).

Points of note in respect of the lease are:

a. Lease term - 50 years commencing 1 July 1981 and thus expiring 30 June 2031;

b. Lease purpose - to use not more than 50% of the leased land for tourist/recreational facilities to be approved by Council with such area to provide for pedestrian circulation thereon, with the balance area of the lease to be landscaped and made available for free and unimpeded public access;

c. Lease rental - To be $5,000/annum for the first 10 years of the lease (1 July 1981 – 30 June 1991), then adjusted to $15,000/annum and thereafter adjustable at each subsequent 10 years (1 July 2001, 1 July 2011 and 1 July 2021) by CPI. Current day rental amounts to REDACTED (ex gst)/annum;
ITEM 6 (Continued)  
PROPOSED REDEVELOPMENT OF PARADISE CENTRE LEASE – OWNER’S CONSENT  
PN63950/20/02/CF(P1)

d. Lease expiry - The Lessee is required to remove and landscape certain areas but certain building improvements were to be left to remain on site; and  
e. Lease redevelopment - The Lessee is required to seek the consent of Council while the requisite consent cannot be unreasonably withheld.

At the time of the development of the leased site, the basement area of the lease (about 4,000m²) was developed for car parking purposes to serve the Paradise Centre while the street level area (about 3,100m²) was developed for a waterslide (tourist/recreational facilities), children’s playground, paved public pedestrian areas and food shops limited to a building footprint of about 400m² in total (over 2 storeys).

Over the years since lease commencement, a number of other approvals have issued whereby the waterslide ceased and for all intents, the lease area use has been converted to little more than an adjunct to the Paradise Centre shopping precinct. It is in that context that the current owner of the Paradise Centre/Lessee of the existing lease has approached the City for a redevelopment of the lease area.

Council therefore has two interrelated considerations – firstly, in terms of consenting to the proposed redevelopment as Lessor of the lease and secondly, in terms of the granting of owner’s consent to the necessary Planning Scheme application to see the redevelopment as proposed assessed against the City Plan.

5.2 Current redevelopment proposal

To fully appreciate the proposed redevelopment, which may yet be subject to further fine tuning, refer to attachment 2.

Clearly, the redevelopment would be a significant improvement to that in existence at present which would at best be described as tired and substantially dysfunctional.

That said, it is also the case that the current lease site is particularly valuable public land, both in the context of its financial value but also in the context of its adjacency to the Surfers Paradise Mall to the north and The Esplanade/Surfers Paradise beach to the east.

5.3 Matters to consider in the grant of consent

It is the case that the “flavour” of the original development of the lease from the early 1980’s (waterslide, playground and public circulation) has been substantially altered with Council’s consent over time to that in existence today – tired and substantially dysfunctional additions to the Paradise Centre shopping precinct. It is also the case that the existing lease of the subject site has not been the subject of any great attention in respect of change of lease purpose/conditions as redevelopment options were pursued and agreed by Council.

The following aspects are examples of what might be deemed “leasehold anomalies” at the subject site:
ITEM 6  (Continued)
PROPOSED REDEVELOPMENT OF PARADISE CENTRE LEASE – OWNER’S CONSENT
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Lease rental - As noted above the current rental return to the City for the existing lease is REDACTED (ex gst). Doing little more than considering the footprint of the proposed redevelopment area of the lease (that is, excluding consideration of the underground car park also contained in the lease and which services the shopping precinct) and apportioning values accordingly, would result in the following indicative outcome:

City rental return – indicative and based on current market

Indicative land area for redevelopment = 1,380m²
Indicative value/m² of land area for redevelopment: REDACTED
Indicative rental return/annum to City = 1,380m² x REDACTED/m² x REDACTED % = REDACTED/annum
Current rental return = REDACTED (ex gst)

Lessee rental return – indicative and based on current market

Proposed GLA (internal/ground floor) 604m² x REDACTED =
Proposed licence area/s ground floor 195m² x REDACTED =
Proposed GLA (internal/first level) 687m² x REDACTED =
Proposed licence area/s first level  290m² x REDACTED =
Indicative total rental return/annum to Lessee =

Current rental return from dysfunctional uses (indicative)

Lease Expiry

As noted above, upon expiry of the current lease there is little certainty of exactly what the then Lessee would be bound to do for instance, if a vacation of City site was required. Seemingly, some buildings may under the current lease remain on site; the question being would the City wish that to be so in the event that the current redevelopment proceeded as proposed. Of course, it does seem quite problematic that an underground car park encapsulates all of the site and that car park no doubt forms part or is seen to form part, of the car parking required for the Paradise Centre going forward.

In the context of the above aspects, the following conclusions could reasonably be drawn by Council in considering the grant of consent to the proposed redevelopment as has been requested:
ITEM 6 (Continued)
PROPOSED REDEVELOPMENT OF PARADISE CENTRE LEASE – OWNER’S CONSENT
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i. claims that greater security of tenure (whether freehold or an extended lease term) is a pre-requisite to see the Lessee proceed with a costly redevelopment – such contention needs to be seen in the context of the current “nominal” rental period paid for the lease (i.e. REDACTED/annum) as against what would amount to a quite appropriate market rental (REDACTED);

ii. that the minimal rental received by the Paradise Centre from the current lease tenants due to the dysfunctional layout of the lease site at REDACTED/annum would be replaced by a substantially greater return at circa REDACTED/annum once the redevelopment occurred; and

iii. that the current redevelopment proposal intends to entrench the use of the ground level of the lease as little more than an extension to the Paradise Centre shopping precinct which while a welcome improvement to the overall façade of the site, is certainly a far cry from what Council envisaged when the lease was first granted where a public attraction and accessibility was the main consideration.

As noted previously in the report, the current lease for the proposed redevelopment site expires in 2031, while the drafting of the lease leaves uncertain exactly what would need to occur should the lease not be renewed by a future Council. It certainly seems most likely that the underground car park will remain in place post expiry of the current lease, albeit the terms upon which it could continue to be controlled by the Paradise Centre (i.e. lease term, rental etc.) would be open for negotiation at that time.

In respect of the ground/first level of the proposed redevelopment, it is open to a future Council to follow a proper process as lease expiry nears, affording the Paradise Centre a right to be heard in respect of the grant of a renewed lease with the terms and conditions to be negotiated or to not renew the lease.

It follows that in the event that a future Council determines to not renew the lease for the ground/first level uses, the current lease would prove quite unsatisfactory in determining the responsibilities of the parties at that time in respect of making good the leasehold site.

Noting the intent for a substantial redevelopment of the site as is proposed, coupled with a very large increase in tenantable areas of buildings between current and proposed, it is entirely reasonable that Council’s consideration of the grant of consent to the present proposal be subject to the requirement that clauses be inserted into the current lease defining exactly what would be required of the Lessee should a future Council determine not to renew the lease.

On this aspect, the recommendations in this report reflect that the current lease be amended to require the Lessee to demolish all buildings at ground/first floor levels and then make good the surface of the leased land to a standard satisfactory to the Chief Executive Officer, all at the cost of the Lessee, should a future Council determine that to be its position at the time. The imposition of such clauses should not and will not be inferred as a statement of a future Council’s position – merely a safeguard that clarifies what would be required of the Lessee if that situation arose.
ITEM 6 (Continued)
PROPOSED REDEVELOPMENT OF PARADISE CENTRE LEASE – OWNER’S CONSENT PN63950/20/02/CF(P1)

6 ALIGNMENT TO THE CORPORATE PLAN, CORPORATE STRATEGIES AND OPERATIONAL PLAN

Supporting the delivery of Gold Coast 2022

A We plan for the future of the City
B We manage the city responsibility

7 GOLD COAST 2018 COMMONWEALTH GAMES IMPACT

Not applicable. The proposed redevelopment is subject to assessment under the City Plan and works would only commence after the completion of the Games.

8 FUNDING AND RESOURCING REQUIREMENTS

Budget/Funding Considerations

Not Applicable.

9 RISK MANAGEMENT

To a great extent, implementation of the recommendations in this report diminishes the risk of a future Council having to fund costly demolition/make good costs which may arise under current leasehold conditions which are substantially unclear and/or unsatisfactory having regard to the redevelopment now proposed.

10 STATUTORY MATTERS

Not Applicable.

11 COUNCIL POLICIES

Not Applicable.

12 DELEGATIONS

Not Applicable.

13 COORDINATION & CONSULTATION

Not Applicable.

14 STAKEHOLDER IMPACTS

Not Applicable.

15 TIMING

The recommendations in this report can be actioned immediately upon Council’s resolution.
16 CONCLUSION

The current Lessee of Council land at the front of the Paradise Centre in Surfers Paradise has requested Council consent to its redevelopment proposals.

The current lease area is poorly developed and substantially dysfunctional, evidenced by the current lack of commercial tenancies in place. As such, redevelopment of the area would be a most welcome addition to Surfers Paradise.

In considering the application for consent, it is relevant that there is a proposed marked increase in tenantable areas above that now in place. That being the case and noting that the current lease has not kept pace with redevelopment scenarios since lease commencement in 1981, it is prudent that Council turns its mind to the fact that the lease expires in 2031.

Upon lease expiry, a future Council is entitled to determine its own position on lease renewal or otherwise. In the event that non-renewal was to occur following due process (presumably other than to the extent of underground car parking as currently in place), the current lease clauses dealing with vacation matters reflect the thinking that only limited buildings would be in existence which clearly would not be the case if the current redevelopment proceeds as proposed.

As mentioned elsewhere in this report, the redevelopment as proposed will be a welcome addition to Surfers Paradise. But that redevelopment is being pursued by the applicant in the full knowledge that their leasehold interests end in 2031, unless a future Council determines otherwise. So as a risk minimisation measure, it is considered entirely reasonable that the grant of Council consent to the redevelopment be subject to agreed amendments to current lease conditions specifically providing that at lease expiry the Lessee of the time, if called upon by a future Council, will demolish all improvements on the leasehold site at its full cost and then make good the same area, again at no cost to the City. Such an outcome is reflected in the recommendations in this report.

Note, the requirement for amendments to the current lease is not to be inferred as an indication of a future Council’s determination of the matter of lease renewal, or otherwise, as lease expiry occurs in 2031. However, it is considered to be entirely prudent in granting consent to the current redevelopment proposal to leave open to a future Council to not be faced with significant costs of demolition and make good of a component of a shopping centre as the current redevelopment proposal envisages.

17 RECOMMENDATION

It is recommended that Council resolves as follows:

1 That the report/attachment be deemed non-confidential except for those parts deemed by the Chief Executive Officer to remain confidential in accordance with sections 171 (3) and 200 (5) of the Local Government Act 2009.

2 That Council confirms its consent for the lodgement of the redevelopment proposal for the leasehold land comprising the eastern end of the Paradise Centre in Surfers Paradise as currently applied for.
3 That the grant of consent in 1 above be subject to the current Lessee of the lease first confirming its agreement to the amendment of the lease by insertion of appropriate clauses confirming that in the event of expiry of the current lease and a future Council determining following due process to not renew the lease, that all demolition works and make good works following lease vacation be to the satisfaction of Council (the Chief Executive Officer) and at the full and sole cost of the Lessee, including the provision of a relevant surety in that regard.

4 That the current Lessee be advised that the requirement in 3 is not necessarily indicative of a future Council’s position on lease renewal matters as such would need to be dealt with via due process as the current lease approaches expiry in 2031.

5 In conjunction with 2, 3 and 4, the current Lessee also be informed that Council has given full consideration to the benefits inherent in a redevelopment proceeding evidenced by the granting of consent but that the marked increase in the development footprint as now proposed necessitates the request for the proposed lease amendments proceeding in the first instance and prior to the grant of the requested consent.

Author: Brendan Madden
Manager Property Services
7 November 2017

Authorised by: Peter Morichovitis
Acting Director Organisational Services

TRACKS REF: 65632195
ITEM 6 (Continued)
PROPOSED REDEVELOPMENT OF PARADISE CENTRE LEASE – OWNER’S CONSENT
PN63950/20/02/CF(P1)

COMMITTEE RECOMMENDATION GA17.1123.006
moved Cr Owen-Jones seconded Cr Gates

1 That the report/attachment be deemed non-confidential except for those parts
deemed by the Chief Executive Officer to remain confidential in accordance with
sections 171 (3) and 200 (5) of the Local Government Act 2009.

2 That Council confirms its consent for the lodgement of the redevelopment
proposal for the leasehold land comprising the eastern end of the Paradise
Centre in Surfers Paradise as currently applied for.

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grant of the requested consent.

CARRIED UNANIMOUSLY

There being no further business the meeting closed at 10.47am.
ITEM 6  (Continued)
PROPOSED REDEVELOPMENT OF PARADISE CENTRE LEASE – OWNER’S CONSENT
PN63950/20/02/CF(P1)
ITEM 6 (Continued)
PROPOSED REDEVELOPMENT OF PARADISE CENTRE LEASE – OWNER’S CONSENT
PN63950/20/02/CF(P1)

Attachment 2
ITEM 6  (Continued)
PROPOSED REDEVELOPMENT OF PARADISE CENTRE LEASE – OWNER’S CONSENT
PN63950/20/02/CF(P1)
ITEM 6 (Continued)
PROPOSED REDEVELOPMENT OF PARADISE CENTRE LEASE – OWNER’S CONSENT
PN63950/20/02/CF(P1)
ITEM 6 (Continued)
PROPOSED REDEVELOPMENT OF PARADISE CENTRE LEASE – OWNER’S CONSENT
PN63950/20/02/CF(P1)
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Constitute The Report Of The Meeting

Of The Governance & Administration Committee

Held Thursday 23 November 2017