



City of  
**Ipswich**

**IPSWICH  
CITY  
COUNCIL**

**AGENDA**

*of the*

**AUDIT AND RISK MANAGEMENT COMMITTEE**

**Held in the Council Chambers  
2<sup>nd</sup> floor – Council Administration Building  
45 Roderick Street  
IPSWICH QLD 4305**

**On Wednesday, 19 June 2019  
At 1.00 pm - 3.00 pm**

MEMBERS OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Interim Administrator Greg  
Chemello(**Chairperson**)

## AUDIT AND RISK MANAGEMENT COMMITTEE AGENDA

1.00 pm - 3.00 pm on **Wednesday, 19 June 2019**

Council Chambers

**Presentation – At the commencement of the meeting there will be a 15 minute presentation by Tony Welsh (Interim ICT Management and Support).**

As part of TP#17 ICT Strategy a 'current state assessment' has been conducted. This has identified some weaknesses and exposures in current ICT systems, arrangements and practices in Ipswich City Council. This presentation will focus on refreshing those items reported in the Audit Update 17/18 by the ICT Manager to reflect the current status and outlook.

**Verbal Report – Andrew Knight (General Manager – Corporate Services)** will be providing an update on procurement. Mary Goodwin (Procurement Specialist assisting TP#3) and Cathy Murray (Lead of TP#3) will also be attending.

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\*\* Item includes confidential papers

**AUDIT AND RISK MANAGEMENT COMMITTEE NO. 2**

**19 JUNE 2019**

**AGENDA**

1. **REPORT - AUDIT AND RISK MANAGEMENT COMMITTEE NO. 2019(01) OF 13 FEBRUARY 2019**

This is a report concerning the previous report of the Audit and Risk Management Committee No. 2019(01) of 13 February 2019 for confirmation together with an extract of the Governance Committee and the Council Ordinary Meeting where the report was adopted.

**RECOMMENDATION**

That the report be received and the contents noted.

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2. **2018-2019 ASSET REVALUATION**

This is a report concerning the 2018-2019 Asset Revaluation and its effect on Ipswich City Council's annual financial statements.

Council's current revaluation procedure FCS-5 provides that Council will revalue all its non-current assets on a five year rolling basis provided that these assets do not experience significant and volatile change in fair value.

The current revaluation schedule is as follows:

<b>Year</b>	<b><u>Formal Valuation</u></b>	<b><u>Desktop Valuation</u></b>	<b>Final Report Due Date</b>
2015	(a) Land	(b),(c),(d),(e)	25-May-15
2016	(b) Roads, bridges and footpaths	(a),(c),(d),(e)	30-Apr-16
2017	(c) Building and Other structures	(a),(b),(d),(e)	30-Apr-17
2018	(d) Flooding and drainage	(a),(b),(c),(e)	30-Apr-18
2019	(e) Artworks	(a),(b),(c),(d)	30-Apr-19

*Shaded area only included for completeness.*



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RECOMMENDATION

That the Interim Administrator of Ipswich City Council resolve:

- A. That the report by the Principal Financial Accountant dated 30 April 2019, including attachments 1, 2, 3 and 4 be received and noted.
- B. That the artworks asset class being a formal valuation and the roads, bridges and footpaths asset class indexation be revalued as outlined in the report by the Principal Financial Accountant dated 30 April 2019 and in accordance with Attachments 1 and 3.
- C. That all other asset classes of land, buildings and other structures, and flooding and drainage not be revalued as the cumulative valuation percentage increases/decreases are below 5%, as outlined in the report by the Principal Financial Accountant dated 30 April 2019.

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3. IMPACT OF NEW ACCOUNTING STANDARDS

This is a report concerning a request from the Queensland Audit Office (QAO) requiring Ipswich City Council (ICC) and its controlled entities to provide a position paper regarding the impact of recently issued or amended accounting standards. Council is required to provide the position paper by the 31 May 2019.

RECOMMENDATION

That the report of the Principal Financial Accountant regarding the impact of the recently released or amended Accounting Standards on Ipswich City Council dated 23 May 2019 be received and the contents noted.

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4. ACCOUNTING FOR REINTEGRATION OF IPSWICH CITY PROPERTIES PTY LTD

This is a report concerning a requirement of the Queensland Audit Office (QAO) for Ipswich City Council (ICC) to provide a position paper regarding the impact of the reintegration of Ipswich City Properties Pty Ltd (ICP). Council is required to provide the position paper by the 31 May 2019.

RECOMMENDATION

That the report by the Principal Financial Accountant regarding the impact of the reintegration of Ipswich City Properties Pty Ltd with Ipswich City Council dated 30 May 2019 be received and the contents noted.

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5. WASTE TASK FORCE UPDATE

This is a report concerning the Department of Environment and Science ('DES') representatives meeting with Council on 8 April 2019 to provide an update on operations, findings, and outputs of the Odour Abatement Taskforce ('OAT').

RECOMMENDATION

That the report be received and the contents noted.

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6. PROGRESS OF THE 2018-2019 ANNUAL INTERNAL AUDIT PLAN

This is a report concerning the status of the 2018-2019 Annual Internal Audit Plan as presented in the attachment to this report.

RECOMMENDATION

That the report be received and the contents noted

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7. \*\*UPDATE ON QAO RECOMMENDATIONS (PLANNING AND REGULATORY SERVICES DEPARTMENT)

This is a report concerning the Planning and Regulatory Services Department's progress in complying with the Queensland Audit Office (QAO) recommendations outlined in 'QAO 2018 Closing Report' (adopted by Council on 4 December 2018). Specifically, Appendix A - Internal Control Issues (items 1 to 3) relating to developer infrastructure contributions and fee variations.

RECOMMENDATION

That the report be received and the contents noted.

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8. \*\*INTERNAL AUDIT BRANCH ACTIVITIES REPORT FOR THE PERIOD 4 FEBRUARY 2019 TO 10 JUNE 2019

This is a report concerning the activities of Internal Audit undertaken since 4 February 2019 and the current status of these activities.

RECOMMENDATION

That the report be received, the contents noted and the recommendations in Attachments 2 and 3, be considered finalised and archived.

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9. \*\*ANNUAL INTERNAL AUDIT PLAN FOR 2019-2020 THAT INCLUDES THE STRATEGIC INTERNAL AUDIT PLAN FOR 2020-2022

This is a report concerning the proposed Annual Audit Plan for 2019-2020 that includes the Strategic Internal Audit Plan for 2020-2022.

**RECOMMENDATION**

That the Interim Administrator of Ipswich City Council resolve:

- A. That the draft Internal Audit Annual Plan for 2019-2020 that includes the draft Strategic Internal Audit Plan for 2020-2022 (Attachment 1) as prepared by the Chief Audit Executive be reviewed and considered by the Audit and Risk Management Committee.
- B. That, following receipt of the views of the Audit Committee, the Plans subject to amendments as considered necessary, be formally approved by the Chief Executive Officer as required under the Internal Audit Charter.

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10. **\*\*SUMMARY OF RECENT INTERNAL AUDIT REPORTS ISSUED**

This is a report concerning recently completed internal audits and the subsequent reports released since the previous report dated 4 February 2018.

**RECOMMENDATION**

That the report be received and the contents noted.

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11. **\*\*OVERDUE RECOMMENDATIONS AS AT 10 JUNE 2019.**

This is a report concerning the status of each Department's progress in actioning the internal and external audit recommendations due or overdue for implementation.

**RECOMMENDATION**

That the report be received and considered.

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12. **\*\*RISK AND PLANNING SECTION'S PERFORMANCE IN THE MANAGEMENT OF CORPORATE RISK AND INSURANCE**

This is a report concerning the performance of the Risk and Planning Section (the Section) in relation to the management of corporate risk and insurance for the period 1 January 2019 to 31 March 2019 (the Quarter).

**RECOMMENDATION**

That the report be received and the contents noted.

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13.     **\*\*INTEGRITY AND GOVERNANCE SECTION'S PERFORMANCE IN RELATION TO  
LEGISLATIVE COMPLIANCE**

This is a report concerning the performance of the Integrity and Governance Section (the Section) in relation to managing Council's legislative compliance in the management of complaints, insurance, risk, Right to Information and Information Privacy functions for the period 1 January 2019 to 31 March 2019 (the Quarter).

**RECOMMENDATION**

That the report be received and the contents noted.

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14.     **\*\*QAO BRIEFING PAPER AND DRAFT INTERIM MANAGEMENT REPORT**

This is a report concerning a briefing paper and draft interim management report submitted by Queensland Audit Office.

**RECOMMENDATION**

That the reports be received and the contents noted.

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15.     NEXT MEETING

The next meeting is scheduled for Wednesday, 28 August 2019.

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16.     GENERAL BUSINESS

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17.     PRIVATE SESSION OF MEMBER (IF REQUIRED)

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**\*\* Item includes confidential papers**

and any other items as considered necessary.

Doc ID No: A5597130

ITEM: 1

SUBJECT: REPORT - AUDIT AND RISK MANAGEMENT COMMITTEE NO. 2019(01) OF 13  
FEBRUARY 2019

AUTHOR: ADMINISTRATION SUPPORT MANAGER

DATE: 14 JUNE 2019

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### **EXECUTIVE SUMMARY**

This is a report concerning the previous report of the Audit and Risk Management Committee No. 2019(01) of 13 February 2019 for confirmation together with an extract of the Governance Committee and the Council Ordinary Meeting where the report was adopted.

### **RECOMMENDATION/S**

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

### **RELATED PARTIES**

Not applicable

### **ADVANCE IPSWICH THEME LINKAGE**

Listening, leading and financial management

### **PURPOSE OF REPORT/BACKGROUND**

The purpose of the report is to present the previous report of the Audit and Risk Management Committee for confirmation.

### **FINANCIAL/RESOURCE IMPLICATIONS**

Not applicable

### **RISK MANAGEMENT IMPLICATIONS**

Not applicable

### **LEGAL/POLICY BASIS**

This report and its recommendations are consistent with the following legislative provisions:  
*Local Government Act 2009*

*Local Government Regulation 2012*




## COMMUNITY AND OTHER CONSULTATION

Not applicable

## CONCLUSION

The previous report of the Audit and Risk Management Committee is presented to the committee for confirmation.

## ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	Report - Audit and Risk Management Committee No. 2019(01) <a href="#">↓</a> 
1.01	Extract Governance Committee No. 2018(02) of 19 February 2019 <a href="#">↓</a> 
1.02	Extract Council Ordinary Meeting of 26 February 2019 <a href="#">↓</a> 

Vicki Lukritz

**ADMINISTRATION SUPPORT MANAGER**

I concur with the recommendations contained in this report.

Andrew Knight

**GENERAL MANAGER - CORPORATE SERVICES**

***“Together, we proudly enhance the quality of life for our community”***

**AUDIT AND RISK MANAGEMENT COMMITTEE NO. 2019(01)**

**13 FEBRUARY 2019**

**REPORT**

<b><u>MEMBERS' ATTENDANCE:</u></b>	Graeme Stratford (Chairperson and External Member); Greg Chemello (Interim Administrator), Robert Jones (Interim Management Committee member), Stan Gallo (Interim Management Committee member) and Dr Annette Quayle (External Member)
<b><u>MEMBER'S APOLOGIES:</u></b>	Nil
<b><u>OTHER ATTENDANCE:</u></b>	David Farmer (Chief Executive Officer), Chief Operating Officer (Finance and Corporate Services)(Andrew Knight), Chief Audit Executive (Freddy Beck), Chief Operating Officer (Economic Development and Marketing)(Ben Pole)(Observer), Finance Manager (Jeff Keech), Queensland Audit Office (Lisa Fraser) and Queensland Audit Office (Patrick Flemming)

**PRESENTATION - PROCUREMENT REVIEW**

Mark Henderson (Director) and Matt Dickson (Director, Project Delivery) of Charles Kendall Australia provided the committee with a presentation on the recommendations from their procurement review undertaken at Ipswich City Council.

A number of matters were raised by the committee in relation to the procurement review namely:

- Management to provide further detail and recommendations from the procurement review to confirm timelines and establish actions to ensure these matters are captured and allocated to the relevant transformational projects.
- Key decisions to be made to ensure commitment and to ensure urgent commencement to establish and meet the timeframes as currently envisaged.
- Recommendations and findings of the procurement review to be recorded in one central system to ensure action, monitoring and completion of activities so as to avoid matters not being addressed.

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1. **REPORT – AUDIT COMMITTEE NO. 2018(05) OF 28 November 2018**

With reference to a report by the previous Audit Committee No. 2018(05) of 28 November 2018 and an extract of the Council Ordinary Meeting held on 4 December 2018.

RECOMMENDATION

That the report be received and the contents noted.

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The confidential papers associated with Item 2 are confidential as they relate to internal audits either being undertaken or that have been completed.

2. INTERNAL AUDIT BRANCH ACTIVITIES REPORT FOR THE PERIOD 5 OCTOBER 2018 TO 4 FEBRUARY 2019

With reference to a report by the Chief Audit Executive dated 4 February 2019 concerning the activities undertaken since 5 October 2018 and the current status of Internal Audit activities.

RECOMMENDATION

That the report be received, the contents noted and the recommendations in Attachments 2a and 2b, be considered finalised and archived.

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The confidential papers associated with Item 3 are confidential as they relate to the result of internal audit matters and proposed recommendations.

3. SUMMARY OF RECENT AUDIT REPORTS ISSUED

With reference to a report by the Chief Audit Executive dated 4 February 2019 concerning the completion of recent internal audits and subsequent reports released since the previous report dated 5 October 2018.

RECOMMENDATION

That the report be received and the contents noted.

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The confidential papers associated with Item 4 are confidential as they relate to internal audit matters and proposed recommendations.

4. OVERDUE RECOMMENDATIONS AS AT 4 FEBRUARY 2019

With reference to a report by the Chief Audit Executive dated 4 February 2019 concerning the status of each Department's progress in actioning the internal and external audit recommendations due or overdue for implementation.



RECOMMENDATION

That the report be received and the contents noted.

Rob Jones from the Interim Management Committee suggested that the overdue recommendations be detailed in chronological order to easily see at what point a matter was raised, when it was extended and when it was actioned. This would then give the committee a clearer picture of where this matter was at and whether it needed to be revisited.

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5. PLANNING OF FUTURE AUDIT AND RISK MANAGEMENT COMMITTEE MEETINGS FOR 2019

With reference to an updated report by the Chief Audit Executive from 5 October 2018 concerning the proposed structured and planned agenda for the Audit and Risk Management Committee for the period 1 January 2019 to 31 December 2019.

RECOMMENDATION

That the Interim Administrator of Ipswich City Council resolve:

- A. That the 2019 Audit and Risk Management Committee meetings as scheduled normally a week prior to the Governance Committee meetings in the months of February, June, August, September (date determined by Chief Operating Officer, Finance and Corporate Service) and November, be accepted.
  - B. That the proposed draft agenda discussion topics detailed in Attachment 1 of the report by the Chief Audit Executive dated 4 February 2019, be adopted.
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6. QUEENSLAND AUDIT OFFICE BRIEFING NOTE – FEBRUARY 2019

With reference to a report by the Queensland Audit Office providing an update on Ipswich City Council's Audit Status.

RECOMMENDATION

That the report be received and the contents noted.

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7. QUEENSLAND AUDIT OFFICE DRAFT EXTERNAL AUDIT PLAN

With reference to a report by the Queensland Audit Office concerning a draft external audit plan.

RECOMMENDATION

That the report be received and the contents noted.

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8. TAX RISK MANAGEMENT UPDATE 2018

With reference to a report by the Principal Taxation Officer dated 30 January 2019 concerning taxation risk management issues for the year ended 31 December 2018.

RECOMMENDATION

That the report be received and the contents noted.

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The confidential papers associated with Item 9 are confidential as they relate to the status of complaints currently under investigation by Ipswich City Council.

9. CORPORATE SERVICES BRANCH PERFORMANCE IN RELATION TO LEGISLATIVE COMPLIANCE

With reference to a report by the Acting Corporate Governance Manager dated 5 February 2019 concerning the performance of the Corporate Services Branch (the Branch) in relation to the management of legislative compliance (including complaints) for the period 1 October 2018 to 31 December 2018 (the Quarter).

RECOMMENDATION

That the report be received and the contents noted.

Rob Jones from the Interim Management Committee queried whether Council had a Compliance Register to capture all the pieces of legislation that local governments needed to comply with. The Chief Operating Officer (Finance and Corporate Services) advised that this would be captured as part of one of the transformational projects.

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10. QUEENSLAND AUDIT OFFICE FINAL MANAGEMENT REPORTS 2017–2018

This is a report by the Chief Operating Officer (Finance and Corporate Services Department) providing an update on the audit of Ipswich City Council, Ipswich City Properties Pty Ltd, Ipswich City Developments Pty Ltd, Ipswich City Enterprises Pty Ltd, Ipswich City Enterprises Investment Pty Ltd and Ipswich Motorsport Park Pty Ltd financial statements for the 2017–2018 financial year.

RECOMMENDATION

That the Interim Administrator of Ipswich City Council resolve:

That the Audit and Risk Management Committee review the final management report and provide further recommendation for follow-up action as necessary.

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11. CORPORATE SERVICES BRANCH PERFORMANCE IN RELATION TO MANAGEMENT OF CORPORATE RISK AND INSURANCE

With reference to a report by the Acting Corporate Governance Manager dated 5 February 2019 concerning the performance of the Corporate Services Branch (the Branch) in relation to the management of corporate Risk and Insurance for the period 1 October 2018 to 31 December 2018 (the Quarter).

RECOMMENDATION

That the report be received and the contents noted.

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12. TRANSFORMATIONAL PROJECTS PROGRESS REPORT

With reference to a report by the Acting Corporate Governance Manager dated 6 February 2019 concerning the progress of council's Transformational Projects.

RECOMMENDATION

That the report be received and the contents noted.

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13. HUMAN RESOURCE MANAGEMENT INFORMATION SYSTEMS (HRMIS) PROJECT UPDATE – IMPLEMENTATION OF E-HUB

With reference to a report by the Chief Operating Officer (Finance and Corporate Services) dated 5 February 2019 concerning an update on a major IT project to implement and upgrade to the HRMIS.

RECOMMENDATION

That the report be received and the contents noted.

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14. NEXT MEETING – Wednesday, 19 June 2019.

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**PROCEDURAL MOTIONS AND FORMAL MATTERS**

The meeting opened at 1.03 pm.

The meeting closed at 3.12 pm.

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**GOVERNANCE COMMITTEE NO. 2019(02)**

**19 FEBRUARY 2019**

**REPORT**

**EXTRACT**

**MEMBER'S ATTENDANCE:** Greg Chemello (Chairperson)

**INTERIM MANAGEMENT  
COMMITTEE ATTENDANCE:** Stan Gallo, Steve Greenwood, Simone Webbe, Jan Taylor  
and Robert Jones

Pursuant to section 13 of Council's Local Law No 2 (Council Meetings) 2013, the Interim Administrator invited the Interim Management Committee being Stan Gallo, Steve Greenwood, Simone Webbe, Jan Taylor and Robert Jones to address the Governance Committee on any matters before it.

The Interim Administrator advised that he is bound to declare Conflict of Interests and potential Conflict of Interests and that the members of the Interim Management Committee are not legally bound, however in accordance with the Interim Management Committee Charter they will also declare Conflict of Interests and potential Conflict of Interests.

7. **REPORT – AUDIT AND RISK MANAGEMENT COMMITTEE NO. 2019(01) OF 13 FEBRUARY 2019**

With reference to the report of the Audit and Risk Management Committee No. 2019(01) of 13 February 2019.

**RECOMMENDATION**

That the report of the Audit and Risk Management Committee No. 2019(01) of 13 February 2019 be received, the contents noted and the recommendations contained therein be adopted.

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**PROCEDURAL MOTIONS AND FORMAL MATTERS**

The meeting opened at 10.56 am.

The meeting closed at 11.54 am.

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**COUNCIL ORDINARY MEETING**

**26 February 2019**

**E X T R A C T**

Held in the Council Chambers, Administration Building

The meeting commenced at 9.03 am

*Pursuant to section 13 of Council's Local Law No 2 (Council Meetings) 2013, the Interim Administrator invited the Interim Management Committee members present being Simone Webbe, Jan Taylor, Stan Gallo, Steve Greenwood and Robert Jones to address the Council on any matters before it.*

*The Interim Administrator advised that he is bound to declare Conflict of Interests and potential Conflict of Interests and that the members of the Interim Management Committee are not legally bound, however in accordance with the Interim Management Charter they will also declare Conflict of Interests and potential Conflict of Interests.*

**ATTENDANCE AT  
COMMENCEMENT**

**MEMBER'S ATTENDANCE:**

Greg Chemello (Interim Administrator)

**INTERIM MANAGEMENT COMMITTEE:**

Simone Webbe, Jan Taylor, Stan Gallo, Steve Greenwood and Robert Jones

**RECEPTION AND  
CONSIDERATION OF  
COMMITTEE REPORTS**

The Interim Administrator of the Ipswich City Council resolves:

That the Governance Committee Report No. 2019(02) of 19 February 2019 be received and adopted.

The motion was put and carried.

**OFFICER'S REPORT**

**PLANNING FOR FUTURE AUDIT AND RISK MANAGEMENT COMMITTEE  
MEETINGS FOR 2019**

That the report by the Chief Audit Executive dated 4 February 2019 concerning the proposed structured and planned agenda for the Audit and Risk Management Committee for the period 1 January 2019 to 31 December 2019, be received and adopted.

In considering the report, the following matters were raised by the Interim Administrator and Interim Management Committee members:

**RECOMMENDATION:**

That the Interim Administrator of Ipswich City Council resolves:

- A. That the 2019 Audit and Risk Management Committee meetings as scheduled normally a week prior to the Governance

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**Item 1 / Attachment 1.02**

Committee meetings in the months of February, June, August, September (date determined by COO Finance and Corporate Services) and November, be accepted.

- B. That the proposed draft agenda discussion topics detailed in Attachment 1 of the report by the Chief Audit Executive dated 4 February 2019, be adopted.

The motion was put and carried.

**DISCUSSION**

The Interim Administrator thanked Rob Jones for his assistance.

The report outlines the Audit and Risk Management Committee as having an independent Chair, an independent majority of members and a minority of future councillors. The Interim Administrator made comment that this was an appropriate way for governance for the council in the future.

The motion was put and carried.

**MEETING CLOSED**

The meeting closed at 9.15 am.

Doc ID No: A5490595

ITEM: 2

SUBJECT: 2018-2019 ASSET REVALUATION

AUTHOR: PRINCIPAL FINANCIAL ACCOUNTANT

DATE: 30 APRIL 2019

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## EXECUTIVE SUMMARY

This is a report concerning the 2018-2019 Asset Revaluation and its effect on Ipswich City Council's annual financial statements.

Council's current revaluation procedure FCS-5 provides that Council will revalue all its non-current assets on a five year rolling basis provided that these assets do not experience significant and volatile change in fair value.

The current revaluation schedule is as follows:

Year	<u>Formal Valuation</u>	<u>Desktop Valuation</u>	Final Report Due Date
2015	(a) Land	(b),(c),(d),(e)	25-May-15
2016	(b) Roads, bridges and footpaths	(a),(c),(d),(e)	30-Apr-16
2017	(c) Building and Other structures	(a),(b),(d),(e)	30-Apr-17
2018	(d) Flooding and drainage	(a),(b),(c),(e)	30-Apr-18
2019	(e) Artworks	(a),(b),(c),(d)	30-Apr-19

*Shaded area only included for completeness.*

## RECOMMENDATION/S

That the Interim Administrator of Ipswich City Council resolve:

- A. That the report by the Principal Financial Accountant dated 30 April 2019, including attachments 1, 2, 3 and 4 be received and noted.
- B. That the artworks asset class being a formal valuation and the roads, bridges and footpaths asset class indexation be revalued as outlined in the report by the Principal Financial Accountant dated 30 April 2019 and in accordance with Attachments 1 and 3.
- C. That all other asset classes of land, buildings and other structures, and flooding and drainage not be revalued as the cumulative valuation percentage increases/decreases are below 5%, as outlined in the report by the Principal Financial Accountant dated 30 April 2019.

## RELATED PARTIES

There are no related parties

## ADVANCE IPSWICH THEME LINKAGE

Listening, leading and financial management

## PURPOSE OF REPORT/BACKGROUND

The 2018-2019 revaluation process consists of a full revaluation for artworks assets and an indexed valuation for roads, bridges and footpaths (RBF), land, buildings and other structures assets, and flooding and drainage assets.

Valuation for artworks was carried out by Ross Searle and Associates. The indexation for land, building and other structures and infrastructure assets was provided by Cardno.

### ***Revaluation Materiality***

Asset Revaluation Procedure: 'Council will need to consider the impact of revaluation only if the cumulative change in the index is greater than 5% (either positive or negative) since the last formal valuation of an asset class.'

AASB1031 Materiality (paragraph 15):

- (a) an amount which is equal to or greater than 10 per cent of the appropriate base amount may be presumed to be material unless there is evidence or convincing argument to the contrary; and
- (b) an amount which is equal to or less than 5 per cent of the appropriate base amount may be presumed not to be material unless there is evidence, or convincing argument, to the contrary.

## **VALUATION**

### **Artworks**

Summary of Artworks valuation.

Asset class	Net Replacement Cost 2018-2019	Net Replacement Cost 2013-2014	Movement	% Mvt
Artworks	\$4,732,050	\$4,082,094	\$649,956	15.92%
	\$4,732,050	\$4,082,094	\$649,956	15.92%

Valuation for Artwork assets is based on a formal valuation and the valuer made a full inspection of artwork assets. A total of 639 items were revalued. The last formal valuation for this asset class was 2013-2014.

For marketable cultural/heritage assets, valuation was determined using observable market prices for similar assets. While for some cultural/heritage assets that have an active market and observable market prices valuation was determined using comparable inputs of a similar class of asset, but for other assets that have a thin market which have unobservable market



prices rely on a combination of observable and unobservable inputs. A copy of artworks assets indexation report is attached in **Attachment 1**.

## INDEXATION

Summary of land, building and other structures, and infrastructure assets indexation results.

Indexation movement net of new additions and disposals					
Asset Class	Asset Category	Net Replacement Cost 2018-2019	Net Replacement Cost 2016-2017	Movement	% Mvt
Land	Land	295,078,729	295,078,729	0	0.00%
	Additional land valuation - Donated land 2018-2019	7,514,500	0	7,514,500	0.00%
		302,593,229	295,078,729	7,514,500	0.00%
Asset Class	Asset Category	Net Replacement Cost 2018-2019	Net Replacement Cost 2016-2017	Movement	% Mvt
Buildings	Buildings and other structures	211,845,888	205,782,163	6,063,724	2.95%
	Bus Stops	2,249,194	2,143,026	106,169	4.95%
		214,095,082	207,925,189	6,169,893	2.97%
Asset Class	Asset Category	Net Replacement Cost 2018-2019	Net Replacement Cost 2016-2017	Movement	% Mvt
Flooding & drainage	Drainage structures	131,610,750	127,287,841	4,322,909	3.40%
	Open drain inverts	14,640,544	14,650,131	(9,588)	(0.07%)
	Open drains	16,685,095	16,685,095	0	0.00%
	Drainage mains	656,009,121	656,009,121	0	0.00%
		818,945,509	814,632,188	4,313,321	0.53%
Asset Class	Asset Category	Net Replacement Cost 2018-2019	Net Replacement Cost 2016-2017	Movement	% Mvt
Roads and bridges	Bridges	92,606,401	88,434,935	4,171,466	4.72%
	Footpaths	140,146,645	133,417,885	6,728,760	5.04%
	Kerbs	101,909,091	89,767,288	12,141,803	13.53%
	Medians	14,293,163	13,684,609	608,553	4.45%
	Roads	651,714,930	622,554,203	29,160,727	4.68%
	Traffic signals	22,125,000	22,125,000	0	0.00%
		1,022,795,230	969,983,921	52,811,309	5.44%
Total		2,358,429,051	2,287,620,027	70,809,024	3.10%

The above table reports the net replacement cost for 2018-2019 as per Cardno's indexation files which determines the movement in asset value. Please note that Table 4.3 in Attachment 3: 2018-2019 Infrastructure Assets Valuation Report – Cardno reports the gross replacement cost for 2018-2019.

### **Land**

A desktop valuation (indexation) for land was conducted for the year end, 30 June 2019. Valuation for existing land assets remained unchanged in 2019.

Cardno also formally valued 41 land assets not previously recorded in the fixed asset register. These are donated parcels of land identified through a land reconciliation exercise performed in January 2019. It was agreed that the land be recorded in the fixed asset register at the fair value provided by Cardno in this year's valuation. A copy of land indexation report is attached in **Attachment 2**.

### **INFRASTRUCTURE ASSETS (Buildings and Other Structures, Flooding and Drainage, Roads Bridges and Footpaths)**

This year's indexation is similar to past infrastructure valuations, which is based on Council's Asset Management Data (physical asset register) to enable the valuer to use quantitative information to calculate asset values. The fixed asset register therefore only records financial information.

Cardno attributes the increase in index movement of 2.97% for buildings and other structures assets and 0.53% for flooding and drainage assets to an increase in unit rates for construction materials.

Also, Cardno attributes the increase in index movement of 5.44% for roads, bridges and footpaths to a change in unit rates for construction materials. In particular, there is an increase in unit rates for construction materials relating to concrete and road formation (sealed and unsealed). However, for bridges the increase of 4.72% is due to a change in materials for 10 bridges. Council assessed the 5.44% increase for roads, bridges and footpaths as material and will apply the valuation increment to the roads, bridges and footpaths asset class in fixed asset register. A copy of infrastructure assets indexation report is attached in **Attachment 3**.

Further to the review carried out by Business Accounting, Council's Asset Management officers have undertaken a review of the revaluation process as well as the report provided by Cardno. A copy of the report from ICC's Asset Management Team is attached in **Attachment 4**.

There were no major issues identified across all asset classes in this year's valuation exercise.

### **FINANCIAL/RESOURCE IMPLICATIONS**

No relevance to this report.

## RISK MANAGEMENT IMPLICATIONS

The risk in not approving the recommendation would result in Council not be complying with Australian Accounting Standards.

*AASB 116 Property, Plant and Equipment* require assets to be revalued to ensure that the carrying amount of the assets do not differ materially from their fair value at the end of each reporting period.

*AASB13 Fair Value* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## LEGAL/POLICY BASIS

This report and its recommendations are consistent with the following legislative provisions:

*Local Government Act 2009*

*Local Government Regulation 2012*

*Australian Accounting Standards*


## COMMUNITY AND OTHER CONSULTATION

No relevance to this report.

## CONCLUSION

In accordance with Council's asset valuation policy FCS-5 and Australian Accounting Standards, Council is required to recognise assets at fair value. Both the artworks valuation of 15.92% and the indexation for roads, bridges and footpaths of 5.44% are required to be applied to the respective asset classes in fixed asset register so fair value is recognised.

## ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	ICC - Artworks Valuation Report 2018-19 <a href="#">↓</a> 
2.	ICC - Land Indices 2018-19 <a href="#">↓</a> 
3.	ICC - Infrastructure Assets Valuation Report 2018-19 <a href="#">↓</a> 
4.	WPR Infrastructure Asset Valuation Report 2018-19 <a href="#">↓</a> 

Barbara Watson

**PRINCIPAL FINANCIAL ACCOUNTANT**

I concur with the recommendations contained in this report.

Jeffrey Keech

**FINANCE MANAGER**

I concur with the recommendations contained in this report.

Andrew Knight

**CHIEF OPERATING OFFICER (FINANCE AND CORPORATE SERVICES)**

***“Together, we proudly enhance the quality of life for our community”***

## Ross Searle and Associates

6/189 Dornoch Terrace  
HIGHGATE HILL QLD 4101 AUSTRALIA

E r.searle@outlook.com  
P +61 7 3846 4320  
ABN: 60 140 926 416

16 April 2019

**Barbara Watson** | Principal Financial Accountant  
Finance and Corporate Services Department  
IPSWICH CITY COUNCIL  
E barbara.watson@ipswich.qld.gov.au

Dear Barbara

### Re: Valuation of works of art, Ipswich City Council Art Collection 2019

I have pleasure in submitting a written report on the valuation of the Ipswich City Council Art Collection. This valuation was completed by Ross Searle, Principal of Ross Searle and Associates under instruction from Ipswich City Council. I have no financial interest (past, present or prospective) in the assets covered in this document and this valuation is free of any bias. The report is the property of Ipswich City Council.

I report a Fair value of \$4,732,050 ex GST. In my opinion the reported values would not be significantly different at the end of the financial year, 30 June 2019.

### Methodology

The valuation was carried out to comply with the revised standards of the Australian Accounting Standards Board (AASB) in relation to AASB 13 – Fair Value Measurement. I am familiar with these standards and have applied this methodology since the updated standards were adopted effective from financial years beginning on or after August 2015.

### Definitions

For noting the current definition for Fair Value Measurement is;

“the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date” (AASB 13, para 9)

### Heritage and cultural assets

Application of AASB 13 to particular types of physical non-current assets including heritage and cultural assets (hereafter referred to as cultural assets) requires a valuer to consider the following;

1. highest and best use and the asset's characteristics
2. the valuation technique and
3. the fair value hierarchy.

### Method of valuation

1. In establishing value, this valuer has made a full inspection of all assets (excluding assets that are not available for inspection i.e. on loan for exhibition or other purposes and located elsewhere in Australia). The valuer relied in part on the accuracy of any information including any documentation provided by Ipswich City Council regarding the assets to be valued.

2. Highest and best use is qualified by any restrictions on the use and disposal of cultural assets, as well as the risk that any alternative use is not mandated as part of the controlling entity's responsibilities, i.e. held in trust for the community. Cultural assets are assets held by entities because of their unique cultural, historical, cultural attributes. They assist the relevant entities in meeting their objectives in regard to exhibition, education, research and preservation, all of which are directed at providing a cultural service to the community.
3. A characteristic of many cultural assets is that they have few or no alternative uses because there are natural, legal and financial restrictions on their use and disposal. Therefore, for many cultural assets, the highest and best use is the current existing use.
4. There may be observable market prices for marketable cultural assets. Such assets are likely to be measured using the market approach including those held by Ipswich City Council.
5. The cultural assets that come under this valuation have been assessed at level 2 and 3 of the fair value hierarchy.

#### **AASB116 Property, Plant and Equipment**

As per the Australian Implementation Guidance under AASB116 Property, Plant and Equipment, there are four points of guidance relating to but not limited to not-for-profit public sector entities that hold heritage and cultural assets. This guidance accompanies, but is not part of, AASB 116. Essentially the Guidance relates to recognition and only to those cultural assets that can be reliably measured. These items are formally recognized.

It is assumed by this valuer that all artwork assets controlled by Ipswich City Council are formally recognized and accessioned (the process which formally acknowledges an artwork as part of a collection).

#### **Value changes outside a normative range** – sample selection

<b><u>FINANCE Tag Number</u></b>	<b><u>Asset Number</u></b>	<b><u>Description</u></b>	<b><u>Asset Fair Value as per FAR</u></b>	<b><u>Asset Original Cost as per FAR</u></b>	<b><u>Valuation</u></b>
1998.17	115631	The Plough, Gordon Bennett	\$43,000	\$12,000	\$55,000
1999.123	117157	Constellation, Gordon Bennett	\$17,500	\$8,000	\$25,000
Valuer report: Valuation based on current market conditions and tested in secondary art market through quoted sales from Milani Gallery, Brisbane. The indigenous artist Gordon Bennett passed away in 2014.					
2008.028	333033	Owl Creek, Lawrence Daws	\$26,000	\$24,000	\$30,000
Valuer report: Valuation based on current market conditions and tested in primary art market through Philip Bacon Galleries, Brisbane.					
2008.051	333040	The Student, Robert Dickerson	\$42,000	\$46,500	\$48,000
Valuer report: Valuation based on current market conditions and tested in secondary art market through quoted sales from Philip Bacon Galleries, Brisbane. Robert Dickerson passed away in 2015.					

**Value changes outside a normative range** – sample selection (cont.)

<b><u>FINANCE Tag Number</u></b>	<b><u>Asset Number</u></b>	<b><u>Description</u></b>	<b><u>Asset Fair Value as per FAR</u></b>	<b><u>Asset Original Cost as per FAR</u></b>	<b><u>Valuation</u></b>
2012.003	339637	Ebenezer, Dale Frank	\$19,000	\$24,545	\$25,000
Valuer report: Valuation based on current market conditions and tested in secondary art market using auction records.					
2009.057	334328	Afternoon Shadows Kenneth Macqueen	\$8,000	\$7,227	\$15,000
2010.023	338658	Seascape With rolling Waves - Kenneth Macqueen	\$4,000	\$3,450	\$16,000
2010.048	339306	Turbulent sea, Queensland Kenneth Macqueen	\$8,000	\$11,750	\$15,000
2015.048	383893	Cabbage Gums Along the Ridge Kenneth Macqueen	\$3,172	\$3,172	\$15,000
Valuer report: Valuation based on current market conditions and tested in secondary art market through quoted sales from Philip Bacon Galleries, Brisbane.					
2007.035	333024	Susan, Margaret Olley	\$57,000	\$64,000	\$65,000
Valuation based on current market conditions and tested in secondary art market through quoted sales from Philip Bacon Galleries, Brisbane.					
1999.133	117246	Farmyard, William Robinson	\$20,000	\$6,000	\$24,000
Valuer report: Valuation based on current market conditions and tested in secondary art market through quoted sales from Philip Bacon Galleries, Brisbane.					
2005.007	127029	Hammer Head Shark Headdress Ken Thaiday	\$6,500	\$6,000	\$14,000
Valuer report: Valuation based on current market conditions and tested in primary art market through quoted sales from Cairns Indigenous Art Fair					

## CERTIFICATE OF VALUE

<b>Location:</b>	Ipswich City Council
<b>Asset description:</b>	Selected art collection assets
<b>Date of valuation:</b>	30 June 2019

<b>Ipswich City Council Art Collection valuation:</b>	<u>Fair Value</u>
---	-------------------

<b>Grand total:</b>	\$4,732,050 ex GST
---------------------	--------------------

### Statement

**This valuer has complied with the relevant accounting standards;**

**AASB116 Property, Plant and Equipment  
AASB13 Fair Value Measurement; and**

**ICC's Asset Accounting Policy and Procedures**

**The value is reported ex GST. All data supplied to the valuer, the report and report data remains the property of Ipswich City Council.**

Thank you for the opportunity to provide services to Ipswich City Council.

Yours sincerely



ROSS SEARLE  
BA Uni of Qld MLitt JCU



Our Ref 360499/005: RA  
Contact Rula Atweh



20 March 2019

Principal Financial Accountant  
Finance and Corporate Services Department  
Ipswich City Council  
PO Box 191  
Ipswich QLD 4305

Attention: Ms Barbara Watson

Dear Madam,

**VALUATION INDICES FOR LAND ASSETS 2018-19**

An assessment of cost movement was undertaken following your request for advice on an appropriate index to apply to Ipswich City Council's land assets opening balances as at July 2018 to bring them up to June 2019.

The assessment was undertaken by Cardno's Certified Practising Valuer, Neil Teves. The methodology adopted by Neil and his recommendations are found in the attached report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Rula'.

Rula Atweh  
Senior Consultant – Asset Strategies  
Principal – Asset Valuations  
for **Cardno**

**Cardno (Qld) Pty Ltd**  
ABN 57 051 074 992

Level 11  
515 St Paul's Terrace  
Fortitude Valley QLD 4006  
Australia

Locked Bag 4006  
Fortitude Valley QLD 4006  
Australia

**Phone: 61 7 3369 9822**  
Fax: 61 7 3369 9722

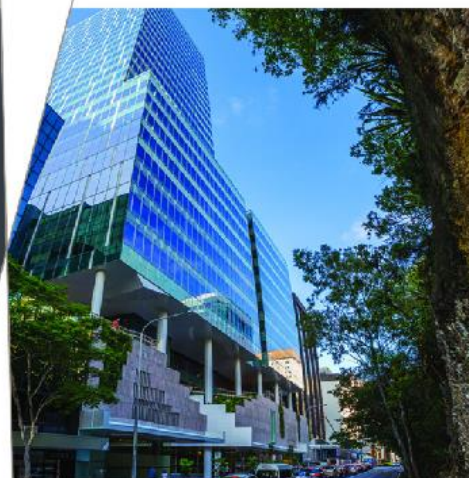
[www.cardno.com.au](http://www.cardno.com.au)

# Indexation – Land Assets 2018-19

IAA File Ref: TZ5154

Prepared for  
Ipswich City Council

21 March 2019



Item 2 / Attachment 2.



Indexation – Land Assets 2018-19

**Contact Information**

**Cardno (QLD) Pty Ltd**

ABN 57 051 074 992

Level 11 Green Square North Tower

515 St Paul's Terrace2

Fortitude Valley QLD 4006

Australia

www.cardno.com

Phone 07 3369 9822

Fax 07 3369 9722

Author(s): Neil Teves

**Document Information**

Prepared for Ipswich City Council

Project Name Indexation – Land Assets  
2018 - 19

Job Reference IAA File Ref: TZ5154

Date 21<sup>st</sup> March 2019

Effective Date 21/03/2019

Approved By: Rula Atweh

Date Approved 21/03/2019

**Document History**

**Document Control: Indexation – Land Assets - 2019**

Version	Date	Author	
		Name	Signature
AA008	30 June 2019	Neil V Teves	

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IAA File Ref: TZ5154 | 21 March 2019 | Commercial in Confidence

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## Annexure

<b>PROPERTY SALES INDEXATION TREND CHARTS</b>	<b>6</b>
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## PROPERTY REPORT

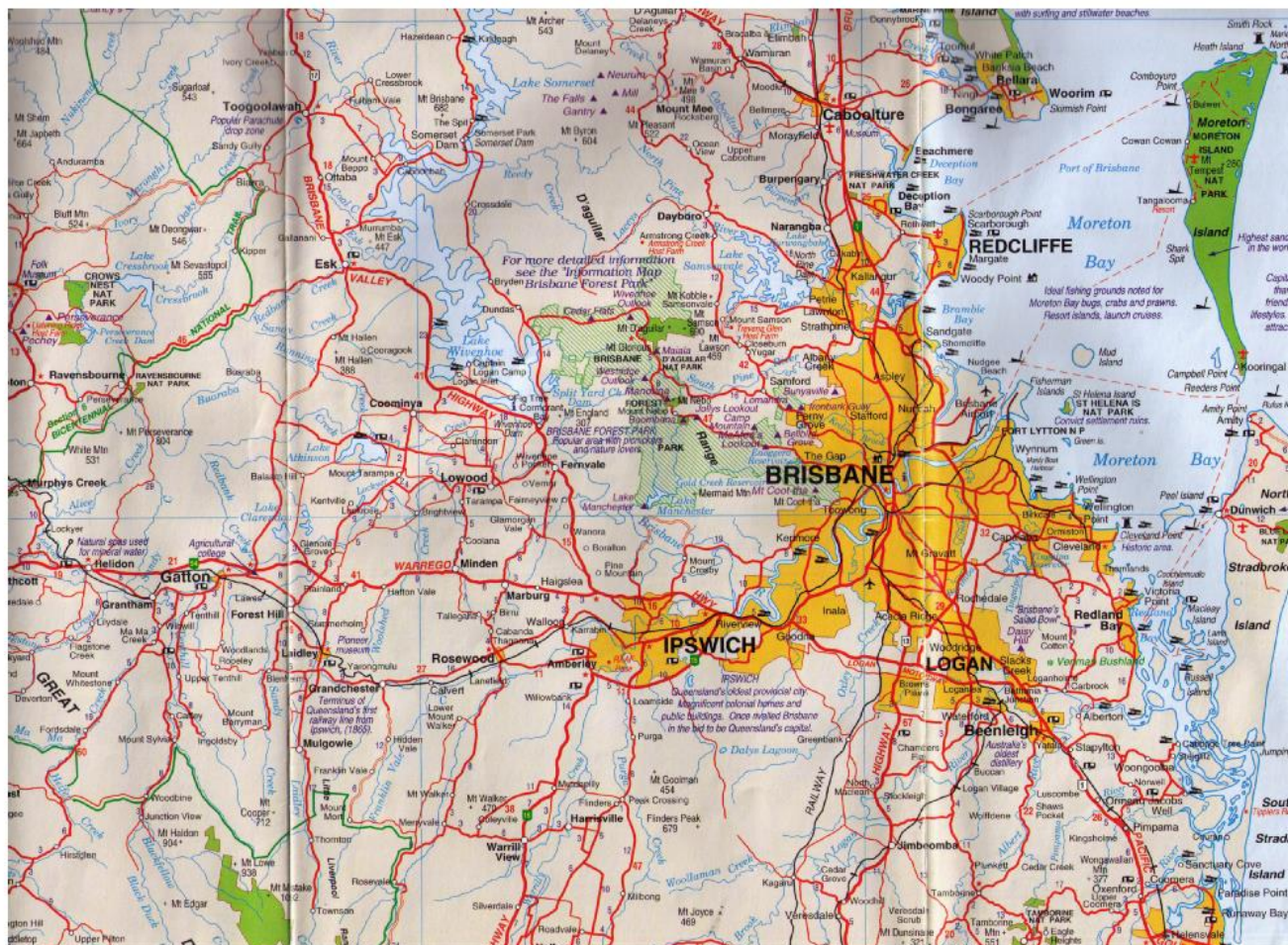
Prepared For	IPSWICH CITY COUNCIL PO BOX 191 IPSWICH QLD 4305	
Re:	Instructions received to review the value of the properties described herein by way of <b>Indexation of Land Assets</b> for <b>Asset Financial Reporting</b> Purposes.	
Property Address	<b>Indexation – Land Assets - 2019</b>  Ipswich City Council, Queensland	
Effective Date of Valuation	30 June 2019	
Valuation Instructions	Instructions received to prepare a Report for Asset Reporting Purposes, on behalf of the Ipswich City Council to Review the 'Fair Value' for Land Assets for Asset Financial Reporting Purposes for the reporting Year Ending 30 June 2019.	
Valuation of Findings	Refer to Page 5 of this report for any adjustments considered applicable to asset valuations for the Financial Reporting Year ending 30 June 2019.	
Signed	 _____	Neil V Teves <sup>AAP1</sup> Certified Practising Valuer Qld Registration No. 382





Indexation – Land Assets 2018-19

## ORIENTATION MAP





## 1 SUMMARY OF RESULTS OF RESEARCH

Instructions have been received to prepare a Report on behalf of the Ipswich City Council to Review the 'Fair Value' of Land Assets for Asset Financial Reporting Purposes for the Financial Year Ending 30 June 2019. This report is prepared based on data available up until time of preparation of this report plus any Forecasts and Projections available up until 30 June 2019 and therefore recommended Indexation Factors are set against figures currently available but also extended by reference to some projected figures up until 30 June 2019. This means that the Indexation Rates shown as at 30 June 2019 are preliminary indexation figures only and may be subject to change and/or confirmation after consideration of any subsequent additional data as may become available, however the probability of any major future variance occurring is considered a remote possibility.

In response to a Review of the valuations as entered in the Financial Asset Register as at 30 June 2018 for the Land Value Assets and to establish if any changes to the Fair Values are required by way of Indexation to the level of Values based on market indexation evidence as at 30 June 2019, it is concluded that after analysing the Property Sales Trends shown at Annexure "A" and, in particular Part 1 A there-of and also supported by Part 1 B there-of, it is considered that the level of land values have increased by a factor of 2.6% as at 30 June 2019 relative to the values entered into the FAR effective as at 30 June 2018, however this is not considered to be a large enough increase to trigger the necessity to change the figures to be entered in the FAR as at 30 June 2019.

For the values, effective as at 30 June 2019 for the Land Assets, and based on the researched data, it is recommended that the level of land values to be entered into the 2019 Financial Asset Register should remain at the same level as at 30 June 2018.

Any indexation recommended should be the same across all items within this asset class.

In this report ICC means "Ipswich City Council".



## 2 TITLE PARTICULARS

### 2.1 ASSUMPTIONS

This report may have relied to some extent on documentation provided by the Client and/or their consultants. The valuation figures assessed are reliant on any such data representing a true and correct position as to any aspect associated with the assets.

### 2.2 GENERAL QUALIFICATIONS & LIMITATIONS

This report is prepared for the private and confidential use of our client and should not be reproduced in whole or part, or relied upon by any other party for any use without the express written authority of Cardno. We confirm that the Valuer is a properly qualified, registered, and reputable Valuer who has more than five years' continuous experience in valuation and has experience in valuing property of the same nature as the property being valued. This valuation represents the Valuer's opinion of value at the date of valuation. No liability is accepted for any loss or damage (including consequential or economic loss) suffered as a consequence of fluctuations in the property market subsequent to the date of valuation.

No liability is accepted for any loss or damage (including consequential or economic loss) suffered as a consequence of fluctuations in the property market subsequent to the date of valuation.

This document may contain information, which is directly derived from external sources without verification by us.

We have made significant effort to ensure that information and data supplied is correct and where we disagree with such, we have made adjustments within our report to account for such factors.

We confirm that we have not been instructed to verify all such information. Further, the information is not adopted by Cardno as our own, even where it is used in our calculations.

Where the content of this document has been derived, in whole or in part from external sources, Cardno does not warrant or represent that such information is accurate or correct.

### 2.3 PROPERTY SEARCHES

As no comprehensive valuations have been previously completed or required for this valuation project for Land Assets are required to be reviewed in this report, we have not obtained any current title searches or any other searches with the following authorities

- *Environmental Protection Agency;*
- *Environmental Management Register (EAR) and Contaminated Land Register (CLR)*
- *Electricity Authority;*
- *Local Authority (Town Planning & Flood Searches);*
- *Queensland Transport / Main Roads (Traffic Issues / Road Widening);*
- *Native Title;*
- *Cultural Heritage Register.*





### 3 PROPERTY DESCRIPTIONS

#### Real Property Office Description

As no Comprehensive Land Asset Valuations are required to be reviewed in this report no Real Property Office Descriptions are required to be included

### 4 LOCATION

The subject assets are located predominantly in the Ipswich City Council local authority area in south-east Queensland. For details for location refer to Orientation Map forming part of this report

### 5 BUILDING ACTIVITY

The information in this section of the report is shown to reflect on the demand created for both residential and other construction required to service the needs of both the local population.

In the 12 months ending 31 January 2018, there were 2,959 new residential buildings approved in Ipswich City Council LGA. These approvals were valued at \$866.7 million.

In the 12 months ending 31 January 2018, there were 25,468 new residential buildings approved in Queensland. These approvals were valued at \$14,319.2 million.

There has been increased residential building construction in this LGA over recent years.

#### Residential & Non-Residential Building Approvals Ipswich (C) City Council LGA and Queensland, 12 Months Ending 31 January 2018

LGA / State	Residential Building Approvals				Building Value				
	New Houses	New Other	Alterations, additions and conversions	Total	Residential	Non-residential	Total		
	— number —				\$'000	%	\$'000	%	\$'000
Ipswich (C)	2,959	549	0	3,508	866,653	67.0	426,227	33.0	1,292,881
Queensland	25,468	16,800	159	42,427	14,319,237	64.8	7,773,124	35.2	22,092,361

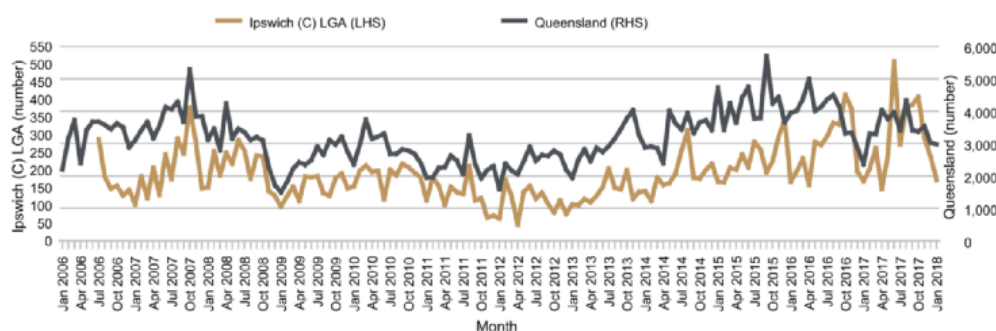
Source: ABS 8731.0, *Building Approvals, Australia*, various editions

Item 2 / Attachment 2.



Indexation – Land Assets 2018-19

## Number of Residential Building Approvals, Ipswich (C) City Council LGA and Queensland



Source: ABS 8731.0, Building Approvals, Australia, various editions

## 6 SERVICES & AMENITIES

Generally, there are connections to electricity, reticulated water, telephone, and sewerage services throughout the main developed urban areas. The lands also generally have garbage collection services available.

There are some properties in more remote locations which are removed from infrastructure services.

## 7 LAND

### 7.1 LAND DESCRIPTION

Generally, the land components included in the valuation 2017 valuation schedules are held under freehold title.

### 7.2 ENVIRONMENTAL CONSIDERATIONS

Unless otherwise stated, no site investigation has been carried out with respect to possible contamination of land and/or presence of hazardous substance upon the land, nor are we aware of any classification of the site under the provisions of "The Environmental Protection Act 1994" and or amendments thereto or under any replacement act.

This report and valuation has been prepared on the assumption that there is no contamination or any hazardous substance present that requires substantial management and resources to rectify.

No soil test or environmental studies have been made available to us, therefore our valuation is subject to there being no surface or subsurface soil problems including instability, or building material hazards in or on the property that would adversely affect its existing or potential use or reduce its marketability. Should any problem be known or arise then the valuation should be referred back to us for comment.



## 8 INDEXATION OVERVIEW

For the financial year ending 30 June 2015, a comprehensive valuation was completed based on the Market Approach. In such report individual valuations were applied to each of the land parcels deemed to be held by Council. For the Land Values effective as at 30 June 2018, Property Sales Trend data available for Ipswich City LGA, has been compiled and analysed to establish what changes, if any, should apply to the Ipswich City Council Land Assets effective as at 30 June 2018. Trend Charts for Ipswich City LGA are shown at Annexure "A". The long-term Property Sales Trend Charts show an increase in land prices over recent past years up until the latter part of 2017, thereafter there were some reduction in prices for land for a short period but with some upward movement during 2018. Any increases in prices and values that occurred prior to and up until the end of June 2017 would have been captured and accounted for in the valuation application effective as at 30 June 2017. Since June 2017 median land prices have trended upwards during the latter part of 2018 Calendar Year before again showing a downward trend in the last quarter of the 2018 Calendar Year. This downward trend for the December Quarter 2018 is considered to reflect the low volume of sales so far processed for this period and that such data included a high proportion of land sales in the lower priced estates. Notwithstanding this, the median price is still considered to be trending upwards. The upward movement extrapolated over the full 2018 to 2019 financial years is calculated at a factor of around 2.6%.

Particular reference has been made primarily to Annexure A Part 1A, and with some support also for Part 1B thereof, which indicate that the median price of land and also housing in this LGA over the short period subsequent to 30 June 2017, has increased over recent years and that this change does warrant any alteration to be made to the values as presently entered into the FAR

It is acknowledged that there has been a more substantial increase in the median price of standard residences on urban lots over this same period however, this large increase is considered to be substantially accounted by way of increased costs of construction and general pressure on the established housing property market as opposed to any movement in land price components

Based on the considerations within this paragraph, it is considered that the level of land values have increased by a factor of 2.6% as at 30 June 2019 relative to the values entered into the FAR effective as

at 30 June 2018, however this is not considered to be a large enough increase to trigger the necessity to change the figures to be entered in the FAR as at 30 June 2019.

## 9 INDEXATION RESULTS

### LAND ASSET INDEXATION RECOMMENDATIONS

For the values, effective as at 30 June 2019 for the Land Assets, and based on the researched data, it is recommended that the level of land values to be entered into the 2019 Financial Asset Register should remain at the same level as at 30 June 2018.



# Annexure A

## Property Sales Indexation Trend Charts



# Part 1 A

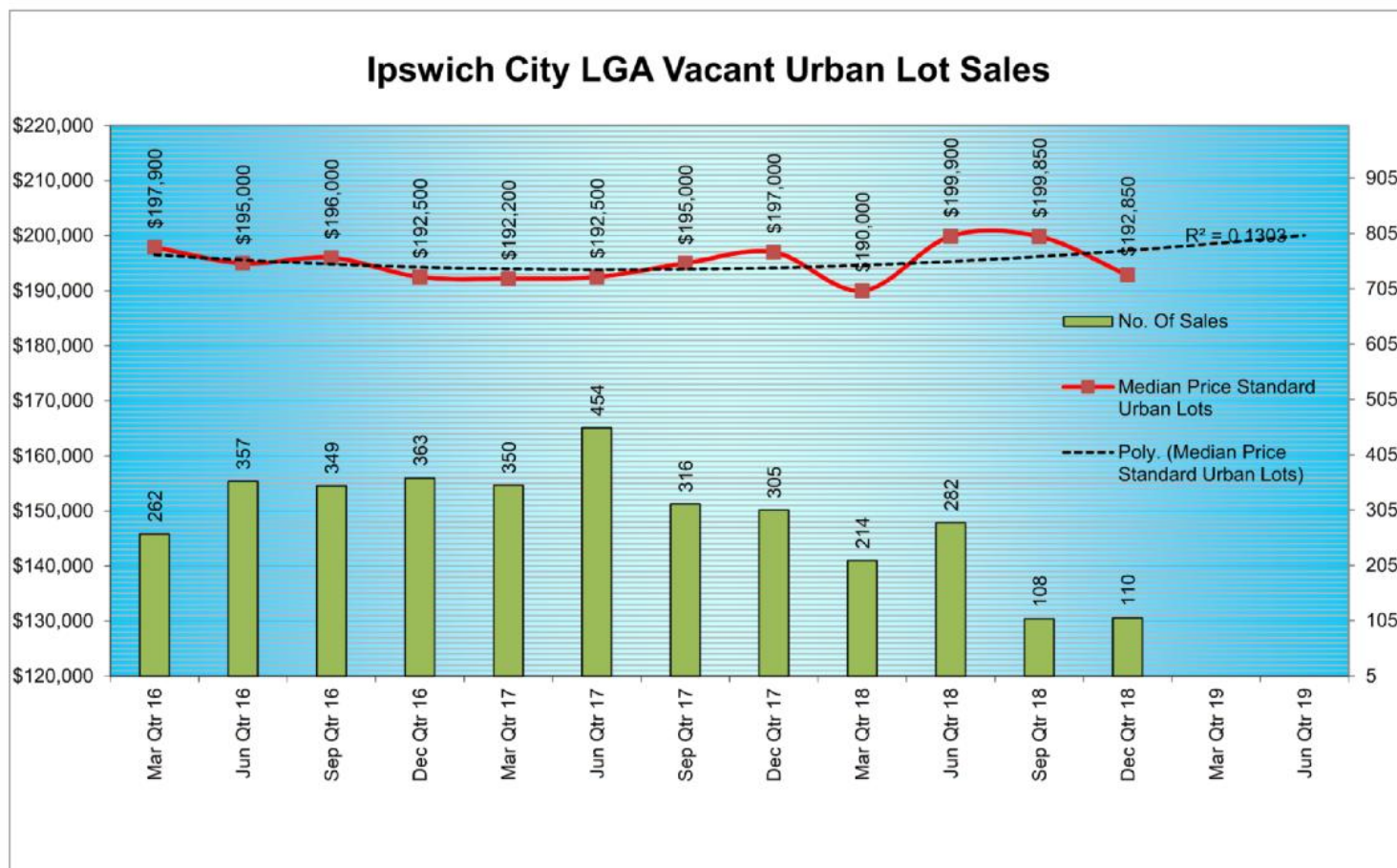
## Vacant Urban Land – Ipswich LGA

### Compose Chart



Indexation – Land Assets 2018-19

TZ5154\_Annexure A\_Part 1A\_TrendChartsVacantStandardLotsIpswichCityLGA\_Qtrs





# Part 1 B

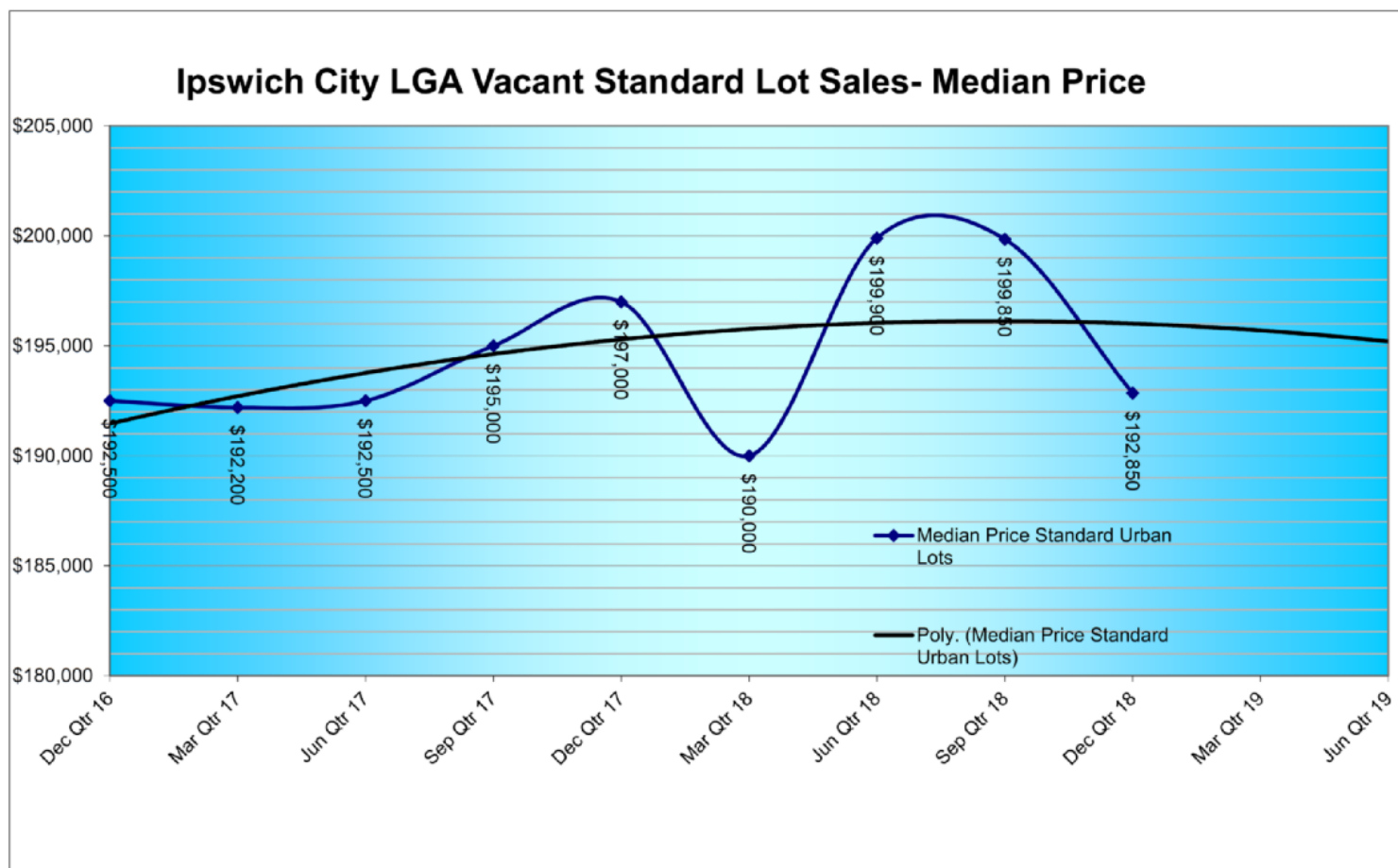
## Vacant Urban Land – Ipswich LGA

### Median Price Short to Medium Term



Indexation – Land Assets 2018-19

TZ5154\_Annexure A\_Part 1B\_TrendChartsVacantStandardLotsIpswichCityLGA\_Qtrs\_Short Term







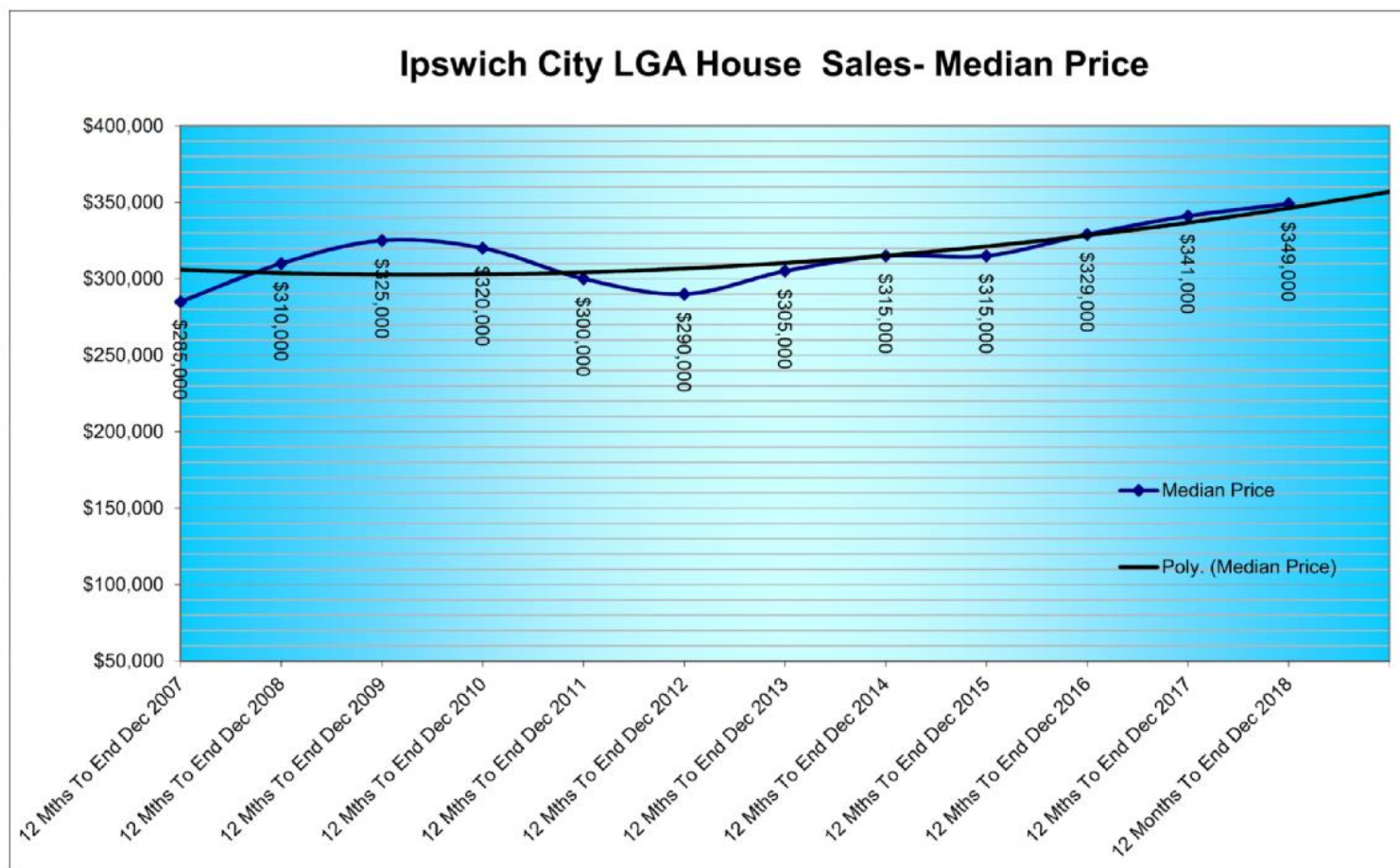
# Part 2 A

## Standard Single Unit Residences Ipswich LGA – Yearly Figures Median Price



Indexation – Land Assets 2018-19

TZ5154\_Annexure A\_Part 2A\_TrendChartsStandardHousingIpswichCityLGA\_Years





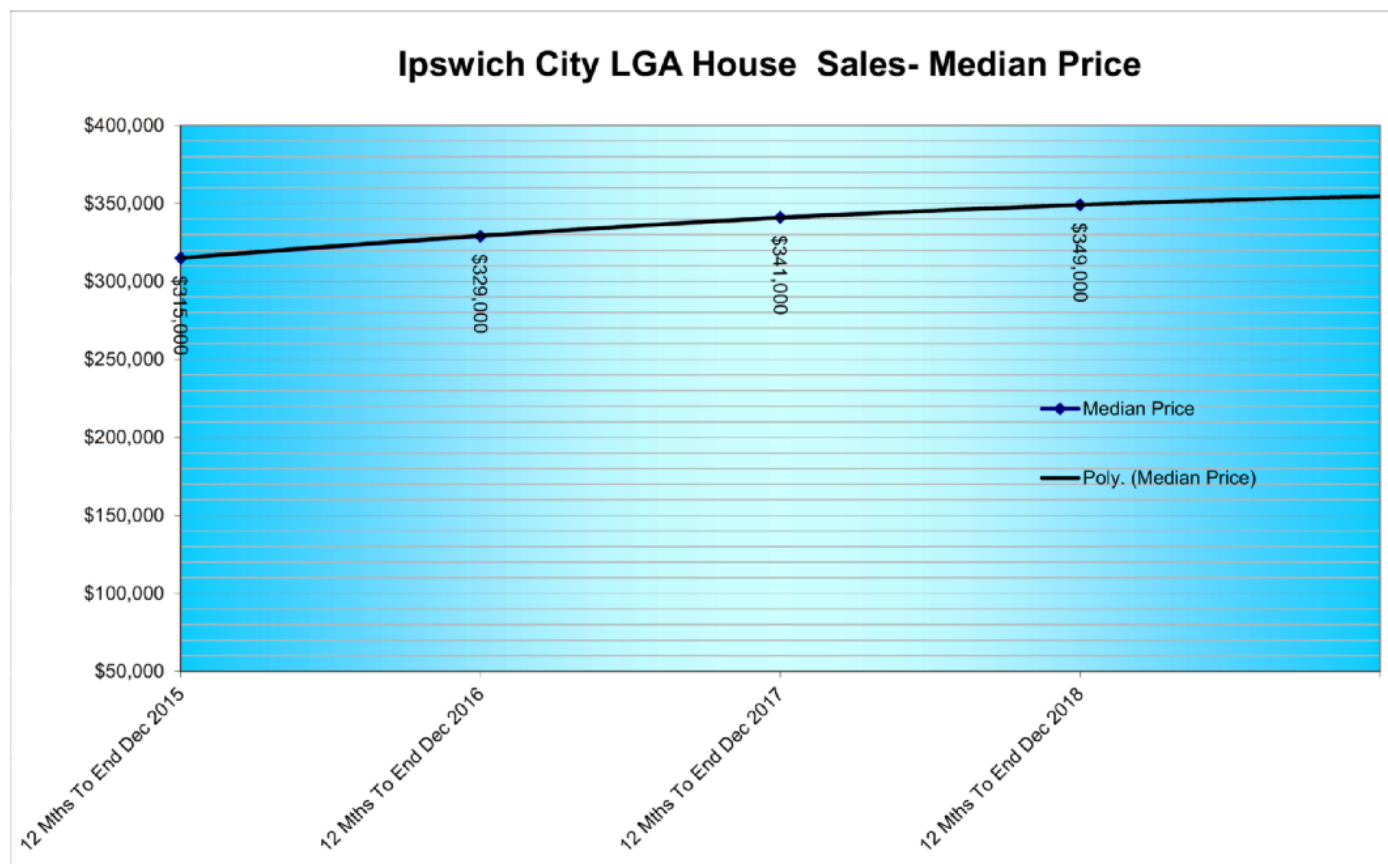
# Part 2 B

## Standard Single Unit Residences Ipswich LGA – Yearly Figures Median Price Short Term



Indexation – Land Assets 2018-19

TZ5154\_Annexure A\_Part 2B\_TrendChartsStandardHousingIpswichCityLGA\_Years\_Short Term





# Part 3 A

## Detached Single Unit Residences on Urban Lots

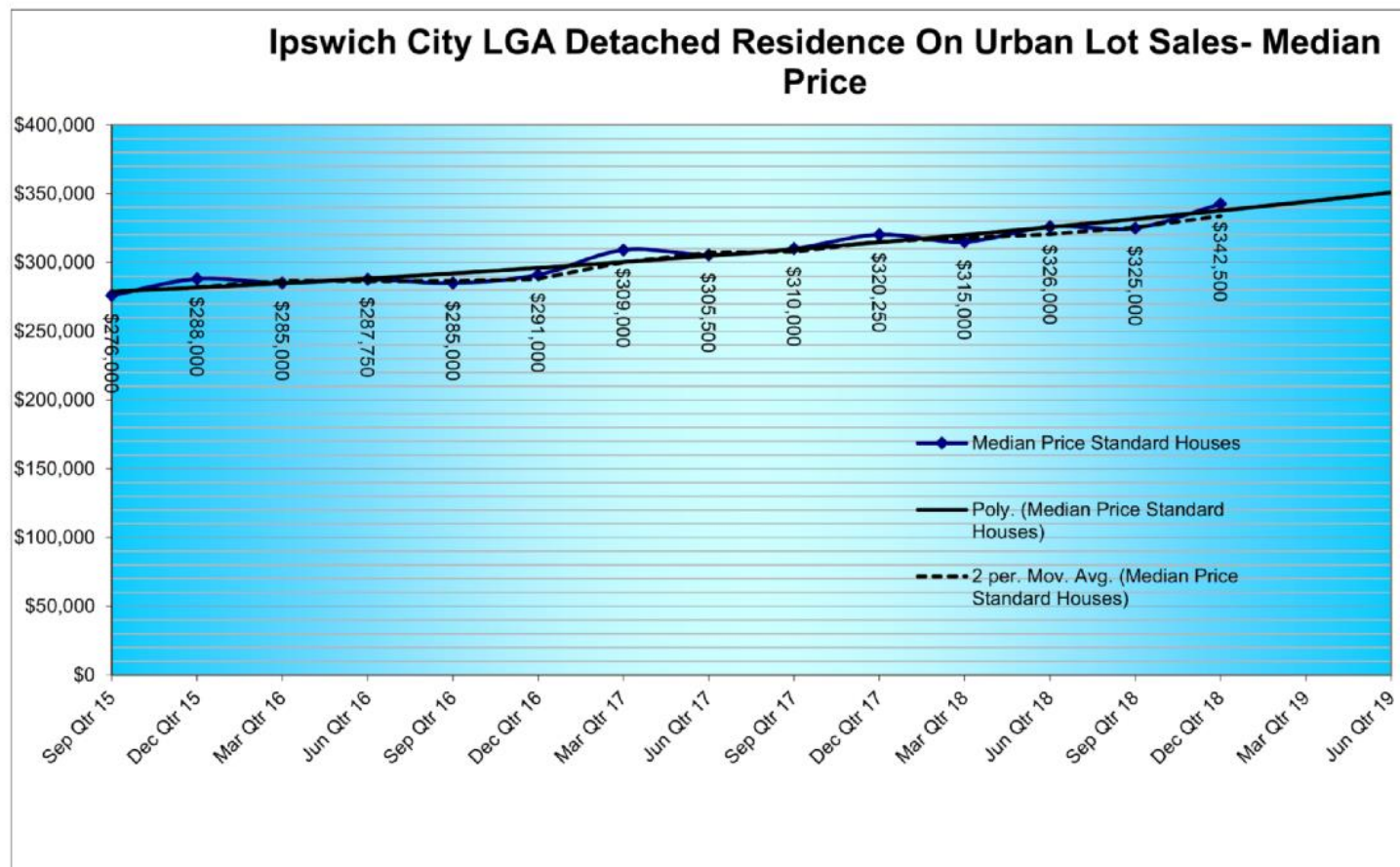
### Ipswich LGA – Quarterly Figures

### Median Price



Indexation – Land Assets 2018-19

TZ5154\_Annexure A\_Part 3A\_TrendChartsStandardHousesIpswichCityLGA\_Qtrs





# Part 3 B

## Detached Single Unit Residences on Urban Lots

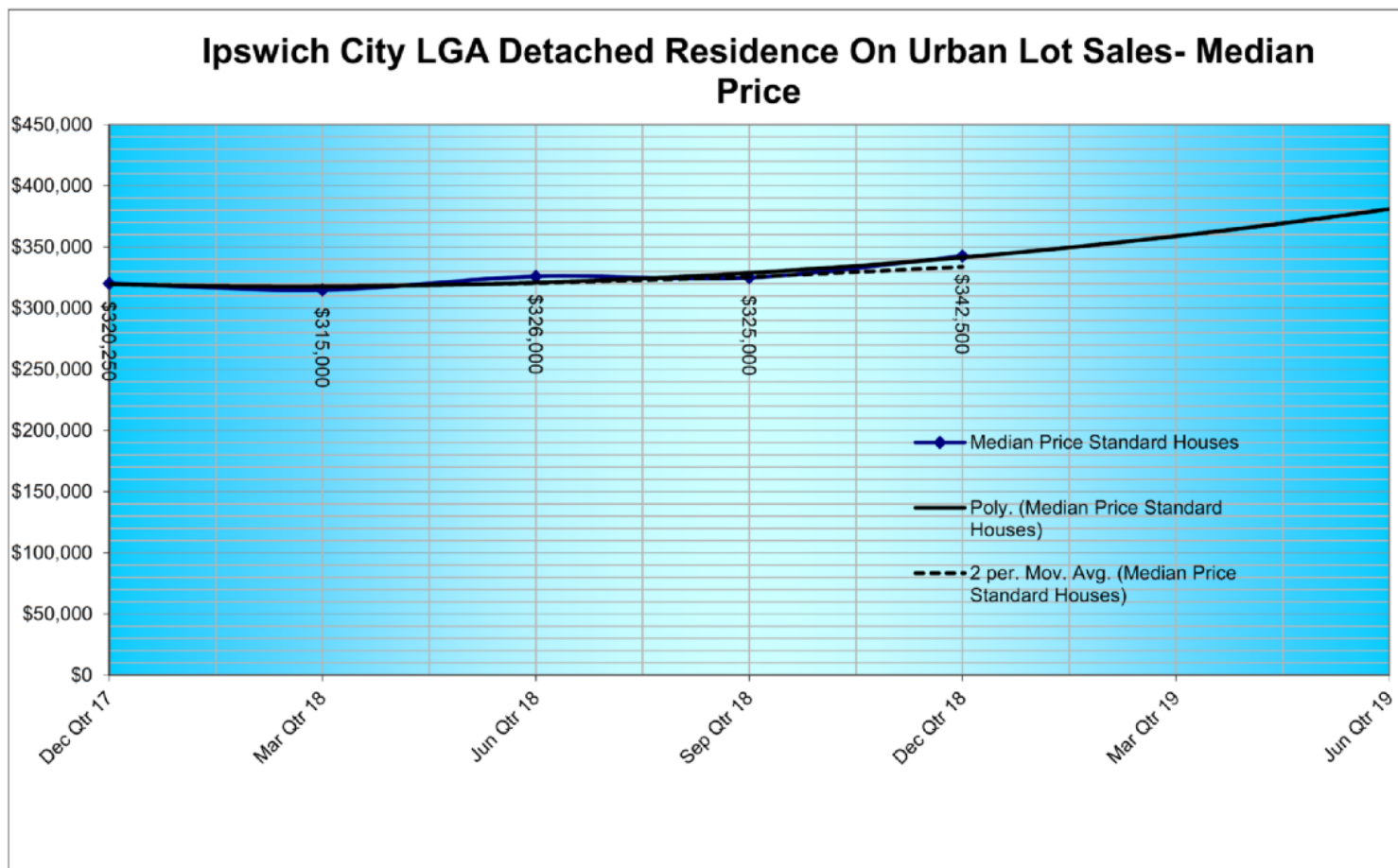
### Ipswich LGA – Quarterly Figures

### Median Price Short Term



Indexation – Land Assets 2018-19

TZ5154\_Annexure A\_Part 3B\_TrendChartsStandardHousesIpswichCityLGA\_Qtrs\_Short Term





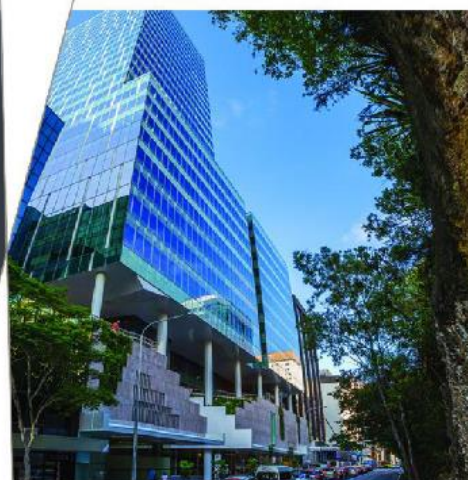
# Valuation of Infrastructure Assets

For Financial Year 2018-19

3604-99.005

Prepared for  
Ipswich City Council

11 April 2019



Item 2 / Attachment 3.



Valuation of Infrastructure Assets  
For Financial Year 2018-19

**Contact Information**

**Cardno (Qld) Pty Ltd**

ABN 57 051 074 992

Level 11

515 St Paul's Terrace

Fortitude Valley QLD 4006

Australia

www.cardno.com

Phone +61 7 3369 9822

Fax +61 7 3369 9722

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**Author(s):**

Rula Atweh

Senior Financial Consultant

Principal – Asset Valuations

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Simon Martin

Senior Consultant

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## 1 Introduction

### 1.1 Overview and Scope

Cardno was commissioned by Ipswich City Council (ICC) to undertake an interim indexation for 2018/19 on the following asset classes:

- > Flooding and drainage
- > Roads and bridges
- > Land
- > Buildings
- > Other structures

This report presents the methodology and any underlying assumptions which were adopted for the indexation of these assets.

### 1.2 Objective

The primary objective of this project is to comply with the legislative requirements for carrying out an annual assessment on the cost movements of ICC's assets and to produce a reliable opinion on the movement in costs of the nominated asset classes.

The objectives of revaluing ICC's assets are to:

- > Provide ICC with an updated asset register
- > Provide fair values as well as annual depreciation of assets owned by ICC as at 30th of June 2019
- > Carry out an annual assessment on the cost movements
- > Produce a reliable opinion on the movement in costs of the nominated asset classes
- > Place ICC in a position to pass external audit for asset valuation without qualification



## 2 Statutory and Legislative Framework for Valuation

In developing an appropriate methodology for the valuation of ICC's assets, there is a range of statutory requirements relevant to public sector agencies that need to be taken into consideration. These include the following Australian Accounting Standards:

- > AASB 116 - "Property, Plant and Equipment"
- > AASB 13 - "Fair Value Measurement"
- > AASB 136 - "Impairment of Assets"

### 2.1 AASB 116 – "Property, Plant and Equipment"

#### 1.1.1 Fair Value

Fair value is defined in AASB116 as follows:

"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

#### 1.1.2 Revaluation Model

Section 31 of AASB 116 states the following:

"After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period."

#### 1.1.3 Depreciation

AASB 116 defines depreciation as such:

"Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life".

AASB 116 requires that each significant part of an item of property, plant and equipment be depreciated separately. Infrastructure assets are broken down into significant components with similar physical and operating characteristics. A separate useful life is applied to each component and they are depreciated separately.

The depreciable amount of an asset is allocated on a systematic basis over its useful life. The remaining useful life of an asset is to be reviewed at least at the end of each annual reporting period and, if expectations differ from previous estimates, and if impacts on the carrying amount are significant, appropriate adjustments to accounts are made.

### 2.2 AASB 13 – "Fair Value Measurement"

AASB 13 defines fair value as follows:

"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price). A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use."



AASB 13 identifies three valuation input levels as follows:

- > Level 1 inputs are quoted prices in active markets for identical assets.
- > Level 2 inputs are inputs other than quoted market prices included within Level 1. Those inputs are observable to the asset either directly or indirectly.
- > Level 3 inputs are unobservable inputs for the asset, such as where there is little or no market activity for the asset at the measurement date. Most public infrastructure is valued using this level of input.

AASB 13 also requires disclosure of the actual inputs used and their categorisation as level 1, 2 or 3 inputs.

AASB 13 paragraph 29 states the following:

"Highest and best use is determined from the perspective of market participants, even if the entity intends a different use. However, an entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset."

AASB 13 Appendix A defines observable inputs as the "Inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability" and unobservable inputs as "Inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability."

## 2.3 AASB 136 – "Impairment of Assets"

AASB 136 requires that an entity assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. Where the carrying amount exceeds the recoverable amount, the asset must be written down to its recoverable amount. In assessing whether there is any indication that an asset may be impaired, the standard states the minimum external and internal indications that must be considered. For example:

- > A decline in market value of the asset;
- > Changes in the technological, market, economic, or legal environment in which the entity operates; and
- > Evidence that the asset is obsolete or asset has been damaged

## Item 2 / Attachment 3.

Valuation of Infrastructure Assets  
For Financial Year 2018-19

### 3 Valuation Status

ICC undertakes valuations on a rolling basis. Table 3-1 details the valuation status of each asset class.

Table 3-1 Valuation program by asset class

Asset Revaluation Schedule					
	30/06/2015	30/06/2016	30/06/2017	30/06/2018	30/06/2019
<b>Land</b>					
Land	<b>Formal Valuation</b>	Desktop Valuation	Desktop Valuation	Desktop Valuation	Desktop Valuation
<b>Roads, bridges, and footpaths</b>					
Bridges	Desktop Valuation	<b>Formal Valuation</b>	Desktop Valuation	Desktop Valuation	Desktop Valuation
Sealed roads	Desktop Valuation	<b>Formal Valuation</b>	Desktop Valuation	Desktop Valuation	Desktop Valuation
Unsealed roads	Desktop Valuation	<b>Formal Valuation</b>	Desktop Valuation	Desktop Valuation	Desktop Valuation
Traffic signals	Desktop Valuation	<b>Formal Valuation</b>	Desktop Valuation	Desktop Valuation	Desktop Valuation
Road kerb	Desktop Valuation	<b>Formal Valuation</b>	Desktop Valuation	Desktop Valuation	Desktop Valuation
Footpaths	Desktop Valuation	<b>Formal Valuation</b>	Desktop Valuation	Desktop Valuation	Desktop Valuation
Medians	Desktop Valuation	<b>Formal Valuation</b>	Desktop Valuation	Desktop Valuation	Desktop Valuation
<b>Buildings and other structures</b>					
Buildings*	Desktop Valuation	Desktop Valuation	<b>Formal Valuation</b>	Desktop Valuation	Desktop Valuation
Bus stops	Desktop Valuation	<b>Formal Valuation</b>	Desktop Valuation	Desktop Valuation	Desktop Valuation
<b>Flooding and drainage</b>					
Drainage mains	Desktop Valuation	Desktop Valuation	Desktop Valuation	<b>Formal Valuation</b>	Desktop Valuation
Open drains	Desktop Valuation	Desktop Valuation	Desktop Valuation	<b>Formal Valuation</b>	Desktop Valuation
Open drain inverts	Desktop Valuation	Desktop Valuation	Desktop Valuation	<b>Formal Valuation</b>	Desktop Valuation
Drainage structures	Desktop Valuation	Desktop Valuation	Desktop Valuation	<b>Formal Valuation</b>	Desktop Valuation

\* Buildings include buildings, amenities blocks, traffic signs, sheds, and shelters





## 4 Valuation methodology – desktop

### 4.1 Overview

All asset classes formed part of the desktop valuation for the 2018-19 financial year. Various approaches were implemented to derive the updated replacement costs of the infrastructure assets found within the scope of this project.

Cardno analyses various indices as well as actual cost movements to base our professional judgement on. Our methodology to undertake the desktop valuation is described in the sections that follow.

### 4.2 Determining Appropriate Indices

Accounting and finance standards allow appropriate indices to be used between full revaluations. Such indices should take into account the effects of specific or general price levels, but also technological change and local conditions. In particular the following items should be considered when selecting an index:

- > The type of assets to be revalued
- > Location of the assets
- > Timing of when the index will be available
- > Components used in arriving at the index

#### 4.2.1 Building Price Index

This index has been developed by Rawlinson's over a number of years to reflect the movement of building and construction costs. It is based on the analysis of building and construction rates in the capital cities. The overall anticipated movement in BPI during 2018-19 is 4.0%. The analysis however of the cost movements of the components found in those assets within Rawlinson's indicated an average increase of 2% for the 2018-19 financial year.

#### 4.2.2 Implicit Price Deflator - Asset Revaluation Index

Queensland Treasury's Office of Economics and Statistical Research produce this index on a quarterly basis. For 2018-19 financial year, the non-residential index reflects a movement of -0.1% whereas the engineering index reflected a 2.84% increase

#### 4.2.3 Producer Price Index

Producer Price Index Australia is an index issued by the Australian Bureau of Statistics. This is another index that is commonly used for assessing cost movements. Cardno looks at this index in conjunction with other indices to form an opinion on cost movement trends. For the 2018-19 financial year, the non-residential building construction reflects a movement of -0.09% whereas the roads and bridges index reflects a movements a 2.22% movement.



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Valuation of Infrastructure Assets  
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The movement in these indexes are listed in the following table.

Table 4-1 Indices movement

Source	Jun-18	Jun-19	July 2018 to June 2019
<b>Rawlinsons Building Price Index (BPI) *</b>	118.780	123.555	1.0402
<b>Implicit Price Deflator **</b>			
Non Residential	102.200	102.100	0.9990
Engineering	105.700	108.700	1.0284
<b>Producer Price Index (ABS Catalogue 6427.00) ***</b>			
Series A2333721X. Index Number 3020 Non-residential building construction Queensland	116.700	116.600	0.9991
Series A2333727L. Index Number 3101 Road and bridge construction Queensland	112.500	115.000	1.0222

**Footnotes:**

\* Index for December 2018 is forecast. Index for June 2019 is anticipated.

\*\* 2018-19 indices are available for two quarters only (June to December 2018).

### 4.3 Other Cost Movements

Another approach was analysing the cost movement and materiality of the components that are used in constructing the assets such as:

- > Supply cost
- > Labour costs
- > Excavation
- > Plant hire

### 4.4 Valuations

For the roads, footpaths, and open drain inverts, the updated 2019 unit rates were applied to the existing assets and the replacement cost calculated.

### 4.5 Application of Indices to the FAR

Professional judgement was then undertaken to determine the index to be applied for each asset class. (Refer to Table 4-2)

### 4.6 Updating replacement costs and fair values

The methodology adopted for the updating the replacement costs of the infrastructure assets is as follows:

- > Cardno was provided with an updated Technical FAR including additions to June 2019
- > Cardno was also provided by recent roads condition data
- > The 2019 FAR was reconciled to the previous comprehensive valuation to confirm the asset movements (additions/ disposals)
- > Recommended indices were applied to the relevant assets to derive the updated replacement cost
- > Updated unit rates were applied to the roads and footpaths assets
- > Fair value was updated. The update was based on condition for the roads and age for the remaining assets
- > Data was presented to ICC for review

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Valuation of Infrastructure Assets  
For Financial Year 2018-19

Table 4-2 reflects the indices applied to each asset type

Table 4-2 Indices by asset type

Asset class	Asset type	Formal valuation year	Index range	Index adopted	Comment
Buildings and other structures	Buildings	2017	2017-19	1.0275 - 1.036	
	Bus stops	2016	n/a		Valued using 2019 rates
Flooding and drainage	Drainage structures - Gross Pollutant Trap	2018	2018-19	1.0283	
	Drainage structures - Headwall Structural	2018	2018-19	1.0145	
	Drainage structures - Kerb Inlet Pit	2018	2018-19	1.0375	
	Drainage structures - Manhole	2018	2018-19	1.0350	
	Drainage structures - Surface Inlet Pit	2018	2018-19	1.0354	
	Drainage structures - Trash Rack	2018	2018-19	1.0283	
	Drainage structures - Valve Pit	2018	2018-19	1.0283	
	Open drains	2018	2018-19	1.0000	
	Drainage mains	2018	2018-19	1.0000	
	Open drain inverts	2018	n/a		Valued using 2019 rates
Roads, bridges and footpaths	Bridges	2016	2018-19	1.0222	
	Roads	2016	n/a		Valued using 2019 rates
	Kerb assets	2016	n/a		Valued using 2019 rates
	Footpaths	2016	n/a		Valued using 2019 rates
	Medians	2016	n/a		Valued using 2019 rates
	Traffic signals	2016	n/a		Valued using 2019 rates

## 4.7 Land Assets

The land cost movement analysis was undertaken by our property valuer Neil Teves AAPI, registered valuer no. 382. The methodology for indexing the land parcels was presented in a separate report titled "ICC - Land Indices 2018-19" This report was issued to Council on the 25<sup>th</sup> of March 2019.

Item 2 / Attachment 3.



Valuation of Infrastructure Assets  
For Financial Year 2018-19

## 4.8 Results

Table 4-3 contains the results of the desktop valuation/ indexation as at 30 June 2019.

Table 4-3 2018-19 Results

Description	Replacement cost	Fair value	Accumulated depreciation	Future annual depreciation
<b>Flooding and drainage</b>				
Drainage structures	\$137,788,474.72	\$105,387,166.81	\$32,401,307.91	\$1,432,017.76
Open drain inverts	\$15,005,796.94	\$8,757,155.68	\$6,248,641.26	\$177,456.85
Open drains	\$16,685,094.80	\$16,413,849.97	\$271,244.83	\$57,008.91
Drainage mains	\$682,070,582.44	\$511,805,672.24	\$170,264,910.20	\$7,102,269.53
	<b>\$851,549,948.90</b>	<b>\$642,363,844.70</b>	<b>\$209,186,104.20</b>	<b>\$8,768,753.05</b>
<b>Roads and Bridges</b>				
Bridges	\$111,928,657.41	\$83,547,884.55	\$28,380,772.85	\$1,439,530.05
Footpaths	\$208,768,456.23	\$166,176,791.61	\$42,591,664.62	\$3,609,042.70
Kerbs	\$118,060,236.32	\$75,347,800.30	\$42,712,436.01	\$1,491,573.41
Medians	\$16,334,140.54	\$12,711,030.93	\$3,623,109.61	\$212,102.63
Roads	\$807,177,571.19	\$576,778,867.71	\$230,398,703.48	\$16,255,564.60
Traffic signals	\$26,205,000.00	\$12,444,870.00	\$13,760,130.00	\$1,310,250.00
	<b>\$1,288,474,061.68</b>	<b>\$927,007,245.10</b>	<b>\$361,466,816.57</b>	<b>\$24,318,063.40</b>
<b>Buildings and other structures</b>				
Buildings*	\$211,845,887.71	\$123,359,044.11	\$88,486,843.60	\$6,968,371.57
Bus Stops	\$2,268,005.25	\$694,673.75	\$1,573,331.51	\$90,720.21
	<b>\$214,113,892.96</b>	<b>\$124,053,717.86</b>	<b>\$90,060,175.11</b>	<b>\$7,059,091.78</b>
<b>Land assets</b>				
Land Indexation	\$295,078,729.47	\$295,078,729.47		
Land Valuations	\$7,514,500.00	\$7,514,500.00		
	<b>\$302,593,229.47</b>	<b>\$302,593,229.47</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Total</b>	<b>\$2,656,731,133.01</b>	<b>\$1,996,018,037.13</b>	<b>\$660,713,095.88</b>	<b>\$40,145,908.22</b>

\* Buildings include buildings, amenities blocks, traffic signs, sheds, and shelters



## 5 Qualifications

Table 5-1 lists the qualifications Cardno's staff members who were involved in this project.

Table 5-1 Staff qualifications

Name	Position	Qualification	Memberships
Rula Atweh	Senior Financial Consultant/ Principal - Asset Valuations	BSc Business Administration	
Adrian Kho	Geotechnical Engineer	PhD, BEng Civil (Hons)	CPEng, MIEAust, NPER, RPEQ 12676
Trevor Chiang	Asset Management Engineer	BE Chemical Engineering (Hons)	GradIEAust
Tom Sitprasert	Engineer I/Graduate Engineer	PhD Chemical Engineering, MEng, BEng (Hons) Mechanical	

17 April 2019

**MEMORANDUM**

TO: FINANCE MANAGER  
FROM: SENIOR PLANNING OFFICER (ASSET MANAGEMENT)  
RE: INFRASTRUCTURE ASSET VALUATION 2018-19

---

**INTRODUCTION:**

This is a report by the Senior Planning Officer (Asset Management) dated 17 April 2019 concerning the Works, Parks and Recreation Department's (WPR) contribution to, and review of, the valuation of infrastructure assets conducted by Cardno for the 2018-2019 financial year.

**BACKGROUND:**

**Data Supplied**

Asset Registers

Cardno was provided full extracts, including key attributes of all infrastructure asset classes physical asset registers.

Asset Condition

Condition, and thereby remaining useful life, was determined by age as an indicator of asset condition for all assets, excluding Sealed Roads.

In the case of Sealed Road assets, the Pavement Condition Index (PCI) was provided as an indicator for the condition of each road segment. The PCI is modelled by the Pavement Management System on the basis of observed physical surface defects. Where PCI is not available for particular segment of road, age was used as an indicator of asset condition.

**Valuation Outcomes**

Methodology and Assumptions

The methodology and assumptions applied to the 2018-2019 infrastructure asset valuation, and as outlined in Cardno's valuation report, were reviewed by WPR and found to be consistent with, and appropriate to, the purpose and intent of the valuation.

Useful Lives

The useful lives applied to the 2018-2019 infrastructure asset valuation, and as outlined in Cardno's valuation report, were reviewed by WPR and found to be consistent with, and appropriate to, the purpose and intent of the valuation.

Unit Rates

The unit rates applied to the 2018-2019 infrastructure asset valuation were reviewed by WPR and found to be consistent with, and appropriate to, the purpose and intent of the valuation.

Alignment of the Physical and Financial Asset Register

Alignment between the physical and financial asset registers via the simplification of asset records held in the financial asset register has continued this year.

The physical asset registers hold all the detailed attributes and can be readily aligned to a smaller number of aggregated records within the financial asset register, while still retaining all necessary financial reporting capabilities.

**CONCLUSION:**

The Works, Parks and Recreation Department contributed to the preparation, support and review of the 2018-2019 infrastructure asset valuation as outlined in the body of this report.

**RECOMMENDATION:**

That the report be received and the contents noted.

Benson Au-Yeung

**SENIOR PLANNING OFFICER (ASSET MANAGEMENT)**

I concur with the recommendation/s contained in this report.

Helen Coles

**PRINCIPAL OFFICER (ASSET MANAGEMENT)**

C/c BUSINESS ACCOUNTING AND ASSET MANAGER

C/c BUSINESS ACCOUNTING MANAGER

C/c PRINCIPAL FINANCIAL ACCOUNTANT

Doc ID No: A5533381

ITEM: 3

SUBJECT: IMPACT OF NEW ACCOUNTING STANDARDS

AUTHOR: PRINCIPAL FINANCIAL ACCOUNTANT

DATE: 23 MAY 2019

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### **EXECUTIVE SUMMARY**

This is a report concerning a request from the Queensland Audit Office (QAO) requiring Ipswich City Council (ICC) and its controlled entities to provide a position paper regarding the impact of recently issued or amended accounting standards. Council is required to provide the position paper by the 31 May 2019.

### **RECOMMENDATION/S**

**That the report of the Principal Financial Accountant regarding the impact of the recently released or amended Accounting Standards on Ipswich City Council dated 23 May 2019 be received and the contents noted.**

### **RELATED PARTIES**

There are no related parties

### **ADVANCE IPSWICH THEME LINKAGE**

Listening, leading and financial management

### **PURPOSE OF REPORT/BACKGROUND**

Australian Accounting Standards Board (AASB) has recently issued or amended Australian Accounting Standards some standards are expected to have a material impact, while other standards are expected to have no material impact for Council and its controlled entities (Ipswich City Properties Pty Ltd, Ipswich City Developments Pty Ltd, Ipswich City Enterprises Pty Ltd, Ipswich City Enterprises Investments Pty Ltd, Ipswich Arts Foundation and Ipswich Arts Foundation Trust).

Accounting standards expected to have a material impact.

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers
- AASB 1058 Income of Not-for-Profit Entities

- AASB 16 Leases.

Accounting standards not expected to have any impact.

- AASB 1059 Service Concession Arrangements: Grantors

### **Application to Council and its controlled entities**

#### **AASB 9 Financial Instruments**

Effective for annual reporting periods beginning on or after 1 July 2018. AASB 9 has been adopted in the 2018-2019 financial year.

#### ***Financial Assets now classified in Two Financial Categories (Amortised Cost and Fair Value)***

Council's financial assets and financial liabilities are both measured at amortised cost. Initially recognition is measured at cost (financial assets) or fair value (financial liabilities), then subsequently measured at amortised cost and impairment recognised in the profit and loss. (Refer to paragraph 4.1.1 to 4.1.2 and 4.2.1 of AASB 9.) Council and its controlled entities hold financial assets in order to collect contractual cash flows, for example fixed term deposits, investments and trade receivables. While for financial liabilities this consists of loans of solely payments of principal and interest.

#### ***Option to account for equity instruments in other comprehensive income***

Council and its controlled entities will continue to measure equity instruments at amortised cost and account for equity instruments in the profit and loss. Dividends from equity investments relating to subsidiaries and associates will continue to be presented in profit and loss.

#### ***Impairment***

Council and its controlled entities now assess the collectability of trade receivables and loan receivables on an expected basis rather than an incurred basis using the simplified approach by applying a percentage based on past recognition of impairment (with the exclusion of extraordinary anomalies).

Trade Receivables: Percentages for impairment are based on historical data (debts written off and trends in debt collection). Impairment percentages are 2.92% for 0 to 90 days, 12.11% - 91 to 120 days and 33.62% - 120+ Days. Refer to Attachment 1 for workings. First time adoption of AASB 9 requires the opening balance of impairment for receivables to be recalculated using the new methodology with an adjustment to the opening balance as at 1 July 2018. Impairment for receivables recalculated balance is \$70k, less \$47k already recognised resulting in an adjustment of \$23k, journal entry as follows:

Equity Account	Debit	\$23k
Impairment for Receivables	Credit	\$23k

Loan receivable to Ipswich City Properties Pty Ltd (ICP): ICP plan that the full balance of the loan or at least a significant portion of the loan should be repaid or reduced to asset transfers prior to 30 June 2019.



Rates Receivable: Impairment will not be applied due to the provisions of the Local Government Act 2009 which empowers Council to sell an owner's property to recover outstanding rate debts.

**AASB 15 Revenue from Contracts with Customers**  
**AASB 1058 Income of Not-for-Profit Entities**

Effective for annual reporting periods beginning on or after 1 July 2019.

Under AASB 15 and AASB 1058 the timing of income recognition will depend on whether a grant is enforceable and gives rise to a sufficiently specific performance obligation, liability or contribution by owners. Hence, revenue is recognised initially as a liability and once the obligation is satisfied the liability is derecognised and revenue recognised. (Refer to paragraph 15 and 16 of AASB 15 and paragraph 16 of AASB 1058.) Also, AASB 1058 requires the fair value measurement of assets and transactions for which consideration is significantly below fair value (including peppercorn leases). (Refer to paragraph 7 of AASB 1058.) Refer to Attachment 2 for an analysis of the impact on Council's revenue streams.

***Grants and Contributions***

Grants of financial assets with sufficiently specific performance obligations will be initially recognised as a liability and subsequently as revenue when the obligation is satisfied. This will only affect grants that span over the end of a financial year. From a review of Council's grant funding agreements currently there are no sufficiently specific performance obligations relating to grants of financial assets. Financial Assistance Grants will continue to be recognised as revenue upon receipt, as advised by the Department of Local Government, Racing and Multicultural Affairs (DLGRMA).

Grant agreements for construction or acquisition of non-financial assets to be controlled by the entity which are enforceable and sufficiently specific are initially recognised as a liability as there is an obligation to construct an asset. As the performance obligations are satisfied the liability is derecognised and revenue recognised. Most of Council's grant revenue relating to non-financial assets is recognised when Council submits a milestone claim when a percentage of works have been completed. From a review of Council's grant funding agreements, grant arrangements which are enforceable, sufficiently specific performance agreements and up-front grant payments relate to roads to recovery (R2R), Rosewood Library Construction and the Ipswich CBD Renewal (Civic Space Construction). Current advice from Council's grant team is that Council's annual submission for R2R funding is usually for only one (1) major capital project so sufficiently specific performance obligations will be measureable. The Finance team will further investigate R2R grant funding and if there are the required specific obligations.

Council will recognise developer contributions immediately as revenue as there is no sufficiently specific present obligations. While for donated assets when these become "on maintenance" an asset is recognised at fair value and revenue recognised immediately. (eg, land, infrastructure assets and artworks).

***Rates Paid in Advance***

As the period to which rates paid in advance has not occurred, the obligation has not been fulfilled and prepaid rates are refundable at the request of the ratepayer. During the refundable period the rates received in advance give rise to a financial liability, then subsequently as revenue when the rating period occurs. Currently when rates are paid in advance the Council recognises these receipts initially as cash (Debit) and unearned rates paid in advance liability (Credit), then at the end of each quarter the balance of rates paid in advance liability would be accrued to revenue. On the 30 June 2019 Council will continue to recognise rates paid in advance as revenue by posting an adjustment journal (not an accrual journal) as follows:

Unearned rates paid in advance	Debit	\$4m (Estimate)
Rates Revenue	Credit	\$4m (Estimate)

As advised by QAO during the 2019 Tropical Workshop, on the 1 July 2019 first time adoption of AASB 1058 will require an adjustment to the opening balance of unearned rates paid in advance, adjustment journal entry as follows:

Equity Account	Debit	\$4m (Estimate)
Unearned rates paid in advance	Credit	\$4m (Estimate)

After this Council will cease the practice of accruing the balance of rates paid in advance liability to revenue at the end of each quarter.

### ***Fees and Charges***

Town planning, animal, cemetery, infringement fees and licence fees revenue is recognised upon receipt as there is no enforceable contract with the customer, no sufficiently specific performance obligations attached and these transactions are large volumes of low dollar value so these fees are assessed immaterial.

### ***Peppercorn Leases***

AASB 1058 requires the fair value measurement of lease transactions for which consideration is significantly below fair value and recognising the difference between fair value and the nominal value as revenue. In accordance with the AASB, Council will defer the requirement to fair value peppercorn leases, hence peppercorn lease will continue to be recognised at nominal value. Refer to section AASB 16 Leases for more information.

### ***Volunteer Services***

AASB 1058 requires an inflow of resources in the form of volunteer services as an asset or expense if the services can be measured reliably and would have been purchased if they were not donated. Paragraph 19 of AASB 1058 states the entity may “elect to recognise volunteer services or a class of volunteer services”. Council will not elect to recognise volunteer services. Council currently has over 200 individuals who volunteer their services in the Ipswich Art Gallery, Libraries, Ipswich Visitor’s Information Centre, Ipswich Cemetery and Queens Park Nature Centre, etc. Council departments have confirmed that they would not have purchased these services if they were not donated.

## **AASB 16 Leases**

Effective for annual reporting periods beginning on or after 1 July 2019.

The intention of the standard is to put 'off-balance sheet' operating leases 'on-balance sheet'. As a result, a right-of-use asset and a lease liability is recognised for the discounted cash flow of lease payments for the lease term. (Refer to paragraph 22 to 28 of AASB 16.) The right-of-use asset will be measured at its carrying amount discounted using the incremental borrowing rate and adjusted by any prepaid amounts. (Refer to paragraph C8 of AASB 16). Lease payments are apportioned between the reduction in the lease liability and interest expense. An incremental increase in the annual charge or consumer price index (CPI) is required to be applied to both the lease asset and lease liability. Also, right-of-use assets are recognised in a separate asset class in the fixed asset register and amortised over the period of the lease, refer to paragraph 29 to 46 of AASB 16 and AASB 116 Property, Plant and Equipment.

Council will claim exemption for the lease of 300 laptops as these leases are of low value (AUD \$7,500). (Refer to paragraph 5 of AASB 16.) Also, there are no embedded leases where there is an explicit or implicit asset in the contract and the customer controls use of the asset. Council owns their fleet of vehicles and waste trucks.

As at the 30 June 2018, Council had 16 property leases, with 10 of those leases relating to the former Councillor divisional offices. The Chief Executive Officer announced on the 16 May 2019 that the divisional offices would close at the end of May 2019, hence these have been excluded. Also, Council had prepaid the lease of the hockey grounds located at 65 Briggs Road Raceview for \$1.1m so no lease liability or right-of-use asset is required to be recognised. While the lease for the monitoring room for Safe City expired during 2018-2019. Council entered into a new property lease for the Springfield library site which commenced on the 1 July 2018. Council paid a deposit of \$58k being for payment in advance for the month of July 2019 and the lessor granted Council a base rent free period of 12 months. As at the 30 June 2019 lease asset and liabilities on the balance sheet will increase/decrease by \$2.2m and \$2.3 m respectively, refer to Attachment 3.

The requirements of AASB 16 will be applied using the modified retrospective approach with the accumulative effect being recognised as an adjustment to the opening balance of the equity account and no restatement in the comparative reporting period.

## ***Peppercorn Leases***

Lease payments of nominal value and that do not reflect the market value of lease payments for the property being leased are required to be brought to fair value. As a result, revenue is recognised for the difference between the right-of-use asset (measured at fair value) and the lease liability (measured at present value). The fair value requirements of AASB 1058 apply to peppercorn leases as well. The Australian Accounting Standards Board (AASB) decided on the 13 November 2018 to defer the requirement to value peppercorn leases (and other significantly below market value). The AASB will released an exposure draft which

considers temporary relief for all not-for-profit entities in relation to peppercorns as the Australian Charities and Not-for-Profits Commission (ACNC) are yet to issue thresholds and guidance by the fair value panel in relation to valuation of right of use assets. Council currently has three (3) “peppercorn leases” with the Department of Natural Resources and Mines (DNRM), in which Council pays less than market value lease payments. Council will not recognise right-of-use assets or lease liabilities for peppercorn leases until the ACNC thresholds take effect. It is expected that this will have a material impact for Council when implemented in the future.

#### ***Leases Model***

An Excel worksheet has been prepared in accounting for Council’s leases, however there is complexity in accounting for multiple leases with different terms, CPI adjustment, interest, split lease payments and more. During the 2019 Tropical Workshop the Queensland Audit Office recommended organisations to acquire software to calculate and manage lease accounting.

#### **AASB 1059 Service Concession Arrangements: Grantors**

Public sector entities (grantor) enter into an arrangement with the private sector (operator) for the delivery of public services. The grantor will recognise a service concession asset when they control an asset which is constructed or acquired by the operator. The operator in return is compensated either directly by the grantor or by collecting payments from the public. A grantor controls an asset if they control or regulates what services the operator must provide with the asset, to whom it must provide them and at what price, and the grantor controls any significant residual interest in the asset at the end of the term of the arrangement. These arrangements are often referred to as public to private partnerships (PPPs), for example arrangements with toll roads.

Council does not have any service concession arrangements.

#### **FINANCIAL/RESOURCE IMPLICATIONS**

No relevance to this report.

#### **RISK MANAGEMENT IMPLICATIONS**

The risk in not approving the recommendation would result in Council not complying with Australian Accounting Standards. As a result, Council’s financial statements would receive a qualified audit opinion.

#### **LEGAL/POLICY BASIS**

This report and its recommendations are consistent with the following legislative provisions:  
*Local Government Act 2009*  
*Local Government Regulation 2012*  
*Australian Accounting Standards*

#### **COMMUNITY AND OTHER CONSULTATION**

No relevance to this report.

## CONCLUSION







AASB 9 Financial Instruments has been adopted in the 2018-2019 financial year. Impairment of receivables are now assessed using an expected basis which is based on a percentage of historical customer default rates, the new impairment percentages will not have a material financial impact. The recalculated opening balance for impairment for receivables is \$71k resulting in an adjustment to the opening balance for impairment receivables of \$23k.

AASB15 Revenue from Contracts with Customers requires grants with enforceable arrangements and sufficiently specific performance obligations to be initially recognised as a liability and once the obligation is satisfied the liability is derecognised and revenue recognised. Currently Council's grant funding agreement relating to financial assets do not have sufficiently specific performance obligations relating to grants of financial assets. Developer contribution revenue is now recognised immediately as there is no sufficiently specific performance obligations.

AASB1058 Income of Not-for Profit Entities will require grants relating to non-financial assets with enforceable arrangements and sufficiently specific performance obligations to recognise up-front grant payments as a liability and then revenue once the obligation has been complete. Most grant revenue for non-financial assets is recognised once a percentage of work has been completed and then a milestone claim is submitted. Currently two of Council's grant funding agreements relating to non-financial assets do have sufficiently specific performance obligations these relate to roads to recovery (R2R) and Rosewood Library Construction, hence a liability will be recognised initially for up-front payments and then revenue when obligations are met. While rates paid in advance will be recognised as a liability initially and then revenue when the rating period occurs. An adjustment to the opening balance (1 July 2019) for unearned rates revenue of approximately \$4m will be required. Recognition of revenue relating to peppercorn leases has been delayed until fair value thresholds are established.

AASB 16 Leases would result in a financial impact with recognition of a right-of-use asset of \$2.3m and lease liability of \$2.2m. Recognition of revenue relating to peppercorn leases has been delayed until fair value thresholds are established, when this does occur it is expected this will have a material impact for Council. As recommended by the QAO to ensure accuracy and management of leases Council would benefit from acquiring software to manage lease accounting.

## ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	Impairment of Receivables. <a href="#"></a> 
2.	Revenue Analysis as at 31 March 2019. <a href="#"></a> 
3.	Lease Assets and Liabilities Register <a href="#"></a> 

Barbara Watson

**PRINCIPAL FINANCIAL ACCOUNTANT**

I concur with the recommendations contained in this report.

Jeffrey Keech  
**FINANCE MANAGER**

I concur with the recommendations contained in this report.

Andrew Knight  
**GENERAL MANAGER - CORPORATE SERVICES**

***“Together, we proudly enhance the quality of life for our community”***

Impairment for Trade Receivables applying an expected basis approach

Based on the guidance in Queensland Treasury's Financial Reporting Requirements for Queensland Government Agencies - for reporting periods beginning on or after 1 July 2017. Refer to 1.4.1.

Aged Receivables Trial Balance Report data from the July 2012 to June 2018.

Month	0-30	31-60	61-90	91-120	120+	
Dec-17	1,862,126.19	349,544.05	106,005.43	51,083.54		14,052.26
Jan-18	1,995,326.82	661,225.30	60,068.02	60,328.95		57,106.14
Feb-18	1,443,692.77	131,801.78	490,776.29	15,931.64		49,242.50
Mar-18	1,015,830.13	233,498.04	214,799.58	5,435.90		45,725.62
Apr-18	1,936,289.38	207,192.28	319,255.42	21,122.77		43,087.52
May-18	1,173,856.40	276,209.89	82,381.87	272,532.10		59,061.50
Jun-18	1,645,454.57	173,428.66	47,413.76	21,874.06		39,578.81
	<u>139,823,006.76</u>					

Debts collected summarised

All debts issued in the past 5 years	139,823,006.76	
Debts collected by due date	0 Reporting not available - ICC sundry debtors payment term is 7 Days.	
Debts collected between 1-30 days past due	0 Reporting not available	
Debts collected between 31-60 days past due	106,109,491.20	
Debts collected between 61-90 days past due	21,568,344.66	
Debts collected between 91-120 days past due	8,256,134.10	
Debts collected after 120 days overdue	3,889,036.80	

Debts overdue historical data summarised

Current	All debts issued in the past 10 years	139,823,006.76	2.78%
1-30 days	Debts that had become overdue	139,823,006.76	2.78%
31-60 days	Debts that had become >30 days overdue	139,823,006.76	2.78%
61-90 days	Debts that had become >60 days overdue	33,713,515.56	11.54%
91-120 days	Debts that had become >90 days overdue	12,145,170.90	32.02%
	Debts collected after 120 days overdue	3,889,036.80	

Percentage Applied for Provision for Doubtful Debt

	Debits Overdue Historical Rate	Forward-looking adjustment	Weighted Average Loss Rate	Provision for Doubtful Debt %
Current	2.78%	0.14%	2.92%	2.92%
1-30 days	2.78%	0.14%	2.92%	2.92%
31-60 days	2.78%	0.14%	2.92%	2.92%
61-90 days	11.54%	0.58%	12.11%	12.11%
91-120 days	32.02%	1.60%	33.62%	33.62%

Aged Trade Receivables Trial Balance Report Totals - 30 June 2018

	0-30	31-60	61-90	91-120	120+	Total	
Jun-18	1,645,454.57	173,428.66	47,413.76	21,874.06	39,578.81	1,927,749.86	Gross Carrying Amount
Weighted Average Loss Rate	2.92%	2.92%	2.92%	12.11%	33.62%		
Loss Allowance	48,055.00	5,064.93	1,384.70	2,649.46	13,307.32	70,461.41	
Credit Impaired	No	No	Yes	Yes	Yes		

Impaired receivables applying an expected basis

Credit Impaired	70,461.41
Based on overall aged totals.	

Impairment of Ipswich City Properties Pty Ltd Loan

Impairment of receivables - calculated on an expected basis	22,170,461.41
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Note 9: Receivables Impairment (as per audited financial statements as at the 30 June 2018). Impairment calculated on an expected basis.

Adjustment	22,147,189.97
	<u>23,271.44</u>

Cash collection data based on movement in aged trade receivables trial balance report.

0-30	31-60	61-90	91-120	120+	Total
1,200,900.89	170,449.01	485,340.79	5,435.50		1,862,126.19
1,863,525.04	-	82,997.80	193,676.81	21,122.77	1,995,326.82
1,210,254.73	-	85,817.38	46,723.32	272,532.10	1,443,692.77
808,637.85	124,810.41	60,507.81	21,874.06		1,015,830.13
1,660,079.48	228,796.13	47,413.76	-	-	1,936,289.38
1,000,427.74	173,428.66	-	-	-	1,173,856.40
1,645,454.57	-	-	-	-	1,645,454.57
<u>106,109,491.20</u>	<u>21,568,344.66</u>	<u>8,256,134.10</u>	<u>3,889,036.80</u>		<u>139,823,006.76</u>

Item 3 / Attachment 2.

AASB 15 and AAS 1058 Applied to 31 March 2019 Revenue Items

Account	1 July Opening Bal	Debits	Credits	Closing Balance	Note	Note Description	Line Item	Revenue / Fee Type	Revenue recognised	Performance Obligation	Comment
210101 General rates rev	0	15,227,131.70	148,304,631.62	-133,077,499.92	3 (a)	Rates, Levies and Charges	General rates	General rates	Rates bill issued.	No	AASB 1058 - No longer recognised as revenue immediately from the 1 July 2019.
210201 Water sales & charges rev	0	16,538.05	16,538.05	0.00	3 (a)	Rates, Levies and Charges	Property related charges	Property related charges	Rates bill issued.	No	AASB 1058 - No longer recognised as revenue immediately from the 1 July 2019.
210204 Property related chg rev	0	25,418.07	128,235.40	-102,817.33	3 (a)	Rates, Levies and Charges	Property related charges	Property related charges	Rates bill issued.	No	AASB 1058 - No longer recognised as revenue immediately from the 1 July 2019.
210205 Garbage charges rev	0	13,021.75	22,349,846.75	-22,336,825.00	3 (a)	Rates, Levies and Charges	Garbage charges	Garbage charges	Rates bill issued.	No	AASB 1058 - No longer recognised as revenue immediately from the 1 July 2019.
210210 Rural fire levy rev	0	502.2	321,070.45	-320,568.25	3 (a)	Rates, Levies and Charges	Rural fire levy	Rural fire levy	Rates bill issued.	No	AASB 1058 - No longer recognised as revenue immediately from the 1 July 2019.
210211 Enviroplan levy rev	0	1261.87	2,766,323.35	-2,765,061.48	3 (a)	Rates, Levies and Charges	Enviroplan levy	Enviroplan levy	Rates bill issued.	No	AASB 1058 - No longer recognised as revenue immediately from the 1 July 2019.
210301 On time payment discount	0	6,812,568.30	11,532.20	6,801,036.10	3 (a)	Rates, Levies and Charges	On time payment discount	On time payment discount	Upon receipt.	No	AASB 1058 - No longer recognised as revenue immediately from the 1 July 2019.
210302 Pensioner concession disc	0	1,362,454.00	6,046.00	1,356,408.00	3 (a)	Rates, Levies and Charges	Pensioner concession discount	Pensioner concession discount	Rates bill issued.	No	AASB 1058 - No longer recognised as revenue immediately from the 1 July 2019.
<b>Rates, Levies and Charges</b>				<b>-150,445,327.88</b>							
220101 Town planning develop fee	0	1,974,875.74	13,612,530.57	-11,637,654.83	3 (b)	Fees and Charges	Private Certification, lodgement fees (eg. plumbing applications), examination and signing of subdivision plan, building inspections, annual registration of backflow device, re-configure a lot, renewal of backflow device, assess building class, inspect building class and change development approvals.	Private Certification, lodgement fees (eg. plumbing applications), examination and signing of subdivision plan, building inspections, annual registration of backflow device, re-configure a lot, renewal of backflow device, assess building class, inspect building class and change development approvals.	Upon receipt.	No	When payment is made the obligation has already been completed.
220102 Hlth animal cemetery fees	0	166,652.78	1,113,108.44	-946,455.66	3 (b)	Fees and Charges	Animal registration, medium priority supermarket and food business licence, inspection fee, higher risk personal appearance fee and temporary food stall.	Animal registration, medium priority supermarket and food business licence, inspection fee, higher risk personal appearance fee and temporary food stall.	Upon receipt.	No	AASB 1058 - Animal registration is paid yearly in advance and revenue is recognised upon receipt, however these are large volumes of low dollar value transactions so these are assessed immaterial so revenue is recognised upon receipt. While for other items when payment is made the obligation has already been completed.
220103 Civic Centre services fee	0	4,795.49	82,280.05	-77,484.56	3 (b)	Fees and Charges	Technical labour, stage and first-of-house ushers hire fee and hire of Civic Hall.	Technical labour, stage and first-of-house ushers hire fee and hire of Civic Hall.	Invoice issued.	No	AASB 1058 - When invoice issued the obligation has already been completed.
220104 Traffic and reg park fees	0	148,401.84	2,470,160.48	-2,321,758.64	3 (b)	Fees and Charges	Parking Infringements	Parking Infringements	Upon receipt.	No	AASB 1058 - When payment is made the obligation has already been completed.
220105 Library fees and fines	0	73.29	1,924.97	-1,851.68	3 (b)	Fees and Charges	Overdue fines, photocopying, internet access and lost book fees.	Overdue fines, photocopying, internet access and lost book fees.	Upon receipt.	No	AASB 1058 - When payment is made the obligation has already been completed.
220106 Change of ownership fees	0	29,070.00	464,835.00	-435,765.00	3 (b)	Fees and Charges	Change of ownership fees	Change of ownership fees	Upon receipt.	No	AASB 1058 - When payment is made the obligation has already been completed.
220109 Waste disposal fees	0	2,263,980.57	7,717,571.96	-5,453,591.39	3 (b)	Fees and Charges	Commercial and industrial waste fees.	Commercial and industrial waste fees.	Invoice issued.	No	AASB 1058 - When invoice issued the obligation has already been completed.
220110 Other fees and charges	0	89,220.72	1,538,451.69	-1,449,230.97	3 (b)	Fees and Charges	Various - Property search fee, dog impounding, etc.	Various - Property search fee, dog impounding, etc.	Upon receipt.	No	AASB 1058 - When payment is made the obligation has already been completed.
<b>Fees and Charges</b>				<b>-22,323,792.73</b>							
230101 Sales contracts recover	0	3,323,262.17	5,684,209.75	-2,360,947.58		Sales contracts and recoverable works	Road Maintenance Performance Contract Claims relating to QLD Govt.	Road Maintenance Performance Contract Claims relating to QLD Govt.	Invoice issue when milestone has been completed.	No	AASB 1058 - When invoice issued the obligation has already been completed.
<b>Sales Revenue</b>				<b>-2,360,947.58</b>							
240101 Govt grant subsidy op rev	0	1,046,955.17	6,477,808.23	-5,430,853.06	4 (a)	Grants, Subsidies, Contributions and Donations	Various	Various	Revenue upon receipt or invoice issue when milestone has been completed.	Limited number of grants.	AASB 1058 - Reviewed grant funding agreements only a limited number have sufficiently specific obligations. Revenue mainly recognised via milestone claims.



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240102 Govt grnt subsidy cap rev	0	2,991,250.00	6,343,783.00	-3,352,533.00	4 (b)	Grants, Subsidies, Contributions and Donations	Various	Various	Revenue upon receipt or invoice issue when milestone has been completed. In some instances an up-front payment has been received.	Limited number of grants.	AASB 1058 - Reviewed grant funding agreements only a limited number have sufficiently specific obligations. Revenue mainly recognised via milestone claims.
240201 Donated asset rev	0	34,553,516.76	78,251,783.03	-43,698,266.27	4 (b)	Grants, Subsidies, Contributions and Donations	Land, artworks and infrastructure.	Land, artworks and infrastructure.	When the donated asset becomes "on maintenance".	No	AASB 1058 - Donated revenue recognised when asset is received "on maintenance".
240301 Cash contribution op rev	0	29,986,496.27	30,677,400.40	-690,904.13	4 (a)	Grants, Subsidies, Contributions and Donations	Developer contributions	Developer contributions	Upon receipt.	No	When payment is made the obligation has already been completed.
240302 Cash contribution cap rev	0	57,488,962.30	75,430,706.86	-17,941,744.56	4 (b)	Grants, Subsidies, Contributions and Donations	Developer contributions	Developer contributions	Upon receipt.	No	When payment is made the obligation has already been completed.
<b>Grants, Subsidies, Contributions and Donations - Recurrent Revenue</b>				<b>-71,114,301.02</b>							
250101 Interest investments rev	0	9,978,528.08	13,483,667.91	-3,505,139.83	3 (c)	Interest and Investment Revenue	Interest from investments	Interest from investments	Upon receipt or accrued.	No	When payment is made the obligation has already been completed.
250102 Rate utility interest rev	0	14575.75	562,923.40	-548,347.65	3 (c)	Interest and Investment Revenue	Interest from overdue rates and utilities.	Interest from overdue rates and utilities.	Rates bill issued.	No	When payment is made the obligation has already been completed.
<b>Interest and Investment Revenue</b>				<b>-4,053,487.48</b>							
260101 Rent Council f'ties rev	0	247,333.58	994,183.72	-746,850.14	3 (d)	Other Income	Rental and lease revenue - Council property (eg. Asphalt plant, Willowbank Raceway, Queens Park Kiosk, Humanities Building, parcels of land, etc.)	Rental and lease revenue - Council property (eg. Asphalt plant, Willowbank Raceway, Queens Park Kiosk, Humanities Building, parcels of land, etc.)	Invoice issue when milestone has been completed.	No	AASB 15 - Monthly invoice issued during period for that rental applies.
260102 Hire Council f'ties rev	0	161,410.55	554,555.50	-393,144.95	3 (d)	Other Income	Rental and lease revenue - Council property (eg. Humanities Building, Sporting Grounds, etc.) Civic Centre	Rental and lease revenue - Council property (eg. Humanities Building, Sporting Grounds, etc.) Civic Centre	Invoice issue when milestone has been completed. Also, upon receipt.	No	AASB 15 - Monthly invoice issued during period for that rental applies.
260103 Vehicle lease fees rev	0	11,467.76	148,765.90	-137,298.14	3 (d)	Other Income	Ticket Sales Internal vehicle lease fee. Sales from Civic Centre, Ipswich Visitor's and Information Centre, and Ipswich Art Gallery.	Ticket Sales Internal vehicle lease fee. Sales from Civic Centre, Ipswich Visitor's and Information Centre, and Ipswich Art Gallery.	Processed by weekly payroll.	No	
260104 Sale stock merch/dise rev	0	45,313.07	482,721.11	-437,408.04	3 (d)	Other Income	Ticketmaster commission	Ticketmaster commission.	Upon receipt.	No	When payment is made the obligation has already been completed.
260105 Commissions rev	0	55.58	141,939.22	-141,883.64	3 (d)	Other Income	QUU Dividend	QUU Dividend	Upon receipt or accrued.	No	When payment is made the obligation has already been completed.
260106 Dividends received rev	0	50,361,583.90	67,569,719.56	-17,208,135.66	3 (d)	Other Income	Various	Various	Invoice issue when milestone has been completed. Also, upon receipt.	No	When invoice issued or payment is made the obligation has already been completed.
260107 Other sundry receipts	0	1,580,749.76	5,319,011.72	-3,738,261.96	3 (d)	Other Income	QUU Tax Revenue	QUU Tax Revenue	Upon receipt or accrued.	No	When payment is made the obligation has already been completed.
260110 QUU Tax Revenue	0	3,916,589.00	12,623,083.40	-8,706,494.40	3 (d)	Other Income	Various	Various	Upon receipt or accrued.	No	When payment is made the obligation has already been completed.
<b>910101 Other Revenue sitting in clearing account</b>				<b>-26,955.48</b>	3 (d)	Other Income					
<b>Other Income</b>				<b>-31,536,432.41</b>							
270101 *Gain on disposal asset	0	593,654.87	775,662.18	-182,007.31		Capital Income	Property, Plant and Equipment	Disposal proceeds	Upon receipt.	No	When payment is made the obligation has already been completed.
170101 *Loss on disposal assets	0	269,351.91	11,593.27	257,758.64							
<b>Capital Income</b>				<b>75,751.33</b>							
530101 Unearned rates utilities	0	20,418,115.31	20,467,135.18	-49,019.87		18 Other Liabilities	Rates received in advance.	Rates received in advance.	Once rating period occurs.	Yes	AASB 1058 - Rates paid in advance recognised initially as a liability from the 1 July 2019.
<b>Unearned Rates Utilities</b>				<b>-49,019.87</b>							
630302 Open Space NCL	0	305,965,428.15	305,965,428.15	0.00							No longer valid - Developer contributions now recognised immediately as revenue.
630303 Stormwater NCL	0	46,828,889.90	46,828,889.90	0.00							No longer valid - Developer contributions now recognised immediately as revenue.
630304 Social NCL	0	107,461,411.95	107,461,411.95	0.00							No longer valid - Developer contributions now recognised immediately as revenue.
630305 Footpaths NCL	0	39,106,085.55	39,106,085.55	0.00							No longer valid - Developer contributions now recognised immediately as revenue.
630307 Streetscape NCL	0	145,661.30	145,661.30	0.00							No longer valid - Developer contributions now recognised immediately as revenue.
<b>Developer Contribution Revenue</b>				<b>0.00</b>							

ACCOUNTING FOR LEASED ASSETS - OPERATING LEASES																				
											30/06/2016									
											1.9%	5.404%	Lease Liability							
ASSET	DESCRIPTION/		START	EXPIRY	Term	Base			Total %	Discount										
NUMBER	MODEL	Lessor	DATE	DATE	(Years)	Rent	CPI	Fixed Rate	Increase	(Borrowing		Present Value of	30/06/2017 Less	30/06/2017 Lease	30/06/2017	30/06/2017	1/07/2018 New	1/07/2018 Lease	30/06/2018 Lease	30/06/2018
								Increase		Rate)		Lease Liability	Prepaid Leases	Payments	Interest Expense	Closing Lease	Lease	CPI or Fixed Rate	Payment	Interest Expense
	Electrolate Office Div 1 - Cr Morrison	Pakenham Medical Developments Pty	1/07/2016	30/06/2020	4.00	49,807	0.00	3%	3%	5.404%	157,267.1			(40,156.6)	8,498.7	125,609.2		1,314.2	(45,121.4)	6,787.9
	Electrolate Office Div 2 - Cr Tully	Manos Saridakis	1/07/2016	30/06/2020	4.00	47,397	0.00	5%	5%	5.404%	170,153.0			(45,242.3)	9,195.1	134,105.8		2,369.8	(49,766.5)	7,247.1
	Electrolate Office Div 3 - Cr K Silverme	YFG Shopping Centres Pty Ltd and The	1/04/2016	31/03/2020	4.00	28,730	0.00	5%	5%	5.404%	103,139.6			(44,410.9)	5,573.7	64,302.4		1,436.5	(30,166.3)	3,474.9
	Electrolate Office Div 4 - Cr K Stonema	UFS Friendly Society Ltd	1/07/2016	30/06/2020	4.00	32,640	1.9%	0.00	2%	5.404%	117,177.0			(29,920.0)	6,332.2	93,589.2		620.2	(33,260.2)	5,057.6
	Electrolate Office Div 5 - Cr W Wendt	Clam Howard Reiken and Janelle Rose	1/07/2016	30/06/2020	4.00	30,114	1.9%	0.00	2%	5.404%	108,107.4			(42,362.8)	5,842.1	71,586.8		572.2	(30,685.8)	3,868.5
	Electrolate Office - Div 6 - Cr C Bromag	Happiness Enterprises Pty Ltd and Viet	1/07/2016	30/06/2020	4.00	30,750	1.9%	1%	3%	5.404%	110,391.9			(32,571.0)	5,965.6	83,786.5		891.8	(31,641.8)	4,527.8
	Electrolate Office - Div 7 - Cr D Martin	Ipswich City Properties Pty Ltd	1/07/2016	30/06/2017	1.00	157,944	0.00	0.00	0%	5.404%	157,944.0			(157,944.0)	8,535.3	8,535.3		-	-	-
	Electrolate Office - Div 8 - Cr C	The Wilson Brown Family Trust	1/07/2016	30/06/2020	4.00	41,600	1.9%	0.00	2%	5.404%	149,343.2			(41,101.7)	8,070.5	116,312.0		790.4	(42,390.4)	6,285.5
	Electrolate Office - Cr Div 9 - Sheila	Mirvac Real Estate Pty Ltd	29/07/2016	28/07/2020	4.00	48,000	0.00	5%	5%	5.404%	172,319.1			(49,212.5)	9,312.1	132,418.7		2,400.0	(50,400.0)	7,155.9
	Electrolate Office Div 10 - Cr D Pakhite	Penington Pty Ltd and Mr Kevin Dean C	1/07/2016	30/06/2020	4.00	38,015	1.9%	0.00	2%	5.404%	136,472.8			(36,198.5)	7,375.0	107,648.3		722.3	(38,737.2)	5,817.4
	Car Park 3 West Street Ipswich	Q44 M/VX Pty Ltd	1/07/2017	30/06/2022	5.00	25,017	1.9%	0.00	2%	5.404%	109,388.2			(24,564.7)	5,911.9	90,745.4		475.3	(25,492.8)	4,903.9
	Car Park 206 Brisbane Street Ipswich	Tande 8 Pty Ltd	1/07/2017	30/06/2022	5.00	32,500	1.9%	0.00	2%	5.404%	142,118.4			(31,647.6)	7,680.1	118,150.9		617.5	(33,117.5)	6,384.9
	Library - Redbank Plaza Shopping Cent	YFG Shopping Centres Pty Ltd and The	1/04/2016	31/03/2018	2.00	108,279	0.00	0.00	0%	5.404%	204,562.8			(132,393.2)	11,054.6	83,224.2		-	(108,278.6)	4,497.4
	Library - Redbank Plaza Shopping Cent	YFG Shopping Centres Pty Ltd and The	1/07/2018	30/06/2019	1.00	120,000	0.00	0.00	0%	5.404%	-			-	-	-		-	-	-
	Springfield Library	Mirvac Real Estate Pty Ltd	1/07/2019	30/06/2023	4.00	600,160	1.9%	0.00	2%	5.404%	9,849.2			(2,010.7)	532.2	8,370.7		42.8	(2,295.1)	452.4
	Leash Free Dog Park - Brisbane Tee Goodna		1/07/2017	30/06/2022	5.00	2,252	1.9%	0.00	2%	5.404%	84,463.8			(44,492.1)	4,564.4	44,536.1		847.3	(45,439.4)	2,406.7
	Police Beat/Monitoring Room - Ipswich City Square	Ipswich City Properties Pty Ltd	1/07/2016	30/06/2018	2.00	44,592	1.9%	0.00	2%	5.404%	1,100,000.0				-	-		-	-	-
	66 Briggs Road Raceview	Ipswich Hockey Association	1/07/2013	30/06/2033	20.01	55,000	0.00	0.00	0%	5.404%			(1,100,000.0)	-	-	-		-	-	-
											3,032,707		(1,100,000)	(754,228)	104,444	1,282,922	-	13,100	(966,793)	68,868
Peppercorn	Land Lease - Moonyean Street, Belbird Park	Department of Natural Resources and Mines	1/07/2014	30/06/2034	20.01	2,601	0.0%	0.00	0%	5.404%	29,905.9			(7,154.6)	1,616.1	24,367.5		-	(1,344.0)	1,316.8
Peppercorn	Land Lease - Lot A The Terrace North Ipswich	Department of Natural Resources and Mines	28/07/2016	27/07/2036	20.02	1,017	0.0%	0.00	0%	5.404%	12,443.3			(254.2)	672.4	12,861.6		-	(254.2)	695.0
Peppercorn	Land Lease - Lot 4 Chalk Street, Redbank	Department of Natural Resources and Mines	3/10/2003	2/10/2023	20.01	1,344	0.0%	0.00	0%	5.404%	8,056.4			(12,767.3)	435.4	(4,275.5)		-	(123.0)	(231.0)
											50,406			(20,176)	2,724	32,954	-	-	(1,721)	1,781
											3,083,113			(774,404)	107,168	1,315,876	-	13,100	(968,514)	70,649

30/06/201630/06/201730/06/2018																				
							Right-of-use asset													
30/06/2018 Closing Lease Liability	1/07/2018 New Lease	30/06/2019 Lease CPI or Fixed Rate Increase Applied	30/06/2019 Lease Payment Expense	30/06/2019 Interest Expense	31/05/2019 Lease Terminated	30/06/2019 Closing Lease Liability	Lease Asset  (Same as PV Lease Liability)	30/06/2017 Accumulated Amortisation	30/06/2017 Net Book Value of Lease Asset	1/07/2018 New Lease	1/07/2018 Lease CPI or Fixed Rate Increase Applied	30/06/2018 Amortisation	30/06/2018 Less Prepaid Leases	30/06/2018 Net Book Value of Lease Asset	1/07/2019 New Lease	1/07/2019 Lease CPI or Fixed Rate Increase Applied	30/06/2019 Amortisation	30/06/2019 Less Prepaid Leases	31/05/2019 Lease Terminated	
88,589.9		1,353.6	(46,475.1)	4,787.4	(48,255.8)	-	157,267.1	(39,316.8)	117,950.3		1,314.2	(39,316.8)	(3,872.9)	76,074.8		1,353.6	(39,316.8)		(38,111.7)	
93,956.3		2,488.3	(52,254.8)	5,077.4	(49,267.2)	-	170,153.0	(42,518.3)	127,634.8		2,169.8	(42,518.3)	(4,156.8)	83,289.7		2,488.3	(42,518.3)		(43,239.8)	
39,047.4		1,508.3	(31,074.6)	2,110.1	(10,991.2)	-	103,139.6	(32,211.1)	70,908.5		1,436.5	(25,794.9)	(4,262.3)	42,297.8		1,508.3	(25,794.9)		(18,021.2)	
66,006.8		631.9	(33,892.1)	3,567.0	(36,313.6)	-	117,177.0	(29,294.2)	87,882.7		620.2	(29,294.2)	(2,720.0)	56,488.7		631.9	(29,294.2)		(27,816.3)	
45,341.7		583.0	(31,268.8)	2,450.3	(17,106.1)	-	108,107.4	(27,026.8)	81,080.5		572.2	(27,026.8)		54,625.9		583.0	(27,026.8)		(28,182.0)	
57,564.3		917.6	(32,559.4)	3,110.8	(29,033.3)	-	110,391.9	(27,598.0)	82,793.9		891.8	(27,598.0)	(3,215.5)	52,872.2		917.6	(27,598.0)		(26,191.8)	
-		-	-	-	-	-	157,944.0	(157,944.0)	(0.0)		-	-	-	(0.0)		-	-		0.0	
80,997.5		805.4	(43,195.8)	4,377.1	(42,984.3)	-	149,343.2	(37,335.8)	112,007.4		790.4	(37,335.8)	(6,976.0)	68,486.0		805.4	(37,335.8)		(31,955.7)	
91,574.6		2,520.0	(52,920.0)	4,948.7	(46,123.3)	-	172,319.1	(39,765.9)	132,553.1		2,400.0	(43,079.8)	(4,158.0)	87,715.4		2,520.0	(43,079.8)		(47,155.6)	
75,451.8		736.0	(39,473.2)	4,077.4	(40,792.0)	-	136,472.8	(34,118.2)	102,354.6		722.3	(34,118.2)	(2,982.6)	65,976.1		736.0	(34,118.2)		(32,593.9)	
70,431.8		484.4	(25,977.2)	3,816.9	-	48,956.0	109,398.2	60.1	109,458.3		475.3	(21,879.6)	-	88,054.0		484.4	(21,879.6)		-	
92,035.7		629.2	(33,746.7)	4,973.6	-	63,891.8	142,118.4	78.1	142,196.5		617.5	(28,423.7)	-	114,390.3		629.2	(28,423.7)		-	
(20,557.0)		-	-	-	-	-	204,562.8	(128,027.1)	76,535.7		-	(76,535.7)	-	(0.0)		-	-		-	
-	120,000.0	-	(120,000.0)	-	-	-	-	-	-		-	-	-	-	120,000.0	-	(120,000.0)	-	-	
-	2,154,563.1	-	-	-	-	2,154,563.1	-	-	-		-	-	-	-	2,154,563.1	-	-	-	-	
6,570.7		43.6	(2,338.7)	355.1	-	4,630.7	9,849.2	5.4	9,854.6		42.8	(1,969.8)	-	7,927.5		43.6	(1,969.8)		-	
2,350.7		-	-	-	(2,350.7)	-	84,463.8	(42,174.0)	42,289.8		847.3	(42,174.0)	-	963.1		-	(963.1)		-	
-		-	-	-	-	-	1,100,000.0	(220,483.6)	879,516.4		-	(29,396.2)	(825,000.0)	25,120.2		-	(25,120.2)		-	
789,562	2,274,563	12,701	(545,776)	43,652	(323,218)	2,272,042	3,032,707	(857,716)	2,174,997	-	13,100	(906,472)	(857,344)	824,282	2,274,563	12,701	(504,449)	-	(293,278)	
24,340.3		-	(1,461.0)	1,315.4	-	24,194.7	597,888.4	(35,147.2)	562,741.2		-	(35,147.2)	-	527,593.9		-	(35,147.2)		-	
13,302.5		-	(123.0)	718.9	-	13,898.3	250,922.4	(13,145.8)	237,776.6		-	(13,145.8)	-	224,630.8		-	(13,145.8)		-	
(4,629.5)		-	(123.0)	(250.2)	-	(5,002.7)	371,648.8	(59,366.2)	312,282.6		-	(59,366.2)	-	252,916.4		-	(59,366.2)		-	
33,013	-	-	(1,707)	1,784	-	33,090	1,220,460	(107,659)	1,112,800	-	-	(107,659)	-	1,005,141	-	-	(107,659)	-	-	
822,575	2,274,563	12,701	(547,483)	45,436	(323,218)	2,305,132	4,253,167	(965,369)	3,287,797	-	13,100	(614,131)	(857,344)	1,829,423	2,274,563	12,701	(612,108)	-	(293,278)	

	30/06/2017	30/06/2018	30/06/2019
	Amortisation Expense		
30/06/2019 Net Book Value of Lease Asset	30/06/2017 Annual Amortisation	30/06/2018 Annual Amortisation	30/06/2019 Annual Amortisation
	Straight-line Method	Straight-line Method	Straight-line Method
-	39,316.8	39,316.8	39,316.8
-	42,538.3	42,538.3	42,538.3
-	25,784.9	25,784.9	25,784.9
-	29,294.2	29,294.2	29,294.2
-	27,026.8	27,026.8	27,026.8
-	27,598.0	27,598.0	27,598.0
-	157,944.0	-	-
-	37,335.8	37,335.8	37,335.8
-	43,079.8	43,079.8	43,079.8
-	34,118.2	34,118.2	34,118.2
66,658.7	21,879.6	21,879.6	21,879.6
86,595.8	28,423.7	28,423.7	28,423.7
(0.0)	102,421.7	102,047.6	-
-	-	-	120,000.0
2,154,563.1	-	-	538,640.8
6,001.3	1,969.8	1,969.8	1,969.8
0.0	42,174.0	42,174.0	963.1
0.0	54,969.9	29,396.2	25,120.2
<b>2,313,819</b>	<b>715,875</b>	<b>531,984</b>	<b>1,043,090</b>
492,446.7	35,147.2	35,147.2	35,147.2
211,485.0	13,145.8	13,145.8	13,145.8
193,550.1	59,366.2	59,366.2	59,366.2
<b>897,482</b>	<b>107,659</b>	<b>107,659</b>	<b>107,659</b>
<b>3,211,301</b>	<b>823,534</b>	<b>639,643</b>	<b>1,150,749</b>

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ITEM: 4  
SUBJECT: ACCOUNTING FOR REINTEGRATION OF IPSWICH CITY PROPERTIES PTY LTD  
AUTHOR: PRINCIPAL FINANCIAL ACCOUNTANT  
DATE: 30 MAY 2019

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### **EXECUTIVE SUMMARY**

This is a report concerning a requirement of the Queensland Audit Office (QAO) for Ipswich City Council (ICC) to provide a position paper regarding the impact of the reintegration of Ipswich City Properties Pty Ltd (ICP). Council is required to provide the position paper by the 31 May 2019.

### **RECOMMENDATION/S**

**That the report by the Principal Financial Accountant regarding the impact of the reintegration of Ipswich City Properties Pty Ltd with Ipswich City Council dated 30 May 2019 be received and the contents noted.**

### **RELATED PARTIES**

Ipswich City Properties Pty Ltd

### **ADVANCE IPSWICH THEME LINKAGE**

Listening, leading and financial management

### **PURPOSE OF REPORT/BACKGROUND**

Ipswich City Council controls and owns 100% of Ipswich City Properties Pty Ltd (ICP). On the 16 October 2018, the Council resolved to endorse the winding up and ultimately deregistration of Ipswich City Properties Pty Ltd and the integration of ICP assets and operations into Council. Currently Council is in the progress of winding up ICP and reintegrating assets back to Council. It is planned that current ICP assets, licences, leases, intellectual property and operations should be substantially transferred and incorporated into Council by 30 June 2019. While final deregistration is scheduled to occur from July to December 2019.

McGrath Nicol have been engaged to assist Council in project managing the activities prior to wind up. King and Wood Mallesons (lawyers) are advising Council, while Clayton Utz has been engaged to advise on and carry out all legal requirements associated with the wind up on behalf of ICP. The distribution of ICP's assets is governed by the requirements of the

*Local Government Regulation 2012* and being prepared in accordance with Australian Accounting Standards.

Based on the transition plan and current discussions with advisors, it is intended that a report be prepared for Council's meeting on 25 June providing an update on the winding up and seeking approval to enter into a Deed between ICP and ICC encompassing the transfer of properties, reimbursement of works undertaken, any level of indemnity Council might provide re operational costs and loan from ICC to ICP.

#### **Application to Ipswich City Properties Pty Ltd**

ICP plans to settle the loan to Council prior to 30 June 2019. The majority of the loan will be settled by non-cash asset transfer. Refer to paragraph 3.3 of AASB 9 Financial Instruments, "Derecognition of financial liabilities".

The non-cash assets include the following ICP assets of non-current asset held for distribution to owners, investment property, work in progress and construction work in progress-development agreement.

#### **ICP's Financials**

Loan (Settle)	Debit	TBA
Assets (Transfer)	Credit	TBA

Journal prepared in accordance with paragraph 3.3 of AASB 9 Financial Instruments.

#### **Application to Council**

When Council's vesting interest in ICP's assets transfers back to Council this will be treated as a distribution to owners. This is in accordance with paragraph 49 of AASB 1004 Contributions. The distribution of assets will be accounted for as a redemption of its ownership interest (investment) in ICP, refer to paragraph 43 of Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Distribution of ICP's assets are planned to occur prior to 30 June 2019 and will include transfer of freehold land, leasehold land, buildings, work-in-progress (WIP) and inventory. The distribution of ICP's assets to Council will offset the loan receivable. Council will subsequently need to consider the remaining balance of the loan receivable. In essence, the transition will be a loan receivable (asset) to asset swap. This is in accordance with paragraph 53 of AASB 1004.

#### **Assets to Transfer**

Before the transition of land and building assets ICP has undertaken a valuation so as assets are recognised at fair value at date of transition. This is in accordance with paragraph B98 of AASB1004, AASB 13 Fair Value and AASB 116 Property, Plant and Equipment. ICP has engaged external valuer, John Lang LaSelle Advisory Services Pty Ltd, to perform a desktop valuation as at the 24 April 2019. A market value approach was used for the desktop valuation which was based on discounted cash flows. The land is categorised as a level 2

valuation with the most significant inputs into this market valuation approach being price per square metre. Refer to Attachment 1.

While work in progress (WIP) and inventory will be transferred at cost.

#### **Non-current assets held for distribution to owners**

ICP has classified Civic Space (land) and the Administration Building (land) as non-current assets held for distribution to owners in their balance sheet. When these assets transfer, Council's intention is to principally recover the carrying value of the land and building initially through use rather than the sale of the assets. Therefore, Council will recognise Civic Space (land) and the Administration Building (land) in property, plant and equipment rather than non-current assets held for sale. Refer to paragraphs 6 to 9 and Appendix B of AASB 5 Non-current Assets Held for Sale and Discontinued Operations.

In Council's property, plant and equipment, land is valued using the fair value market approach and buildings are valued using the current replacement cost method. As per Council's five year rolling valuation schedule, land will be formally revalued in 2019-2020. While for the Administration Building the change in use impacts on how the building is valued. Hence, the building development will need to be carried at current replacement cost in property, plant and equipment rather than at fair value so a formal valuation will be undertaken when the building development is complete to recognise its current replacement cost.

#### **Investment Property**

Council's present intention for 2 Bell Street, Ipswich City Square and 5 Union Place is to earn income from the property rather than use in the production or supply of goods or services or for administrative purposes, thus satisfying the definition in paragraph 6 of AASB 140 Investment Property. However, some of these properties are not occupied and need to be refurbished prior to earning income. In accordance with paragraph 8 of AASB 140 examples of investment property include (d) a building that is vacant but is held to be leased out under one or more operating leases, and (e) property that is being constructed or developed for future use as investment property. In applying AASB 140's examples to 2 Bell Street, Ipswich City Square and 5 Union Place, Council will recognise these assets as investment properties.

At the time of transition the investment properties will transfer to Council at fair value based on the fair value market approach assessed by the external valuer as at the 30 June 2019. Council will initially recognise the investment property at fair value as at transition date, refer to paragraph 20 of AASB140 and AASB 116. However, as required by AASB 140 Council will engage an external valuer in 2019-2020 to revalue the investment property and for each financial year after that. The movement in fair value will be recognised as an increment or decrement and will be accounted for in the Statement of Comprehensive Income in profit or loss.

#### **List of ICP assets to distribute to Council**

<b>Asset</b>	<b>Description</b>	<b>24 April 2019 Valuation</b>
Civic Space	23 Ipswich City Mall	\$ 9,950,000
Administration Building	1 Union Place Mall	<u>\$ 2,800,000</u>

Non-current asset held for distribution to owners		<u>\$12,750,000</u>
2 Bell Street	2 Bell Street (Metro B)	\$ 5,300,000
Ipswich City Square	163 Brisbane Street	\$ 5,250,000
Ipswich City Square	24 Ipswich City Mall	
	– Bell St Link (Metro A)	\$ 3,200,000
Ipswich City Square	25 Ipswich City Mall (Eat)	\$ 475,000
Ipswich City Square	27 Ipswich City Mall (Eat)	\$ 360,000
Ipswich City Square	Lot 25 on Crown Plan	
	– Bremer St Ramp	Nil
5 Union Place	Commonwealth Hotel	<u>\$ 460,000</u>
Investment Property		<u>\$15,045,000</u>

### Work in Progress and Inventory

On the 30 June 2018 ICP provided notification of CBD redevelopment expenditure claims to Council for the value of \$15,065,267.92 this accrued amount is still current as at the 24 May 2019, breakdown as follows:

Description	Capital	Expense	Total
Administration Building			
– Ellenborough St Land Purchase	\$ 6,726,906.86	\$315,871.03	\$7,042,777.89
Safe City Fitout Costs	409,689.61	5,687.50	415,377.11
56 Library Project Development Fee	962,037.74	0.00	962,037.74
57 Car Park Development Fee	692,563.25	61,918.24	754,481.49
58 Nicholas Street / Union Place	2,522,939.42	68,734.89	2,591,674.30
60 Civic Area Development Fee	<u>3,282,887.19</u>	<u>16,032.19</u>	<u>3,298,919.38</u>
Total still accrued 30 May 2019	<u>\$ 14,597,024.07</u>	<u>\$468,243.85</u>	<u>\$15,065,267.92</u>

Accrual journal entry posted as at the 30 June 2018.

Work in Progress	Debit	\$14,597,024.07
Expense	Debit	468,243.85
Accrued Creditors	Credit	15,065,267.92

Work in progress (WIP) and inventory will not be revalued prior to transition, but will be carried at cost when transferred to Council. When work in progress and inventory transfers to Council the above accrual will reverse and the recognition of the transferred WIP and inventory (as held by ICP) will offset the reversing accrual. Inventory will be reclassified and recognised as WIP. Council will recognise both WIP and inventory as WIP and subsequently capitalise to the respective property, plant and equipment or investment properties.

While ICP will process a credit note for the tax invoices raised as at the 30 June 2018. The effect of the credit note will be:

Sales Revenue	Debit
GST	Debit
Trade Receivables	Credit



### **Liability to be Extinguished**

As at the 31 March 2019, Council's loan to ICP had a net value of \$47,465,722.16 being \$69,565,722.16 less impairment of \$22,100,000. On the 30 June 2018, Council recognised an impairment of \$22,100,000 for the loan to ICP due to Council's decision to wind up ICP (in the short-term) which adversely impacts ICP's ability to continue to earn development profits from its assets to repay the loan balance. As mentioned above, a report will be prepared to Council before 30 June 2019 outlining the transactions and implications of the integration of ICP's assets and liabilities to Council. As part of this report Council will need to consider any remaining balance of the loan receivable and may consider to forgive a portion of the remaining balance, refer to paragraphs 3.2 and 5.5 of AASB 9 Financial Instruments. Council will need to resolve if any portion of the loan receivable is to be forgiven. The below journal entries would be recognised if Council passes such a resolution.

#### Council's Financials

Reverse 30 June 2018 impairment

Loan to Ipswich City Properties Pty Ltd Receivable	Debit	\$22,100,000
Impairment of inter-entity loan expense	Credit	\$22,100,000

Write-down of inter-entity loan expense	Debit	TBA
Loan to Ipswich City Properties Pty Ltd Receivable	Credit	TBA

Journal prepared in accordance with paragraph 3.2 of AASB 9 Financial Instruments.

### **Other Matters**

Stamp duty is incurred on any business merger and the cost borne by the receiving entity. Council has applied to State Government for exemption to stamp duty caused by the corporate reconstruction. If exemption is granted Council will not be required to pay stamp duty.

Related party transactions will still be reported in the related party disclosure note in the financial statements. This is in accordance with paragraph 18 of AASB Related Party Disclosure, "If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements".

Consolidated Financial Statements will be prepared for the 2018-2019 financial year as ICP will still exist as at the 30 June 2019 as there will be some balance sheet items remaining and there will have been a volume of transactions posted to the profit and loss throughout the financial year.

In the 2019-2020 financial year, consolidated financial statements will no longer be required as there will be a limited number of immaterial transactions recognised and ICP will be de-registered by December 2019. By not preparing consolidated financials for 30 June 2020 this will impact how Council accounts for its investment in Queensland Urban Utilities (QUU) participation distribution. When consolidated financials are prepared Council recognises its

investment in associate QUU by applying the equity method in its consolidated financials, however Council will revert back to accounting for its participation share in QUU by applying the cost method of accounting in Council's financials. This is in accordance with AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures. As a result of applying the cost method, an adjustment will be required to re-instate Council's recognition in undistributed profits in QUU in investments for the period from June 2011 to June 2019. For example, total undistributed profits for June 2011 to June 2018 was \$99,418,000. The adjustment will be applied against investments and equity, refer to Attachment 2 for a breakdown.

Proposed journal entry for the 2019-2020 financial year as follows:

Participation Rights in QUU – Investment	Debit
Equity	Credit

To recognise Council's undistributed profits in associate QUU as an investment for the 2019-2020 financial year the following journal will be processed:

Participation Rights in QUU – Investment	Debit
QUU Participation Rights Revenue	Credit

#### **FINANCIAL/RESOURCE IMPLICATIONS**

No relevance to this report.

#### **RISK MANAGEMENT IMPLICATIONS**

The risk in not approving the recommendation would result in Council not accounting for the reintegration of Ipswich City Properties Pty Ltd in accordance with Australian Accounting Standards. As a result, both Ipswich City Properties Pty Ltd and Council's financial statements would receive a qualified audit opinion.

#### **LEGAL/POLICY BASIS**

This report and its recommendations are consistent with the following legislative provisions:

*Local Government Act 2009*

*Local Government Regulation 2012*

*Australian Accounting Standards*





#### **COMMUNITY AND OTHER CONSULTATION**

No relevance to this report.

#### **CONCLUSION**

The reintegration of Ipswich City Properties Pty Ltd with Council will be a loan receivable (asset) to asset swap. The assets should substantially transfer and be incorporated into Council by the 30 June and final deregistration of ICP is scheduled to occur from July to December 2019.

**ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS**

1.	John Lang LaSelle Advisory Pty Ltd - Valuation Report 24.04.2019 <a href="#"></a> <a href="#"></a>
2.	Council's interest in undistributed profits in QUU - June 2011 to June 2018 <a href="#"></a> <a href="#"></a>

Barbara Watson

**PRINCIPAL FINANCIAL ACCOUNTANT**

I concur with the recommendations contained in this report.

Jeffrey Keech

**FINANCE MANAGER**

I concur with the recommendations contained in this report.

Andrew Knight

**GENERAL MANAGER - CORPORATE SERVICES**

***“Together, we proudly enhance the quality of life for our community”***



# Desktop Assessment

## Ipswich City Properties

Various Properties, Ipswich QLD 4305

24 April, 2019

Prepared on behalf of: Ipswich City Properties Pty Ltd

**Attention:** Beth Anderson, Steve Bannister-Tyrrell, Travis Pitman, and Paul Mollenhauer.

beth.anderson@ipswich-commercial.com.au; sbannister-tyrrell@ipswich-commercial.com.au; travis.pitman@ipswich-commercial.com.au; paul.mollenhauer@ipswich-commercial.com.au

**Reference Number:** 1161779



**Outlines indicative only.**

Source: Nearmaps.

## Desktop Assessment

<b>Property Address:</b>	<b>Ipswich City Properties, Various Properties, Ipswich QLD 4305.</b>	
<b>Prepared For:</b>	Ipswich City Properties Pty Ltd. <b>Attention:</b> Beth Anderson, Steve Bannister-Tyrrell, Travis Pitman, and Paul Mollenhauer. beth.anderson@ipswich-commercial.com.au; sbannister-tyrrell@ipswich-commercial.com.au; travis.pitman@ipswich-commercial.com.au; paul.mollenhauer@ipswich-commercial.com.au	
<b>Reliant Party:</b>	Ipswich City Properties Pty Ltd.	
<b>Purpose:</b>	To determine a market value to underpin the sale/transfer of assets between related parties only. This report is not to be relied upon for Mortgage Security Purposes under any circumstances. (We have relied on the information supplied to us by Ipswich City Properties).	
<b>Basis of Valuation:</b>	<u>Properties A to G:</u> Desktop assessment 'As Is' assuming Vacant Possession. <u>Property H:</u> Desktop assessment 'As Is' on a partly leased and partly vacant basis.	
<b>Instructions:</b>	We have been instructed by Ipswich City Properties Pty Ltd to complete a Desktop assessment of various real property assets for the purpose of determining a market value to underpin the sale/transfer of assets between related parties only. Our Valuation Proposal is attached to this report.	
<b>Real Property Description:</b>	<u>Property A:</u> Lot 1 on Registered Plan 2677. Title Reference 13312126. <u>Property B:</u> Lot 1 on Registered Plan 209886. Title Reference 17044044. <u>Property C:</u> Lot 2 on Survey Plan 246525. Title Reference 50864849. <u>Property D:</u> Lot 3 on Registered Plan 212242. Title Reference 17077066. <u>Property E:</u> Lot 2 on Registered Plan 209886. Title Reference 18427021. <u>Property F:</u> Lots 1 and 2 on Survey Plan 300605. Title References 51150993 and 51150994. <u>Property G:</u> Lot 25 on Crown Plan SL804975. Title Reference 17719151. <u>Property H:</u> Lot 1 on Registered Plan 157021. Title Reference 18007008.	
<b>Registered Owner:</b>	<u>Properties A, B, C, E and F:</u> Ipswich City Properties Pty Ltd (Freehold). <u>Property D and H:</u> Queensland Rail Limited (Leased to Ipswich City Properties). <u>Property G:</u> State Government (Leased to Ipswich City Properties).	
<b>Encumbrances</b>	We have undertaken a formal title search for each subject lot, and we have taken all agreements into consideration for the purpose of this assessment. The title searches are attached to this report.	

Item 4 / Attachment 1.

<b>Last Sale:</b>	<u>Property A:</u>	\$440,000 as at 9 December 2014 (Normal sale. GST status unknown, but may possibly be \$400,000 exclusive of GST).
	<u>Properties B to F:</u>	\$45,000,000 as at 27 October 2008 (Multi-sale. GST status unknown).
	<u>Property G:</u>	Last sale unknown. No transactions within the last three years.
	<u>Property H:</u>	\$5,900,000 as at 8 December 2017 (GST exclusive. Reportedly sold as a going concern. We believe this sale was Mortgagee in Possession). According to PriceFinder records, the property previously sold for \$14,600,000 as at 5 May 2009.
<b>Zoning:</b>	PR - CBD Primary Retail under the <i>Ipswich Planning Scheme 2006</i> .	
<b>Description of Properties:</b>	<p>The subject properties are a mix of freehold and leasehold properties which comprise part of the Ipswich City Square and Ipswich City Plaza. The properties are all located within one block, bordered by Brisbane Street to the south, Bell Street to the east, Bremer Street to the north, and Ellensborough Street to the west. There are two internal pedestrian passages named Ipswich City Mall and Union Place.</p> <p>Improvements typically provide commercial and retail accommodation, the majority of which are vacant.</p>	
<b>Comments:</b>	<p>The Ipswich CBD area, which largely comprises the subject properties, has suffered in recent years for various reasons. The nearby Riverlink Shopping Centre has taken over as the largest centre within the region and provides superior retail offerings in a modern development.</p> <p>The high vacancy rates of office and retail accommodation within the CBD precinct and the dated nature of the improvements are seen as negative features. The current properties mostly reflect an opportunity for holding income and need mass refurbishment or redevelopment to be considered economically viable.</p> <p>Significant lease up periods with incentives are necessary to secure tenants for properties within this precinct. Selling periods are varied. We consider the larger sites may have less demand due to the size and affordability constraints.</p> <p>The Ipswich CBD area and the subject properties are currently undergoing Council-led redevelopment, aiming to rejuvenate the CBD mall. The project is to provide a civic, cultural, and entertainment precinct that includes the city's main library, public art, malls, cafes, restaurants, and retail offerings, as well as commercial premises in which Council staff, Queensland Health, and other organisations will occupy. This is a long term plan and the timing is difficult to determine. Any significant redevelopment of the area will be seen as a positive and will improve vacancy rates and lease up periods.</p> <p>The majority of the properties have been purposefully vacated prior to the redevelopment process, which is at an early stage as the buildings have not yet been refurbished or commenced construction. We consider this to have a negative impact on leasing demand and property values within the precinct. Prospective purchasers in the current market may have reduced interest in the subject properties until the redevelopment process has progressed with construction visible to the public. We consider the precinct to have above average market volatility during this redevelopment process.</p>	

**Properties A to G, Desktop assessment 'As Is' assuming Vacant Possession:**

Property	Site Area (sqm)	Desktop Assessment Value	Rate per sqm
Property A	539	\$460,000 (Four Hundred and Sixty Thousand Dollars)	\$853
Property B	6,202	\$5,250,000 (Five Million Two Hundred and Fifty Thousand Dollars)	\$847
Property C	3,772	\$3,200,000 (Three Million Two Hundred Thousand Dollars)	\$848
Property D	576	\$475,000 (Four Hundred and Seventy Five Thousand Dollars)	\$825
Property E	436	\$360,000 (Three Hundred and Sixty Thousand Dollars)	\$826
Property F	18,380	\$12,000,000 (Twelve Million Dollars)	\$653
Property G	1,073	We consider this property to be a non-realisable asset given the property represents leasehold tenure and is owned by the State Government.	

*Not to be used for Mortgage Security Purposes under any circumstances.*

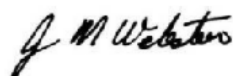
**Property H, Desktop assessment 'As Is' on a partly leased and partly vacant basis:**

Property	Site Area Net Lettable Area	Desktop Assessment Value	Rate per sqm	Equivalent Yield
Property H	3,334	\$5,300,000	\$1,590	10.78%
	4,752	(Five Million Three Hundred Thousand Dollars)	\$1,115	

*Not to be used for Mortgage Security Purposes under any circumstances.*

**Note: The above assessments of value are all exclusive of GST.**

Assessment  
Prepared By:



Jim Webster  
AAPI Certified Practising Valuer  
API Member: 66237, QVRB: 2120  
Director  
Valuations & Advisory - QLD

**Jones Lang LaSalle Advisory Services Pty Ltd**  
**PO Box 150 Paddington Qld 4064**  
**www.jll.com.au**

Liability limited by a scheme approved under Professional Standards Legislation.



Richard Lysnar  
Director  
Valuations & Advisory - QLD

The opinion of value expressed in this report is that of the valuer who undertook the valuation and who is the primary signatory on the report. That valuer is Jim Webster. The valuer who is countersigning the report, Richard Lysnar, verifies that the report is genuine and endorsed by Jones Lang LaSalle. However, Richard Lysnar may not have undertaken any role in the preparation of the valuation, and in that case is not providing any professional opinion in relation to the valuation. Neither valuer has inspected the properties.





## Property A

<b>Property Address:</b>	5 Union Place Mall, Ipswich QLD 4305.
<b>Real Property Description:</b>	Lot 1 on Registered Plan 2677. Title Reference 13312126.
<b>Description of Property:</b>	Property A is a slightly irregular shaped 539 square metre inside allotment with frontage only to an internal pedestrian passage within Ipswich City Square, known as Union Place Mall. The property is improved with a Character hotel known as Murphy's Town Pub. It is our understanding the property is closed for repairs, and the improvements are being removed and catalogued so that the façade can be restored. Given the state of the building, we consider the improvements to provide no value to the subject property. Thus, we have assessed this property on a rate per square metre of site area basis.
<b>Comments:</b>	<p>The property is subject to a Development Application for the restoration and renovation of the building. The Development Application was approved on 26 May 2017 and expires two years after this date.</p> <p>The property has limited development potential, given the Character Place listing.</p>
<b>Date of Assessment:</b>	24 April, 2019.
<b>Site Area:</b>	539 square metres.
<b>Value Range (per sqm):</b>	\$800 to \$900 per square metre of site area.
<b>Assessed Value Range:</b>	\$431,200 to \$485,100.
<b>Desktop Assessment Value:</b>	<b>\$460,000</b> <b>(Four Hundred and Sixty Thousand Dollars)</b> <b>GST Exclusive</b> <b>Not to be used for Mortgage Security Purposes under any circumstances.</b>
<b>\$Rate/m2 of Site Area:</b>	\$853 per square metre (approximately).



## Property B

<b>Property Address:</b>	163 Brisbane Street, Ipswich QLD 4305.
<b>Real Property Description:</b>	Lot 1 on Registered Plan 209886. Title Reference 17044044.
<b>Description of Property:</b>	Property B is an irregular shaped 6,202 square metre corner allotment with frontage to Brisbane Street, Ellenborough Street, and an internal pedestrian passage within Ipswich City Square, known as Ipswich City Mall. The site appears to slope from the Brisbane Street frontage down to the northern alignment. The property is improved with a two storey mall with basement parking. The improvements are mostly vacant aside from some specialty retail tenancies such as Birch Carroll & Coyle Cinema, who intend to vacate the premises upon lease expiry on 7 June 2019. We consider the Highest and Best Use to be as a development site. Thus, we have assessed this property on a rate per square metre of site area basis.
<b>Comments:</b>	The property is subject to a Development Application with preliminary approval as at 5 October 2009 for a Material Change of Use. This Development Application identifies a 14 storey height limit for the subject lot, incorporating retail, entertainment, commercial and residential uses. This preliminary approval is reportedly valid for 10 years, to 5 October 2019.
<b>Date of Assessment:</b>	24 April, 2019.
<b>Site Area:</b>	6,202 square metres.
<b>Value Range (per sqm):</b>	\$800 to \$900 per square metre of site area.
<b>Assessed Value Range:</b>	\$4,961,600 to \$5,581,800.
<b>Desktop Assessment Value:</b>	<b>\$5,250,000</b> <b>(Five Million Two Hundred and Fifty Thousand Dollars)</b> <b>GST Exclusive</b> <b>Not to be used for Mortgage Security Purposes under any circumstances.</b> The value of this property is significant, and would typically warrant a full inspection and full report to be undertaken. As per the instructions, we have assessed the property on a Desktop basis and relied on the information supplied by Ipswich City Properties Pty Ltd.
<b>\$Rate/m2 of Site Area:</b>	\$847 per square metre (approximately).

## Property C

<b>Property Address:</b>	24 Ipswich City Mall, Ipswich QLD 4305.
<b>Real Property Description:</b>	Lot 2 on Survey Plan 246525. Title Reference 50864849.
<b>Description of Property:</b>	Property C is an irregular shaped 3,772 square metre inside allotment with frontage to the eastern alignment of Ipswich City Mall and the western alignment of Bell Street. The property is improved with a two storey mall. The improvements are mostly vacant aside from some small retail tenancies fronting Ipswich City Mall. We consider the Highest and Best Use to be as a development site. Thus, we have assessed this property on a rate per square metre of site area basis.
<b>Comments:</b>	The property is subject to a Development Application with preliminary approval as at 5 October 2009 for a Material Change of Use. This Development Application identifies a 14 storey height limit for the subject lot, incorporating retail, entertainment, commercial and residential uses. This preliminary approval is reportedly valid for 10 years, to 5 October 2019.
<b>Date of Assessment:</b>	24 April, 2019.
<b>Site Area:</b>	3,772 square metres.
<b>Value Range (per sqm):</b>	\$800 to \$900 per square metre of site area.
<b>Assessed Value Range:</b>	\$3,017,600 to \$3,394,800.
<b>Desktop Assessment Value:</b>	<b>\$3,200,000</b> <b>(Three Million Two Hundred Thousand Dollars)</b> <b>GST Exclusive</b> <b>Not to be used for Mortgage Security Purposes under any circumstances.</b>
<b>\$Rate/m2 of Site Area:</b>	\$848 per square metre (approximately).

## Property D

<b>Property Address:</b>	25 Ipswich City Mall, Ipswich QLD 4305.
<b>Real Property Description:</b>	Leasehold interest in Lot 3 on Registered Plan 212242. Title Reference 17077066.
<b>Description of Property:</b>	Property D is an irregular shaped 576 square metre inside allotment which is owned by Queensland Rail Limited, leased to Ipswich City Properties. The subject property is located directly over the Ipswich Rail Line tunnel. The improvements at ground level are owned on a leasehold basis expiring 31 August 2086. The ground rent reportedly equates to \$11,000 per annum, paid on a half-yearly basis. The improvements comprise a two level mall which is vacant. We consider the Highest and Best Use to be as a development site. Thus, we have assessed this property on a rate per square metre of site area basis.
<b>Comments:</b>	The property is subject to a current Development Application lodged 7 February 2018 for a Material Change of Use. This Development Application also includes Properties E and F. It proposes that the subject property could be used as a Food and Beverage Precinct, which would require refurbishment of the current improvements to facilitate the intended use. Given the ownership structure of the subject property, it may be difficult to undertake the proposed development.
<b>Date of Assessment:</b>	24 April, 2019.
<b>Site Area:</b>	576 square metres.
<b>Value Range (per sqm):</b>	\$800 to \$900 per square metre of site area.
<b>Assessed Value Range:</b>	\$460,800 to \$518,400.
<b>Desktop Assessment Value:</b>	<b>\$475,000</b> <b>(Four Hundred and Seventy-Five Thousand Dollars)</b> <b>GST Exclusive</b> <b>Not to be used for Mortgage Security Purposes under any circumstances.</b>
<b>\$Rate/m2 of Site Area:</b>	\$825 per square metre (approximately).

## Property E

<b>Property Address:</b>	27 Ipswich City Mall, Ipswich QLD 4305.
<b>Real Property Description:</b>	Lot 2 on Registered Plan 209886. Title Reference 18427021.
<b>Description of Property:</b>	Property E is an irregular shaped 436 square metre inside allotment with frontage to the eastern alignment of Ipswich City Mall. The property is improved with a two storey mall which is mostly vacant. We consider the Highest and Best Use to be as a development site. Thus, we have assessed this property on a rate per square metre of site area basis.
<b>Comments:</b>	The property is subject to a current Development Application lodged 7 February 2018 for a Material Change of Use. This Development Application also includes Properties D and F. It proposes that the subject property could be used as part of a Food and Beverage Precinct, which would require refurbishment of the current improvements to facilitate the intended use. However, the ownership structure of the adjoining Property D, it may be difficult to undertake the proposed development.
<b>Date of Assessment:</b>	24 April, 2019.
<b>Site Area:</b>	436 square metres.
<b>Value Range (per sqm):</b>	\$800 to \$900 per square metre of site area.
<b>Assessed Value Range:</b>	\$348,800 to \$392,400.
<b>Desktop Assessment Value:</b>	<b>\$360,000</b> <b>(Three Hundred and Sixty Thousand Dollars)</b> <b>GST Exclusive</b> <b>Not to be used for Mortgage Security Purposes under any circumstances.</b>
<b>\$Rate/m2 of Site Area:</b>	\$826 per square metre (approximately).

## Property F

<b>Property Address:</b>	23 Ipswich City Mall, Ipswich QLD 4305.
<b>Real Property Description:</b>	Lots 1 and 2 on Survey Plan 300605. Title References 51150993 and 51150994.
<b>Description of Property:</b>	Property F is an irregular shaped 18,380 square metre corner site across two allotments with frontage to Ipswich City Mall, Union Place, Bell Street and Bremer Street. The property is improved with a two storey mall which is mostly vacant and three levels of underground parking. Aerial imagery reveals that the north-western portion of the mall has been demolished and cleared. We have been advised by the client that the whole lot is subject to demolition. We consider the Highest and Best Use to be as a development site. Thus, we have assessed this property on a rate per square metre of site area basis.
<b>Comments:</b>	<p>The property is subject to a current Development Application lodged 7 February 2018 for a Material Change of Use. This Development Application also includes Properties D and E. It proposes that the subject property could be a large mixed use precinct including a library, urban park, council building and commercial accommodation. This use would require the demolition of the existing improvements.</p> <p>We have been advised that the property is subject to subdivision into two lots, Lot 1 being approximately 15,069 square metres and Lot 2 being 3,311 square metres. Lot 2 comprises a regular shaped allotment, which has already been demolished. Lot 1 comprises the remainder of the original site, and is split through the middle by Lot 2.</p> <p>As per instructions from Ipswich City Properties (client) we have assessed a hypothetical value for each lot. Our assessment of the hypothetical subdivision value is highlighted below our desktop assessment for Property F.</p>
<b>Date of Assessment:</b>	24 April, 2019.
<b>Site Area:</b>	18,380 square metres.
<b>Value Range (per sqm):</b>	\$600 to \$700 per square metre of site area.
<b>Assessed Value Range:</b>	\$11,028,000 to \$12,866,000.
<b>Desktop Assessment Value:</b>	<b>\$12,000,000</b> <b>(Twelve Million Dollars)</b> <b>GST Exclusive</b> <b>Not to be used for Mortgage Security Purposes under any circumstances.</b> The value of this property is significant, and would typically warrant a full inspection and full report to be undertaken. As per the instructions, we have assessed the property on a Desktop basis and relied on the information supplied by Ipswich City Properties Pty Ltd.
<b>\$Rate/m2 of Site Area:</b>	\$653 per square metre (approximately).

**Hypothetical Subdivision  
Value Rationale:**

We consider Lot 1 which comprises 15,069 square metres to have a value range of \$600 to \$700 per square metre, the same as Property F.

Lot 2 is a smaller allotment at 3,311 square metres and is reportedly demolished. We have assessed a value range of \$800 to \$900 per square metre as it is a smaller site at a price range with broader market appeal.

**Assessed Value Range:**

Lot 1: \$9,041,400 to \$10,548,300.

Lot 2: \$2,648,800 to \$2,979,900.

**Desktop Assessment  
Value:**

**Lot 1:**

\$9,950,000

(Nine Million Nine Hundred and Fifty Thousand Dollars)

**Lot 2:**

\$2,800,000

(Two Million Eight Hundred Thousand Dollars)

**The above assessments of value are both exclusive of GST, and are not to be used for Mortgage Security Purposes under any circumstances.**

The value of these properties are significant, and would typically warrant a full inspection and full report to be undertaken. As per the instructions, we have assessed the properties on a Desktop basis and relied on the information supplied by Ipswich City Properties Pty Ltd.

## Property G

<b>Property Address:</b>	Overpass Ramps, Bremer Street, Ipswich QLD 4305.
<b>Real Property Description:</b>	Lot 25 on Crown Plan SL804975. Title Reference 17719151.
<b>Description of Property:</b>	Property G is an irregular shaped 1,073 square metre allotment which is owned by the State Government, leased to Ipswich City Properties. The property comprises two overpass ramps which provide vehicle access into the upper levels of the Ipswich City Square car park from Bremer Street. The lease expires 31 October 2020. We have been advised that the ramps will be demolished after this point.
<b>Comments:</b>	Given the short term remaining on this leasehold property, we consider it to be a non-realizable asset. These assets only have a benefit to the current lessee who owns the adjoining property.
<b>Date of Assessment:</b>	24 April, 2019.
<b>Site Area:</b>	1,073 square metres.
<b>Desktop Assessment Value:</b>	<b>Lot 25 on Crown Plan SL804975 is a non-realizable asset given the property represents leasehold tenure and is owned by the State Government.</b> <b>Not to be used for Mortgage Security Purposes under any circumstances.</b>



## Property H

<b>Property Address:</b>	2 Bell Street, Ipswich QLD 4305.
<b>Real Property Description:</b>	Lot 1 on Registered Plan 157021. Title Reference 18007008.
<b>Description of Property:</b>	Property H is an irregular shaped 3,334 square metre inside allotment which is owned by Queensland Rail Limited, leased to Ipswich City Properties. The subject property is located directly over the Ipswich Rail Line tunnel. The improvements at ground level are owned on a leasehold basis expiring 27 November 2077 for a rental of \$1 a year (if demanded). The improvements comprise ground level office/retail which is partly leased and a seven level office tower which is completely vacant. The total Net Lettable Area reportedly equates to 4,752 square metres. We consider the Highest and Best Use to be its current use of commercial and retail accommodation. Thus, we have assessed this property using the Direct Comparison Approach on a site area and Net Lettable Area basis, and also used the Capitalisation Approach to capitalise the assessed income of the property and make appropriate capital adjustments.
<b>Comments:</b>	The client has provided a tenancy schedule of the current monthly rental rates for the leased tenancies, we have not sighted copies of any leases. There are some lease agreements within the tenancy schedule that have expired or are between related parties, thus we have disregarded these leases for the purpose of our desktop assessment. Our Desktop assessment of value for 2 Bell Street relies on this information being true and correct. In the event of any variation to reported terms, the Valuer reserves the right to amend this valuation at the Valuer's discretion.
<b>Tenancy Details:</b>	<p>The property is reportedly leased across three tenancies for approximately \$538,749 per annum. The leased tenancies comprise 1,161 square metres of Net Lettable Area and include tenants such as The State of Queensland (trading as Cardiac Rehabilitation and Queensland Health), and the Commonwealth Bank of Australia (an ATM). There is 1,141 square metres of ground floor office/retail accommodation vacant and all seven levels of the office tower are vacant, which reflects a further 2,450 square metres of Net Lettable Area. With respect to the rental evidence contained within this report, we have assessed a gross market rental rate of \$275 per square metre for the ground floor accommodation and \$215 per square metre for the office tower accommodation. These assessments reflect \$313,775 per annum and \$526,750 per annum respectively. The total assessed income equates to \$1,379,274 per annum. We have estimated the outgoings to be \$80 per square metre, or \$379,360 per annum.</p> <p>Given the largely vacant nature of the property, we have assessed a fit out cost of \$250,000 to be deducted from the capitalised value which we consider appropriate to ensure the building is readily lettable at market rates. We have also assessed a permanent vacancy allowance of 15.00%, which we deem appropriate given the current leasing conditions within the Ipswich CBD market. A lease-up and incentives allowance of 24 months for the vacant tenancies with a 15.00% agent's commission has also been deducted from the capitalised value.</p>
<b>Date of Assessment:</b>	24 April, 2019.
<b>Site Area:</b>	3,334 square metres.
<b>Value Range (per sqm):</b>	\$1,350 to \$1,650 per square metre of Site Area.
<b>Assessed Value Range:</b>	\$4,500,900 to \$5,501,100.
<b>Net Lettable Area:</b>	4,752 square metres.
<b>Value Range (per sqm):</b>	\$1,000 to \$1,200 per square metre of Net Lettable Area.
<b>Assessed Value Range:</b>	\$4,752,000 to \$5,702,400.



**Capitalisation Approach:**

The capitalisation approach involves the addition of our opinion of market rent for the various components of the Property, and the deduction of outgoings (where appropriate) in order to determine the net market income of the Property. This net market income is capitalised at the adopted capitalisation rate to derive a core value.

Leasehold properties are more complex investments than freehold properties because of their limited terms and their investment characteristics which are dependant of the terms of the head lease. Ultimately, all fixed leasehold investments must come to an end with a nil value. The assessed value is derived from the profit rental income which is the difference between the rental received from a sub-tenant and the rental payable under the head lease, for the remaining term of the lease.

Our research has not uncovered a relevant leasehold sale in the Ipswich market over the last two years. In light of the current market conditions, as well as the comments herein, we consider it appropriate to assess the value of the Leasehold interest on the traditional 'dual rate' valuation approach. This approach applies an appropriate risk premium considering the leasehold tenure of the Subject.

In this approach, the lessee's profit rental is partly utilised to provide a yield on the initial capital outlay and partly used to replace the capital outlay through the creation of a sinking fund which reinvests the money at a lower rate. The dual rate approach is based on the assumption that the investor would annually set aside a sum out of the income received to recoup the original capital value at the end of the lease term.

The net income receivable from property is normally taxable and in the case of a leasehold interest, the profit rental for the remaining lease term is subject to tax. The current company tax rate of 30% is therefore applicable in the dual rate assessment.

We consider an appropriate sinking fund rate to be in the order of 6.00% per annum and have based this on the 10-year bond rate (risk free rate) which averaged 2.07% in the three months prior to the date of valuation (Country Economy) and the longer term forecast risk free rates rising to 5.1% by Q3 2021 (Oxford Economics). We have then applied an appropriate risk premium to this longer term average.

Based on the sales evidence attached to this report, we consider a yield of 11.50% on a freehold equivalent basis to be appropriate and have adopted it for our calculations. Our dual rate calculations are as follows:

Dual Rate Calculations	
Capitalisation Rate (freehold/market)	10.50%
Sinking Fund Rate	6.00%
Term of Lease (Years)	58.59
Tax Rate	30%
Net Annual Rental	\$1.00
Years Purchase Factor	9.27
Equivalent/Adjusted Leasehold Yield	10.79%
<b>ADOPTED Equivalent/Adjusted Leasehold Yield</b>	<b>10.79%</b>

A summary of our capitalisation approach is detailed as follows:

Capitalisation Approach				
Assessed Market Gross Income				\$1,379,274
Less				
Total Outgoings (Estimated)				\$379,360
Permanent Vacancy Factor of 15.00%				\$206,891
Net Income				\$793,023
Capitalise Net Income	@	10.79%		\$7,349,610
Capital Adjustments				
less				
Letting Up Allowance for Vacant Tenancies (12 months)				-\$840,525
Incentive Allowance for Vacant Tenancies (12 months)				-\$840,525
Agents Commission for Vacant Tenancies (15%)				-\$126,079
Fit Out Cost				-\$250,000
Total Capital Adjustments				-\$2,057,129
Capitalised Value				\$5,292,481
<b>ADOPTED VALUE</b>				<b>\$5,300,000</b>

Desktop Assessment  
Value:

**\$5,300,000**  
**(Five Million Three Hundred Thousand Dollars)**  
**GST Exclusive**

**Not to be used for Mortgage Security Purposes under any circumstances.**

The value of this property is significant, and would typically warrant a full inspection and full report to be undertaken. As per the instructions, we have assessed the property on a Desktop basis and relied on the information supplied by Ipswich City Properties Pty Ltd.

**\$Rate/m2 of Site Area:**

\$1,590 per square metre of Site Area (approximately).

**\$Rate/m2 of NLA:**

\$1,115 per square metre of Net Lettable Area (approximately).

**Equivalent Yield**

10.78%

## Market Evidence

### Market Evidence

#### Economic Overview

The Australian economy continues to grow at a steady rate. As of 4Q18, GDP growth was 2.3% y-o-y, compared to 2.4% a year ago. The labour market has also experienced a strong period of job growth, which has seen the unemployment rate fall to 5.0% in March 2019. However, this tightening in the labour market is yet to significantly impact on wages, with salaries only growing slightly above inflation. The Reserve Bank of Australia has now kept interest rates at 1.50% for 30 months, due to inflation remaining stubbornly below the 2-3% target.

The Queensland economic recovery is continuing steadily, with most indicators improving over the past 12 months. State Final Demand, a measure of the domestic economy, has grown by 1.8% over the past year, a significant improvement on the 1.1% growth recorded 12 months ago. The labour market is sending mixed signals in Queensland. Jobs growth has been strong, yet the unemployment rate has remained high over the past 12 months to 5.9%. There are two reasons for this; the participation rate has increased, while population growth has also risen, which together mean there are more job seekers in the state. Both interstate and overseas migrants are driving the higher population growth in Queensland. Interstate migration has been driven by the stronger jobs growth, but also by housing affordability factors in Queensland relative to Sydney and Melbourne.

Despite the improving sentiment in the state, retail trading conditions have been weak. Queensland retail sales volumes in the final quarter of 2018 rose by just 0.1%, undershooting forecasts for an increase of 0.5%. The subdued retail sales may be partly due to the modest residential price growth being experienced in Queensland.

Nevertheless, the outlook for the state remains strong, with SFD growth expected to lift further to 4.1% over the forecast period to 2022 (Deloitte Access Economics).

#### Ipswich Overview

The City of Ipswich is centrally located within the South East Queensland region, situated southwest of Brisbane. The City of Ipswich covers approximately 1,090 square kilometres of area which comprises a population of around 200,000 people as at February 2017. Ipswich's economy used to be driven by mining, however the largest industry sectors now, by percentage of population employed, are Health Care (13.2%), Retail Trade (10.5%) and Manufacturing (10.0%).

Historically, there has been a limited presence of broad-scale, white-collar organisations within Ipswich. The resultant demand for office accommodation is primarily driven by smaller organisations, whose requirements are typically for smaller tenancies in the sub 300 square metre category.

In stating the above, we note that the predominant occupier of large office tenants in regional areas are government agencies at the Commonwealth, State and Local levels as well as a number of Not for Profit organisations. A number of these buildings have a degree of "owner occupation". Outside of government agencies and Not for Profit organisations, there is limited demand for office accommodation, particularly for tenancies over 500 square metres.

With regards to large-scale retail, we note that immediately north (across the river) of the subject Ipswich City Square and Ipswich City Plaza properties is Riverlink Shopping Centre which opened in 2007 and is now the largest shopping centre in the region. The Riverlink Shopping Centre is anchored by major stores such as Kmart, Target, Coles, Woolworths and Aldi, along with over 100 other specialty stores. We consider this centre to have superior retail tenant demand and superior appeal to customers when compared to the subject retail accommodation.

We also note that Costco is opening its Bundamba location in May 2019, which reflects another significant retail location within the Ipswich area.

#### Subject Properties and Precinct

The Ipswich CBD area, which largely comprises the subject properties, has suffered in recent years for various reasons. The nearby Riverlink Shopping Centre has taken over as the largest centre within the region and provides superior retail offerings in a modern development. The high vacancy rates of office and retail accommodation within the CBD precinct and the dated nature of the improvements are seen as negative features. The current properties mostly reflect an opportunity for holding income and need mass refurbishment or redevelopment to be considered economically viable.

Above average lease up periods with incentives are necessary to secure tenants for properties within this precinct. Selling periods are varied. We consider the larger sites may have less demand due to the size and affordability constraints.

The leasehold nature of Properties D and H will deter some investors and tenants. We consider the properties have above average market volatility. Due to diminishing values associated with leasehold properties, they are typically considered to be less desirable than freehold properties. However, this is accounted for through the use of a "dual-rate" valuation approach which applies an appropriate risk premium to account for the leasehold tenure. We have not used this approach for Property D as it is best compared as a development site using the Direct Comparison, not as an investment property. We have been advised that Property D is currently vacant and subject to a refit to convert the current improvements into a Food and Beverage precinct.

We note that Property H was recently purchased by the client for \$5,900,000 on 8 December 2017. This figure is higher than our market assessment but adjoining neighbours sometimes pay a premium to secure adjacent properties. There are significant benefits to Ipswich City Properties in owning Property H such as access to the mall and increased site area. Our assessment of value for each property has been done on an individual basis, and we have had no regard to the value of properties if owned together or in-one-line.

### Changing Market Conditions

Investor demand for commercial assets remains very strong for assets with favourable leasing profiles, causing the prime and secondary upper yields to tighten across all precincts despite the challenging leasing conditions. Investors are attracted to assets with secure, long-term lease covenants, particularly those with strong predetermined growth.

As investment yields in alternative investment markets (such as bonds) remain low, demand for real estate assets demonstrating the above characteristics has intensified. The investment markets (including the industrial investment market) are demonstrating pricing characteristics that may be approaching a cyclical peak, with firmer yields than experienced in the previous peak (2006/2007). Whilst market fundamentals are different to 2006/2007, current circumstances suggest either:

- the market is close to a cyclical peak; or
- the market is set for a sustained period of low growth.

In recent times global equity markets have demonstrated significant volatility. Such events should be monitored carefully and if such occurrences are sustained, we would expect real estate markets to be influenced.

Real estate values can change materially in a short timeframe, as a result of unforeseen economic, social and political events, a general unwinding of capital/investment market conditions, an increase in the cost of debt, and/or a decrease in the availability of debt, as demonstrated following the GFC (notably between 2008 and 2012).

Deterioration in the global economy and in Australian real estate markets remains a distinct possibility. Of significance to Australia is the economic condition of Australia's largest trading partner, China. Recent decreased growth in its broader economy have given rise to significant concerns regarding the impact this could have on Australia's property market.

In light of the uncertain economic outlook and the potential impact any changes may have on property markets, we recommend investors and lenders closely monitor market conditions and seek property advice and valuation updates on a regular basis.

Ipswich has traditionally been a volatile market and this is expected to continue.

## Sales Evidence

In order to assist in determining appropriate value parameters for the subject properties, we have relied upon previous investigated sales evidence of generally similar properties considered comparable in terms of location and other criteria, and a selection of sales follow:

### Development Site Sales:

No.	Address	Sale Date	Sale Price	Site Area (sqm) /Sale Price per sqm
1	98 Limestone Street Ipswich QLD 4305	29 June, 2018	\$1,750,000	2,750 / \$636
<p>An elevated corner site that was used as an aged care facility for the Catholic Church. Improvements are dated and would be difficult to modernise. Considered to be a re-development site. The site is zoned Special Opportunity under the <i>Ipswich Planning Scheme 2006</i> and although the zoning proposes that the current use is likely to continue, the future use of the site may include high density housing, commercial uses, or a combination of both.</p> <p><b>Comparison:</b> Close proximity. Slightly inferior development potential. Inferior location. Reflects an inferior rate per square metre.</p>				
2	8 Downs Street North Ipswich QLD 4305	20 November, 2017	\$1,400,000	1,697 / \$825
<p>The property comprises a regular shaped 1,697 square metre corner allotment with three street frontage. The property is situated to the northern alignment of Lowry Street, western alignment of Downs Street, and the southern alignment of Lowry Lane. The property is improved with approximately 260 square metres of office accommodation converted from a fast food outlet. The site is zoned CBD North Secondary Business and can be developed up to five storeys. The site reportedly sold without a Development Application in place.</p> <p><b>Comparison:</b> Dated sale but considered relevant. Close proximity. Inferior location. Inferior development potential. Small site. Reflects a comparable rate per square metre.</p>				
3	1-9 Anzac Avenue Maroochydore QLD 4558	28 November, 2016	\$6,000,000	9,154 / \$655
<p>The property comprises a slightly irregular shaped 9,154 square metre site across two allotments, with three street frontage. The property is situated to the western alignment of Baden Powell Street, the southern alignment of Anzac Avenue, and the eastern alignment of Wright Street. The site is zoned High Density Residential as per the <i>Sunshine Coast Planning Scheme 2014</i>. The property sold with a Development Application in place approved on 15 October 2015. The Development Application was for the construction of 123 units across four buildings.</p> <p><b>Comparison:</b> Dated sale but considered relevant. Sold with DA Approval. Inferior location. Inferior development potential. Large site. Reflects a rate per square metre similar to Property F.</p>				



Item 4 / Attachment 1.

**Investment Sales:**

No.	Address	Sale Date	Sale Price	Lettable Area (sqm) Site Area (sqm)	Sale Price per sqm	Analysed Yield (%)
4	336 Flinders Street Townsville City QLD 4810	26 July, 2018	\$1,850,000	1,584 1,010	\$1,168 \$1,832	IY : 13.29%
<p>The property comprises a 1,010 square metre regular shaped corner allotment with three street frontages, to Flinders Street, Stokes Street, and Ogden Street. The property is improved with a retail/commercial building which extends to a total NLA of 1,584 square metres across three levels. The ground level presents well and is divided into eight retail/commercial tenancies. The two upper levels have been stripped bare and are not considered lettable without refurbishment. The property has good access and exposure characteristics to the Townsville CBD.</p> <p>The property sold leased to eight tenancies across the ground level, and vacant in the two bare upper levels. Net passing rent was \$245,904 per annum which reflects an Initial Yield of 13.29%.</p> <p><b>Comparison:</b> Comparable location within a regional CBD. Comparable accommodation to Property H but smaller and inferior presentation. Smaller site. Sold leased across the whole ground level, being the only lettable space of the property. Reflects a higher yield. Overall reflects a higher rate per square metre of NLA.</p>						
5	17 Station Road Logan Central QLD 4114	8 June, 2018	\$4,400,000	1,045 2,199	\$4,211 \$2,001	IY : 8.58%
<p>The property comprises a 2,199 square metre irregular shaped allotment located to the north eastern alignment of Station Road within an established precinct of Logan Central. The property is improved with a freestanding commercial building. The building reportedly comprises 1,045 square metres of Net Lettable Area (NLA) utilised as office accommodation. Ancillary improvements include onsite car parks.</p> <p>Sold fully leased with a net income of \$377,601 per annum.</p> <p><b>Comparison:</b> Comparable location. Smaller improvements than Property H. Smaller site. Sold fully leased. Superior investment sale. Overall superior.</p>						
6	364-370 Flinders Street Townsville City QLD 4810	13 April, 2018	\$15,500,000	4,801 1,021	\$3,228 \$15,181	IY : 9.85%
<p>The property comprises a regular-shaped 1,021 square metre allotment that is bordered by Flinders Street and Ogden Street within the Townsville Central Business District (CBD). The site is classified as Flinders Street Retail under the <i>Townsville City Plan</i>. Improvements to the site comprise an older style office building that was originally constructed in 1976 and provides 4,801 square metres of Net Lettable Area over a ground floor and seven upper levels. The property has provisions for 22 basement car parking spaces.</p> <p>The property is currently leased to seven tenants with the predominate Lessee being Ciel Holdings (a.k.a. Hutchinsons Builders) who occupy 2,480 square metres of NLA, or approximately 52% of the building, on a four year lease which commenced February 2018. The sale was subject to a 12 month rental guarantee over the only vacant tenancy of 182 square metres.</p> <p><b>Comparison:</b> Comparable location within a regional CBD. Comparable improvements to Property H but superior quality. Smaller site. Sold fully leased with a rental guarantee. Superior investment sale. Overall superior.</p>						
7	24 East Street Ipswich QLD 4305	22 September, 2017	\$3,700,000	896 809	\$4,129 \$4,574	IY : 9.19%
<p>The property comprises a modern two level freestanding office building situated on a regular shaped 809 square metre site within the Ipswich CBD. Includes 10 covered car spaces to the front of the site. Sold subject to a national lease covenant, which expires 3/7/2022 with an additional five year option period available. The property returned a total net income of \$340,000 per annum or approximately \$380 per square metre, with annual rental reviews fixed at 4.00%.</p> <p><b>Comparison:</b> Dated sale but considered relevant. Close proximity. Small site. Superior accommodation. Superior lease covenant. Overall superior.</p>						
8	59 East Street Ipswich QLD 4305	22 May, 2017	\$4,100,000	6,000 4,543	\$683 \$902	N/A
<p>The property comprises an irregular shaped 4,543 square metre corner allotment. The property has frontage to East Street, Foote Lane, and Limestone Street. The property is improved with a large three storey office building which provides approximately 6,000 square metres NLA of substandard accommodation. The property sold with vacant possession. We consider the property would need to be redeveloped or extensively refurbished to be considered readily lettable. The site is zoned CBD Primary Commercial under the <i>Ipswich Planning Scheme 2006</i>. The property sold without an approved DA but has since lodged a Development Application for a 253 bed hospital and medical facility. Sold vacant possession.</p> <p><b>Comparison:</b> Dated sale but considered relevant. Close proximity. Comparable zoning. Comparable improvements. Sold vacant possession. Inferior to Property H, superior to the other subject properties.</p>						

Item 4 / Attachment 1.

No.	Address	Sale Date	Sale Price	Lettable Area (sqm) Site Area (sqm)	Sale Price per sqm	Analysed Yield (%)
9	102 Brisbane Street Ipswich QLD 4305	25 January, 2017	\$1,030,000	514 644	\$2,004 \$1,599	RMY : 8.39%
<p>The property comprises an irregular shaped 644 square metre inside allotment situated to the southern alignment of Brisbane Street. The site is zoned CBD Primary Retail as per the <i>Ipswich Planning Scheme 2006</i>. The property is improved with a two storey commercial building which provides a total NLA of approximately 514 square metres, split evenly between both levels. As at the date of sale the property was tenanted by Maurice Blackburn Lawyers to the ground level, and vacant to the upper level. Both levels are fitted out with standard quality office accommodation. Ancillary improvements include on site parking for six cars via a rear driveway to Limestone Street.</p> <p>The ground level tenancy was returning \$83,128 gross per annum, or approximately \$323 per square metre. The lease expires 1 October 2019 and has two 3 year options available. We have assessed a gross rental for the upper level at \$46,260 per annum, or \$180 per square metre. Outgoings are assessed at \$75 per square metre of lettable area. We have also assessed a 12 months lease-up/incentives allowance and 15% Agent's commission fees for the upper level tenancy.</p> <p><b>Comparison:</b> Dated sale but considered relevant. Close proximity. Comparable zoning. Smaller lettable area. Superior accommodation. Sold partly leased. Superior investment sale.</p>						
10	18-24 Brisbane Street Ipswich QLD 4305	1 September, 2015	\$6,209,000	1,807 2,428	\$3,436 \$2,557	IY : 11.34%
<p>The property comprises a 2,428 square metre rectangular shaped inside allotment situated to the southern alignment of Brisbane Street. The property is improved with a freestanding commercial office building reportedly providing 1,807 square metres of Net Lettable Area (NLA). Accommodation reportedly includes a reception, open office area, multiple offices, boardroom, kitchenette/lunchroom and amenities. Ancillary improvements reportedly include undercover car parking for 58 vehicles and an outdoor patio area.</p> <p>The property reportedly sold fully leased for \$704,388 per annum net. Leased to QLD State Government (Department Communities, Child Safety &amp; Disability Services). The property features 58 undercover car parks.</p> <p><b>Comparison:</b> Dated sale but considered relevant. Close proximity. Superior improvements. Sold fully leased. Good comparable investment sale.</p>						
11	5-7 Wharf Street Ipswich QLD 4305	10 April, 2015	\$3,200,000	1,009 1,807	\$3,171 \$1,771	IY : 9.18%
<p>The property is located within the Ipswich CBD. Ipswich is the main commercial hub within the western corridor, approximately 38 kilometres south-west of the Brisbane CBD. The land is a 1,807 square metre irregular shaped inside allotment with two street frontage to Wharf Street and Marsden Parade. The site is classified 'PC - CBD Primary Commercial' under the <i>Ipswich Planning Scheme 2006</i>. The land is improved with a semi-modern two-level office building constructed circa-1998 and internally refurbished in 2011 due to the property being severely flood affected during the Brisbane/Ipswich flood event. The property also provides approximately 20 secure undercroft car parks accessible via Marsden Parade.</p> <p>Main frontage is to Wharf Street which is a no through road providing secondary exposure characteristics. The property was purchased by D J Property Pty Ltd. At the date of transaction, the property was fully leased to State Government - Department of Justice and Attorney General, a strong covenant, providing a remaining lease term of 9.67 years, expiring 28 February 2025. The passing rental was at market rentals prevailing at the date of transaction, reflecting a gross rental rate of \$347 per square metre.</p> <p><b>Comparison:</b> Dated sale but considered relevant. Close proximity. Comparable zoning. Flood affected. Superior accommodation. Superior lease covenant. Sold fully leased. Superior investment sale.</p>						

Item 4 / Attachment 1.

## Rental Evidence

In order to determine the market rental for Property H, we have undertaken an investigation of leasing activity in the broader locality. The more relevant transactions are noted below:

No.	Address	Lease Date	Commencing Rent (p.a.)	Lettable Area (sqm)	Rent per sqm p.a.	Gross/ Net	Lease Details
1	1/146 Herries Road Toowoomba QLD 4350	10 Aug 2018	\$223,175	565.00	\$395	Gross	6 years.
<p>The property is situated to the southern alignment of Herries Road, Toowoomba approximately 500 radial metres south of Toowoomba's CBD. Improvements to the property comprise a semi-modern office building over a ground floor and single upper level. Tenancy 1 reportedly comprises 565 square metres of ground level accommodation.</p> <p>Tenancy 1 was leased to NDIS on a gross basis for \$395 per square metre of NLA. The lease has an initial term of six years with annual reviews fixed at 3.00%. The lease was struck with a 20% rent-free incentive.</p>							
2	2/66 East Street Ipswich QLD 4305	1 Aug 2018	\$80,000	385.00	\$208	Gross	3 + 3 years.
<p>The property comprises an older style brick building which provides office and retail accommodation with frontage to East Street. Unit 2 comprises 385 square metres NLA of office and retail accommodation.</p> <p>The lease was reportedly negotiated on a gross basis for \$80,000 per annum, which reflects \$208 per square metre. The lease is for a term of three years, with a three year option and 3.50% annual rent reviews.</p>							
3	4/31 Ipswich City Mall Ipswich QLD 4305	16 Jul 2018	\$5,200	62.00	\$84	Gross	Monthly basis.
<p>The property comprises a two level retail and office building fronting directly onto Ipswich City Mall. Unit 4 comprises approximately 62 square metres NLA of office accommodation.</p> <p>Unit 4 has been leased on a monthly basis at a rate of \$5,200 per annum, which reflects approximately \$84 per square metre. The rent paid per month is approximately \$433.</p>							
4	3/66 East Street Ipswich QLD 4305	1 Jul 2018	\$90,000	390.00	\$231	Gross	3 + 2 + 2 + 2 years.
<p>The property comprises an older style brick building which provides office and retail accommodation with frontage to East Street. Unit 3 comprises 390 square metres NLA of office and retail accommodation.</p> <p>The lease was reportedly negotiated on a gross basis for \$90,000 per annum, which reflects \$231 per square metre. The lease is for a term of three years, with three two year options and 3.50% annual rent reviews.</p>							
5	2/133 Brisbane Street Ipswich QLD 4305	1 May 2018	\$36,000	200.00	\$180	Gross	5 + 5 years.
<p>The property comprises an older style brick building which provides office and retail accommodation with frontage to Brisbane Street. The property is situated within the Ipswich City Mall complex, directly adjacent to the ICON tower. Shop 2 comprises 200 square metres GLAR of office and retail accommodation.</p> <p>The lease was reportedly negotiated on a gross basis for \$36,000 per annum, or \$180 per square metre. The lease is for five years with a five year option and 3.50% reviews annually.</p>							
6	18-24 Brisbane Street Ipswich QLD 4305	1 Jan 2018	\$722,800	1,807.00	\$400	Gross	6 + 3 + 3 years.
<p>The property comprises a 2,428 square metre rectangular shaped inside allotment situated to the southern alignment of Brisbane Street. The property is improved with a freestanding commercial office building reportedly providing 1,807 square metres of Net Lettable Area (NLA). Accommodation reportedly includes a reception, open office area, multiple offices, boardroom, kitchenette/ lunchroom and amenities. Ancillary improvements reportedly include undercover car parking for 58 vehicles and an outdoor patio area.</p> <p>The Queensland State Government (Department of Communities, Child Safety &amp; Disability Services) renewed their lease on 18-24 Brisbane Street for \$400 gross per square metre, which equates to \$722,800 per annum. The lease commenced 1 January 2018 for a six year term with two three year options and annual reviews of CPI or 2.50%, whichever is greater.</p>							
7	24 East Street Ipswich QLD 4305	1 Aug 2017	\$391,300	910.00	\$430	Gross	5 + 5 years.
<p>The property is situated to the eastern alignment of East Street within the Ipswich CBD. Improvements to the property comprise a semi modern office building, over a ground floor and single upper level. The lease was negotiated with the incoming tenant taking over the existing fitout and the balance of the vacancy within the building requiring a quick turnaround for an August commencement. The property was leased to Each Pty Ltd. The lease has an initial term of five years. Rental reviews are fixed at 4.00%. The lease was struck with a 30% rent free incentive.</p> <p>Dated lease but considered relevant.</p>							



## Limitations, Assumptions And Disclaimers

### Desktop Assessment (Indicative Assessment):

The Indicative Assessment is not, and should not be construed to be, a representation as to the Market Value of the Subject Property, as defined in the Valuation and Property Standards Manual and the Practice Standards and Guidance Notes. A Desktop Assessment is merely an Indicative Assessment made without the benefit of an inspection of the subject property or sales evidence. If a formal valuation of the subject property is made based on an inspection, it may vary significantly from the results of this Desktop Assessment. The instructing party should be aware that the Desktop Assessment methodology carries with it risks which entail a degree of likely variation greater than might be expected to be produced by a valuation.

Aspects of the usual valuation that have not been completed in this assessment are as follows; internal or external inspection, physical inspection of sales evidence, land topography and aspect; road and access; site defects; impacts of adjoining developments; environmental risks; encumbrances; permissible land uses and land use conformity; improvements and tenancies.

Due to these aspects of the usual valuation process not being completed there are risks that the outcome of this assessment may be inaccurate. These includes; the risk of inaccuracy of information contained within this assessment; the inability of the Valuer to confirm the accuracy of the information contained within this assessment; and the fact that the assessment will have significant limitations when compared to Valuations, including a greater degree of variation in the resulting Indicative Assessment.

Unless stated otherwise, this assessment has been undertaken on the assumption of fee simple with vacant possession basis and is without easements or encumbrances.

### Limitations & Assumptions:

The instructing party expressly acknowledges and confirms that:

1. in producing the assessment contained in this Desktop Assessment, the Valuer has been specifically instructed not to perform certain aspects of the process involved in preparing Valuations and has not carried out the usual range of enquiries that a Valuer is required to make by professional practice standards (as determined by the API and at law) in carrying out a Valuation of property and that this is at the specific request of the instructing party; and
2. the instructing party fully understands and accepts the risks inherent in such circumstances; and
3. the instructing party will not convey this Desktop Assessment or any part to another party.

Accordingly, but subject to compliance by the Valuer with the requirements of the Desktop Assessment, this Advisory Note and the stated instructions of the instructing party, the instructing party agrees that it will have no cause of action against the Valuer whether in contract tort or otherwise by reason only that the instructing party suffered loss or damage by relying upon a Desktop Assessment.

Furthermore, the instructing party acknowledges that it accepts that a Desktop Assessment is not and will not be construed to be a valuation in the same meaning as a valuation conducted in accordance with the General Concepts, Principles and Definitions as detailed in the standards promulgated by the API, which is based on an inspection of the subject property.

The instructing party further agrees that it will indemnify the Valuer against any claim for loss or damage by a third party invited or permitted by the instructing party to rely upon a Desktop Assessment, whether arising in contract tort or otherwise and arising out of or in conjunction with reliance by that third party on a Desktop Assessment.

The Indemnity to be provided by the instructing party will not apply where the Valuer has been fraudulent or dishonest. This assessment is current as at the date of assessment only. The assessed range herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in market conditions and movement. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this assessment is relied upon after the expiration of 30 days from the date of this assessment, or such earlier date if you become aware of any factors that have any effect on this assessment.

This assessment is not to be relied upon by any other person or for any other purpose. We accept no liability to third parties nor do we contemplate that this report will be relied upon by third parties. This Desktop Assessment cannot and will not be re-assigned, re-addressed or re-issued.

Reliance on this desktop assessment is permitted only:

1. by a party expressly identified by the report as being permitted to rely on it;
2. when the given party has received the report directly from JLL; and
3. for a purpose expressly identified by the report as being a permitted use of the report.

Liability limited by a scheme approved under Professional Standards Legislation.

## Valuation Proposal

### Valuation Proposal



#### PRIVATE AND CONFIDENTIAL

Attn: Beth Anderson  
Ipswich City Properties Pty Ltd  
PO Box 491  
Ipswich QLD 4305

PROPOSAL FOR THE VALUATION OF: Ipswich City Properties Pty Ltd

Dear Madam,

Thank you for your request to provide a quote for the valuations for real property assets for market value to underpin the sale/transfer of assets between related parties as per your instructions of the following properties:

Ipswich City Square - Civic Area - 23 Ipswich City Mall, Admin Building - 1 Union Place Mall, Ipswich City Square - Entertainment Precinct - 163 Brisbane St, Bell St Green - 24 Ipswich City Mall, New food precinct - 25 Ipswich City Mall, 27 Ipswich City Mall, Bremner St Ramp (Leasehold) - Lot 25 Brisbane Street, 5 Union Place (Murphys Pub) and Ipswich City Plaza - 2 Bell Street.

The Services cover the preparation and provision of a Desktop valuation report of land and property for market value to underpin the sale/transfer of assets between related parties. This report will be provided for the use of Ipswich City Properties Pty Ltd and may not be published, copied or distributed to any third party (including any related entity) without our prior written consent.

#### Basis of Valuation

The basis of valuation is as follows:

Desktop valuations for accounting purposes.

Our fee is based on the above basis of valuation and should it vary, additional fees may be incurred.

#### Timing

Timing is subject to prompt receipt of all required information. JLL will ensure that any delays relating to information requirements will be flagged with Beth Anderson immediately.

#### Valuation Purpose

It is our understanding that the Valuation Report is required for market value to underpin the sale/transfer of assets between related parties to be relied upon by Ipswich City Properties Pty Ltd and Ipswich City Council only.

#### Fees

The proposed fee for the above scope are as follows:

\$12,000.00 plus GST in one report, plus Disbursements if required.

Jones Lang LaSalle Advisory Services Pty Limited T +61 7 3231 1311  
ABN 35 003 262 600 jll.com.au  
GPO Box 1407 Brisbane QLD 4001  
Level 39 Central Plaza One  
343 Queen Street Brisbane QLD 4000

Liability limited by a scheme approved under Professional Standards Legislation.





Turn around time: 10 business days from date of instruction.

Disbursements relating to document searches (title, survey plan/s, EMR/CLR) will be charged at cost in addition to the above fee. Disbursements will be capped at \$200 plus GST.

Standard Terms and Conditions

Our proposal is also subject to the attached Standard Terms and Conditions of Business.

Validity of this proposal

This proposal remains available for acceptance for 10 days from its date. Should you wish to proceed after 10 days, we reserve the rights to review our fee and timing.

Moving Forward

You may accept this proposal by signing the attached form of acceptance and returning the signed form of acceptance together with a copy of this letter to us.

I trust this proposal meets your requirements and should you need to discuss any further please don't hesitate to give me a call to discuss.

Jim Webster

Mobile: 0411 073 502

I trust this confirmation suits your requirements, however if you need any further, please let me know.

Thank you.

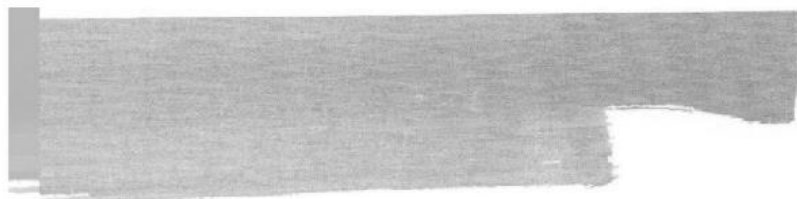
Yours faithfully

**Jones Lang LaSalle Advisory Services Pty Ltd**

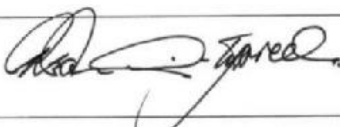
Jim Webster  
Certified Practising Valuer  
Associate Director  
Valuations and Advisory – Commercial  
T +61 7 3369 2277  
Jim.webster@ap.jll.com

Liability limited by a scheme approved under Professional Standards Legislation.





I confirm that I have instructed Jones Lang LaSalle to carry out a property valuation on the terms and conditions outlined in this proposal.

Details	
Property address	Various Ipswich City Properties – listed above
Prepared For	Ipswich City Properties Pty Ltd
Fee	\$12,000 plus GST
Expenses	Disbursements relating to document searches (title, survey plan/s, EMR/CLR) will be charged at cost in addition to the above fee. Disbursements will be capped at \$200 plus GST.
Timing	
Invoicing details Billing Entity	Ipswich City Properties Pty Ltd
ABN	88 135 760 637
Address	Level 7, 2 Bell St Ipswich QLD PO Box 491 Ipswich Queensland 4305
Signature	
Printed name	Steve Bannister-Tyrell, Commercial Asset Manager, ICP
Date	18 April 2019

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Valuation Requirement Document Checklist

Document/ Item	Submitted Y/N or N/A
Tenancy Schedule	Y
Outgoings Budget	Y
Capital Expenditure Budget	
Outstanding Incentives Schedule	
"Other / Sundry" Income Schedule (e.g.; After Hours Air Conditioning, Electricity Profit)	
Car Parking Schedule and Plan	
Copy of Leases including Survey Plans	
Copy of any Deed of Extension	
Any other licences and sources of income	
Copy of upcoming lease negotiations, renewals, market rent reviews	
Copy of Site Valuation Notice	
Copy of Land Tax Notice	
Copy of Rates Notice	
Copy of NABERS Certification	
Copy of Green Star Certification	
Copy of Development Application, Plans and Approvals (if and where relevant)	
Copy of Development Costings (if and where relevant)	

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## Amendment to 'Valuation Purpose'

---

**From:** Beth Anderson <beth.anderson@ipswich-commercial.com.au>  
**Sent:** Wednesday, 17 April 2019 10:25 AM  
**To:** Crampton, Michelle <Michelle.Crampton@ap.jll.com>; Paul Mollenhauer <paul.mollenhauer@ipswich-commercial.com.au>; Travis Pitman <travis.pitman@ipswich-commercial.com.au>  
**Cc:** Webster, Jim <Jim.Webster@ap.jll.com>  
**Subject:** [EXTERNAL] RE: Quote Request: Ipswich City Properties 163 Brisbane Street Ipswich - Your Ref:

Hi Jim, just one alteration – this time the valuation is for the purpose of determining a market value to underpin the sale/transfer of assets between related parties (as opposed to past valuation for accounting purposes).  
Do you want me to just note this on the document to be signed, or would you prefer to send on an edited one?  
I'll be able to get it back to you today.  
Rgds, Beth

**From:** JLL <michelle.crampton@ap.jll.com>  
**Sent:** Wednesday, 17 April 2019 8:47 AM  
**To:** [beth.anderson@ipswich-commercial.com.au](mailto:beth.anderson@ipswich-commercial.com.au); [paul.mollenhauer@ipswich-commercial.com.au](mailto:paul.mollenhauer@ipswich-commercial.com.au); [travis.pitman@ipswich-commercial.com.au](mailto:travis.pitman@ipswich-commercial.com.au)  
**Cc:** [jim.webster@ap.jll.com](mailto:jim.webster@ap.jll.com)  
**Subject:** Quote Request: Ipswich City Properties 163 Brisbane Street Ipswich - Your Ref:

Beth Anderson  
Ipswich City Properties Pty Ltd

Your reference:  
Our reference: 1161779

Dear Beth Anderson

**Re: Valuation Quotation - Ipswich City Properties 163 Brisbane Street Ipswich**

JLL welcomes the opportunity to undertake your valuation request. Please find attached our quotation, please complete, sign and return.

If you have any queries, or if I can be of further assistance, please do not hesitate to contact me.

Kind regards,

## Title Searches

4/24/2019

Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND  
Request No: 31074447  
Search Date: 24/04/2019 09:48  
Title Reference: 13312126  
Date Created: 22/07/1960

Previous Title: 12150212  
12150213  
12150214

REGISTERED OWNER

Dealing No: 716227437 23/12/2014

IPSWICH CITY PROPERTIES PTY LTD A.C.N. 135 760 637

ESTATE AND LAND

Estate in Fee Simple

LOT 1 REGISTERED PLAN 2677  
Local Government: IPSWICH

EASEMENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by  
Deed of Grant No. 19531152 (ALLOT 12 SEC 3)  
Deed of Grant No. 19531158 (ALLOT 13 SEC 3)
2. EASEMENT No 601395975 (K322119H) 28/06/1990  
BENEFITING THE LAND  
OVER EASEMENTS A AND B ON RP220630

ADMINISTRATIVE ADVICES - NIL  
UNREGISTERED DEALINGS - NIL

CERTIFICATE OF TITLE ISSUED - No

Caution - Charges do not necessarily appear in order of priority

\*\* End of Current Title Search \*\*

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Requested By: D-ENQ GLOBAL X

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4/24/2019

Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074446

Search Date: 24/04/2019 09:48

Title Reference: 17044044

Date Created: 28/07/1987

Previous Title: 11619154  
11786072  
12037160  
12206114  
13062019  
13258043  
14543040  
14641003  
15966001  
16247203  
16779125  
16838018  
16838043  
16844082  
16919025

REGISTERED OWNER

Dealing No: 712434861 26/05/2009

IPSWICH CITY PROPERTIES PTY LTD A.C.N. 135 760 637

ESTATE AND LAND

Estate in Fee Simple

LOT 1 REGISTERED PLAN 209886  
Local Government: IPSWICH

EASEMENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by  
Deed of Grant No. 19531175 (ALLOT 27 SEC 4)  
Deed of Grant No. 19531181 (ALLOT 6 SEC 4)  
Deed of Grant No. 19531183 (ALLOT 8 SEC 4)  
Deed of Grant No. 19531185 (ALLOT 5 SEC 4)  
Deed of Grant No. 19531192 (ALLOT 25 SEC 4)  
Deed of Grant No. 19531193 (ALLOT 3 SEC 4)  
Deed of Grant No. 19531197 (ALLOT 26 SEC 4)  
Deed of Grant No. 19531198 (ALLOT 1 SEC 4)  
Deed of Grant No. 19531199 (ALLOT 28 SEC 4)  
Deed of Grant No. 19531207 (ALLOT 2 SEC 4)
2. EASEMENT No 601529548 (379400) 16/09/1902  
BURDENING THE LAND  
TO ALLOT 4 OF SEC 4  
OVER EASEMENT 1 ON RP2693

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4/24/2019

Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074446

Search Date: 24/04/2019 09:48

Title Reference: 17044044

Date Created: 28/07/1987

EASEMENTS, ENCUMBRANCES AND INTERESTS

3. EASEMENT No 601642373 (621356) 20/08/1914  
BURDENING THE LAND  
TO ALLOT 7 OF SEC 4  
OVER EASEMENT A ON RP93129
4. EASEMENT No 601642374 (621357) 20/08/1914  
BENEFITING PART OF THE LAND  
OVER EASEMENT B ON RP2700
5. EASEMENT No 601529549 (A259918) 31/05/1935  
BURDENING THE LAND  
TO SUB 1 OF ALLOT 4 OF SEC 4  
OVER EASEMENT A ON RP51789
6. EASEMENT No 601642377 (K322101E) 28/06/1990  
BURDENING THE LAND  
TO LOTS 1 AND 3 ON RP212242  
OVER EASEMENT B ON RP221761
7. EASEMENT IN GROSS No 601642378 (K322105P) 28/06/1990  
BURDENING THE LAND  
TO COUNCIL OF THE CITY OF IPSWICH  
OVER EASEMENT B ON RP221761
8. EASEMENT No 601395983 (K371435W) 17/08/1990  
BURDENING THE LAND  
TO LOT 1 ON RP212242  
OVER EASEMENT T ON RP801847
9. LEASE No 704711362 19/04/2001 at 11:39  
BIRCH, CARROLL & COYLE LIMITED A.C.N. 009 659 643  
TENANT IN COMMON 1/2  
VILLAGE ROADSHOW EXHIBITION PTY LTD A.C.N. 007 569 469  
TENANT IN COMMON 1/2  
OF PART OF THE GROUND FLOOR, FIRST FLOOR,  
SECOND FLOOR PROJECTION ROOM AND  
THIRD FLOOR PLANT ROOM
10. AMENDMENT OF LEASE No 716450640 24/04/2015 at 09:58  
LEASE: 704711362  
TERM: 16/12/1999 TO 15/12/2017 OPTION NIL
11. LEASE No 708030145 06/09/2004 at 09:48  
COFFEE 1 PTY LTD A.C.N. 107 050 359  
OF PART OF LEVEL 1
12. AMENDMENT No 708648500 12/05/2005 at 09:43  
LEASE: 708030145

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4/24/2019

Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074446

Search Date: 24/04/2019 09:48

Title Reference: 17044044

Date Created: 28/07/1987

EASEMENTS, ENCUMBRANCES AND INTERESTS

13. AMENDMENT OF LEASE No 711742421 24/06/2008 at 09:19  
AMENDMENT: 708648500  
TERM: 08/12/2003 TO 07/12/2010 OPTION 3 YEARS
14. AMENDMENT OF LEASE No 714904790 25/01/2013 at 12:56  
LEASE: 708030145  
TERM: 08/12/2003 TO 07/12/2013 OPTION 3 YEARS
15. TRANSFER No 714922300 06/02/2013 at 12:00  
LEASE: 708030145  
CHUIWAR ENTERPRISES PTY LTD A.C.N. 160 831 121
16. LEASE No 708367729 17/01/2005 at 14:59  
INDEPENDENT PRACTITIONER NETWORK LTD A.C.N. 083 519 377  
OF PART OF LEVEL 1
17. AMENDMENT OF LEASE No 711758894 30/06/2008 at 09:34  
LEASE: 708367729  
TERM: 01/12/2004 TO 30/11/2010 OPTION 3 YEARS
18. LEASE No 711527847 26/03/2008 at 14:19  
CARYL ANN STEWART TRUSTEE  
UNDER INSTRUMENT  
NO.711527847  
OF PART OF LEVEL ONE [SHOP 806]  
TERM: 01.10.2007 TO 30.09.2012 OPTION NIL
19. TRANSFER No 712765516 01/10/2009 at 11:40  
LEASE: 711527847  
GAMEWORX PTY LTD A.C.N. 130 243 391
20. LEASE No 714288371 31/01/2012 at 08:22  
LESANDU IPSWICH PTY LTD A.C.N. 140 493 474  
OF PART OF THE GROUND FLOOR (SHOP 605 - 616)  
TERM: 15/11/2010 TO 14/11/2014 OPTION 4 YEARS
21. LEASE No 718293234 25/09/2017 at 13:02  
JENBO PTY LTD A.C.N. 010 313 201 TRUSTEE 1/2  
UNDER INSTRUMENT 718293234  
TODMA PTY LTD A.C.N. 618 083 275 TRUSTEE 1/2  
UNDER INSTRUMENT 718293234  
OF PART OF THE GROUND FLOOR (LEASE 601/602)  
TERM: 15/05/2017 TO 14/05/2023 OPTION 4 YEARS

ADMINISTRATIVE ADVICES - NIL  
UNREGISTERED DEALINGS - NIL

CERTIFICATE OF TITLE ISSUED - No

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Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND  
Request No: 31074446  
Search Date: 24/04/2019 09:48  
Title Reference: 17044044  
Date Created: 28/07/1987

Corrections have occurred - Refer to Historical Search

Caution - Charges do not necessarily appear in order of priority

\*\* End of Current Title Search \*\*

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4/24/2019

Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074444

Search Date: 24/04/2019 09:48

Title Reference: 50864849

Date Created: 22/11/2011

Previous Title: 17252053

REGISTERED OWNER

Dealing No: 714148952 07/11/2011

IPSWICH CITY PROPERTIES PTY LTD A.C.N. 135 760 637

ESTATE AND LAND

Estate in Fee Simple

LOT 2 SURVEY PLAN 246525

Local Government: IPSWICH

EASEMENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by  
Deed of Grant No. 19531154 (ALLOT 8 SEC 3)  
Deed of Grant No. 19531156 (ALLOT 24 SEC 3)  
Deed of Grant No. 19531163 (ALLOT 7 SEC 3)  
Deed of Grant No. 19531164 (ALLOT 26 SEC 3)  
Deed of Grant No. 19531166 (ALLOT 25 SEC 3)  
Deed of Grant No. 19531223 (ALLOT 6 SEC 3)
2. EASEMENT No 601493061 (605659) 27/02/1914  
BENEFITTING PART OF THE LAND  
OVER EASEMENT A ON RP2686
3. EASEMENT No 601493062 (605660) 27/02/1914  
BURDENING THE LAND  
TO ALLOT 27 OF SEC 3  
OVER EASEMENT A ON RP2685
4. EASEMENT No 601493063 (J625960W) 22/09/1988  
Burdening  
THE LAND  
TO LOT 27 ON RP112242 OVER EASEMENT C -BETWEEN THE RLS ON  
THE AHD AS SHOWN THEREON ON RP212229
5. AMENDMENT No 714854691 20/12/2012 at 14:56  
EASEMENT: 601493063 (J625960W)
6. EASEMENT No 601493075 (K118300G) 05/12/1989  
burdening  
THE LAND  
TO LOT 2 ON RP217575 OVER EASEMENT C ON RP212229

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Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074444

Search Date: 24/04/2019 09:48

Title Reference: 50864849

Date Created: 22/11/2011

EASEMENTS, ENCUMBRANCES AND INTERESTS

7. AMENDMENT No 714854658 20/12/2012 at 14:52  
EASEMENT: 601493075 (K118300G)
8. LEASE No 707645666 16/04/2004 at 09:32  
TUAN ANH TRAN  
DUNG THUY TRAN JOINT TENANTS  
OF PART OF THE 2ND FLOOR
9. TRANSFER No 708945212 02/09/2005 at 09:52  
LEASE: 707645666  
THANH LY TRAN
10. AMENDMENT OF LEASE No 710157044 05/12/2006 at 14:35  
LEASE: 707645666  
TERM: 01/03/2004 TO 8/02/2009 OPTION 3 YEARS
11. LEASE No 707757081 27/05/2004 at 14:43  
MICHAEL JOSEPH RICKARDS TENANT IN COMMON 1/2  
JOY MARGARET LOXLEY TENANT IN COMMON 1/2  
OF PART OF THE SECOND LEVEL
12. LEASE No 710093677 13/11/2006 at 14:18  
SUSAN LESLEY EDWARDS TENANT IN COMMON 1/3  
HAROLD STEPHEN EDWARDS TENANT IN COMMON 1/3  
KIMBERLEY PATRICE EDWARDS TENANT IN COMMON 1/3  
OF PART OF THE SECOND FLOOR (LEASE 224)  
TERM: 01/03/2006 TO 28/02/2009 OPTION 3 YEARS
13. LEASE No 713554702 05/11/2010 at 11:10  
HAMID YAHYAVI AZAD  
OF PART OF THE GROUND STOREY (SHOP 112)  
TERM: 01/03/2010 TO 28/02/2015 OPTION NIL
14. LEASE No 714292118 01/02/2012 at 12:34  
RECRUITMENT QUEENSLAND PTY LTD A.C.N. 115 817 948  
OF PART OF THE FIRST FLOOR (LEASE 226)  
TERM: 03/09/2010 TO 02/09/2013 OPTION 2 YEARS
15. LEASE No 714904785 25/01/2013 at 12:55  
WESTPAC BANKING CORPORATION A.C.N. 007 457 141  
OF PART OF THE FIRST FLOOR (SHOP 220)  
TERM: 01/07/2010 TO 30/06/2015 OPTION NIL
16. EASEMENT No 715269593 21/08/2013 at 14:53  
benefiting the land over  
EASEMENT Z ON SP261913

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Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND  
Request No: 31074444  
Search Date: 24/04/2019 09:48  
Title Reference: 50864849  
Date Created: 22/11/2011

EASEMENTS, ENCUMBRANCES AND INTERESTS

17. EASEMENT No 715269598 21/08/2013 at 14:54  
burdening the land to  
LOT 1 ON SP246525 OVER EASEMENT Y ON SP261914

ADMINISTRATIVE ADVICES - NIL  
UNREGISTERED DEALINGS - NIL

CERTIFICATE OF TITLE ISSUED - No

Corrections have occurred - Refer to Historical Search

Caution - Charges do not necessarily appear in order of priority

\*\* End of Current Title Search \*\*

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4/24/2019

Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074445

Search Date: 24/04/2019 09:48

Title Reference: 17077066

Date Created: 02/11/1987

Previous Title: 15787183  
15787185  
15908011  
15968048

REGISTERED OWNER

Dealing No: 713434987 30/08/2010

QUEENSLAND RAIL LIMITED A.C.N. 132 181 090

ESTATE AND LAND

Estate in Fee Simple

LOT 3 REGISTERED PLAN 212242  
Local Government: IPSWICH

EASEMENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by  
Deed of Grant No. 19531182 (ALLOT 10 SEC 4)  
Deed of Grant No. 19531183 (ALLOT 8 SEC 4)  
Deed of Grant No. 19531186 (ALLOT 9 SEC 4)
2. EASEMENT No 601642377 (K322101E) 28/06/1990  
BENEFITING THE LAND  
OVER EASEMENTS A, B AND C ON RP221761
3. EASEMENT No 601395983 (K371435W) 17/08/1990  
BENEFITING THE LAND  
OVER EASEMENTS R AND S ON RP801847
4. LEASE No 601907098 (K544020R) 12/02/1991  
OF LEASES A TO F ON RP221750  
IN STRATA AS THEREIN STATED  
TO KERN CORPORATION LTD  
ORIGINAL TERM: COMMENCING 01 SEP 1987  
TERMINATING 31 AUG 2086  
OR OPTIONS AS MAY BE STATED
5. SUB LEASE No 708612110 27/04/2005 at 12:19  
LEASE: 601907098 (K544020R)  
THE STATE OF QUEENSLAND  
(REPRESENTED BY THE DEPARTMENT OF PUBLIC WORKS)  
OF PART OF THE SECOND FLOOR

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4/24/2019

Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074445

Search Date: 24/04/2019 09:48

Title Reference: 17077066

Date Created: 02/11/1987

EASEMENTS, ENCUMBRANCES AND INTERESTS

6. AMENDMENT OF LEASE No 712071059 26/11/2008 at 14:26  
SUB LEASE: 708612110  
TERM: 01/08/2005 TO 31/07/2010 OPTION 2 YEARS
7. AMENDMENT OF LEASE No 714194416 02/12/2011 at 12:08  
SUB LEASE: 708612110  
TERM: 01/08/2005 TO 31/07/2012 OPTION NIL
8. SUB LEASE No 708638204 09/05/2005 at 12:06  
LEASE: 601907098 (K544020R)  
WALKER PENDER SERVICES PTY LTD A.C.N. 009 992 045  
OF PART OF THE TOP FLOOR (SHOP 305X)
9. AMENDMENT OF LEASE No 710602319 21/05/2007 at 14:21  
SUB LEASE: 708638204  
TERM: 01/07/2004 TO 30/06/2010 OPTION NIL
10. SUB LEASE No 709349359 08/02/2006 at 12:38  
LEASE: 601907098 (K544020R)  
BRISBANE COMMUNICATION CENTRE PTY LTD A.C.N. 063 355 073  
OF PART OF THE FIRST FLOOR (SHOP 240A)  
TERM: 01/08/2005 TO 31/07/2010 OPTION NIL
11. SUB LEASE No 712061329 21/11/2008 at 09:13  
LEASE: 601907098 (K544020R)  
KAYLENE JOY WEIER  
OF PART OF LEVEL 1 (SHOP 241)  
TERM: 01/06/2008 TO 31/05/2011 OPTION 3 YEARS
12. TRANSFER No 712434900 26/05/2009 at 15:15  
LEASE: 601907098 (K544020R)  
IPSWICH CITY PROPERTIES PTY LTD A.C.N. 135 760 637
13. EASEMENT No 711649129 15/05/2008 at 12:38  
benefiting the land over  
EASEMENT E ON SP207274

ADMINISTRATIVE ADVICES - NIL  
UNREGISTERED DEALINGS - NIL

CERTIFICATE OF TITLE ISSUED - No

Caution - Charges do not necessarily appear in order of priority

\*\* End of Current Title Search \*\*

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4/24/2019

Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND  
Request No: 31074450  
Search Date: 24/04/2019 09:48  
Title Reference: 18427021  
Date Created: 01/12/1992

Previous Title: 18368039

REGISTERED OWNER

Dealing No: 712434861 26/05/2009

IPSWICH CITY PROPERTIES PTY LTD A.C.N. 135 760 637

ESTATE AND LAND

Estate in Fee Simple

LOT 2 REGISTERED PLAN 209886  
Local Government: IPSWICH

EASEMENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by  
Deed of Grant No. 19531183 (ALLOT 8 SEC 4)
2. EASEMENT No 601642377 (K322101E) 28/06/1990  
BURDENING THE LAND  
TO LOTS 1 AND 3 ON RP212242  
OVER EASEMENTS A AND C ON RP221761
3. EASEMENT IN GROSS No 601642378 (K322105P) 28/06/1990  
BURDENING THE LAND  
TO COUNCIL OF THE CITY OF IPSWICH  
OVER EASEMENT A ON RP221761
4. EASEMENT No 601395983 (K371435W) 17/08/1990  
BURDENING THE LAND  
TO LOT 3 ON RP212242  
OVER EASEMENT S ON RP801847
5. LEASE No 709349356 08/02/2006 at 12:37  
BRISBANE COMMUNICATION CENTRE PTY LTD A.C.N. 063 355 073  
OF PART OF LEVEL 1 (SHOP 240)  
TERM: 01/08/2005 TO 31/07/2010 OPTION 5 YEARS
6. TRANSFER No 712079423 01/12/2008 at 14:25  
LEASE: 709349356  
GVWES PTY LTD A.C.N. 128 256 968

ADMINISTRATIVE ADVICES - NIL  
UNREGISTERED DEALINGS - NIL

CERTIFICATE OF TITLE ISSUED - No

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4/24/2019

Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND  
Request No: 31074450  
Search Date: 24/04/2019 09:48  
Title Reference: 18427021  
Date Created: 01/12/1992

Corrections have occurred - Refer to Historical Search

Caution - Charges do not necessarily appear in order of priority

\*\* End of Current Title Search \*\*

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4/24/2019

Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074389

Search Date: 24/04/2019 09:45

Title Reference: 51150993

Date Created: 02/07/2018

Previous Title: 17468106

REGISTERED OWNER

Dealing No: 718755844 18/05/2018

IPSWICH CITY PROPERTIES PTY LTD A.C.N. 135 760 637

ESTATE AND LAND

Estate in Fee Simple

LOT 1 SURVEY PLAN 300605

Local Government: IPSWICH

EASEMENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by  
Deed of Grant No. 17255097 (Lot 531 on CP SL12439)  
Deed of Grant No. 19531151 (ALLOT 21 SEC 3)  
Deed of Grant No. 19531157 (ALLOT 20 SEC 3)  
Deed of Grant No. 19531161 (ALLOT 14 SEC 3)  
Deed of Grant No. 19531162 (ALLOT 19 SEC 3)  
Deed of Grant No. 19531165 (ALLOT 22 SEC 3)  
Deed of Grant No. 19531168 (ALLOT 18 SEC 3)  
Deed of Grant No. 19531170 (ALLOT 17 SEC 3)  
Deed of Grant No. 19531171 (ALLOT 16 SEC 3)  
Deed of Grant No. 19531172 (ALLOT 11 SEC 4)  
Deed of Grant No. 19531173 (ALLOT 19 SEC 4)  
Deed of Grant No. 19531178 (ALLOT 22 SEC 4)  
Deed of Grant No. 19531180 (ALLOT 13 SEC 4)  
Deed of Grant No. 19531182 (ALLOT 10 SEC 4)  
Deed of Grant No. 19531186 (ALLOT 9 SEC 4)  
Deed of Grant No. 19531187 (ALLOT 12 SEC 4)  
Deed of Grant No. 19531188 (ALLOT 15 SEC 4)  
Deed of Grant No. 19531189 (ALLOT 18 SEC 4)  
Deed of Grant No. 19531190 (ALLOT 21 SEC 4)  
Deed of Grant No. 19531194 (ALLOT 14 SEC 4)  
Deed of Grant No. 19531195 (ALLOT 23 SEC 4)  
Deed of Grant No. 19531196 (ALLOT 20 SEC 4)  
Deed of Grant No. 19531200 (ALLOT 17 SEC 4)  
Deed of Grant No. 19531201 (ALLOT 15 SEC 3)  
Deed of Grant No. 19531203 (ALLOT 16 SEC 4)
2. EASEMENT No 601395975 (K322119H) 28/06/1990  
BURDENING THE LAND  
TO LOT 1 ON RP2677  
OVER EASEMENTS A AND B ON RP220630

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Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074389

Search Date: 24/04/2019 09:45

Title Reference: 51150993

Date Created: 02/07/2018

EASEMENTS, ENCUMBRANCES AND INTERESTS

3. EASEMENT IN GROSS No 601395976 (K322128N) 28/06/1990  
BURDENING THE LAND  
TO COUNCIL OF THE CITY OF IPSWICH  
OVER EASEMENT G ON RP221760
4. EASEMENT IN GROSS No 601395977 (K322131D) 28/06/1990  
BURDENING THE LAND  
TO COUNCIL OF THE CITY OF IPSWICH  
OVER EASEMENT H ON RP221760
5. EASEMENT IN GROSS No 601395978 (K322137T) 28/06/1990  
BURDENING THE LAND  
TO COUNCIL OF THE CITY OF IPSWICH  
OVER EASEMENT J ON RP221760
6. EASEMENT IN GROSS No 601395979 (K322149G) 28/06/1990  
BURDENING THE LAND  
TO COUNCIL OF THE CITY OF IPSWICH  
OVER EASEMENT D ON RP221757
7. EASEMENT IN GROSS No 601395981 (K371429Y) 17/08/1990  
BURDENING THE LAND  
TO COUNCIL OF THE CITY OF IPSWICH  
OVER EASEMENTS C AND E ON RP221757
8. PAR/SURRENDER No 718755842 18/05/2018 at 14:17  
EASEMENT IN GROSS: 601395981 (K371429Y)  
SO FAR AS RELATES TO EASEMENT X ON SP233684
9. EASEMENT IN GROSS No 601395982 (K371430H) 17/08/1990  
BURDENING THE LAND  
TO COUNCIL OF THE CITY OF IPSWICH  
OVER EASEMENT F ON RP221757
10. EASEMENT No 601395983 (K371435W) 17/08/1990  
BURDENING THE LAND  
TO LOT 3 ON RP212242  
OVER EASEMENT R ON RP801847
11. COVENANT No 718820003 20/06/2018 at 14:40  
restricts dealings over  
LOT 1 ON SP300605 AND  
LOT 25 ON SL804975

ADMINISTRATIVE ADVICES - NIL  
UNREGISTERED DEALINGS - NIL

CERTIFICATE OF TITLE ISSUED - No

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Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND  
Request No: 31074389  
Search Date: 24/04/2019 09:45  
Title Reference: 51150993  
Date Created: 02/07/2018

Caution - Charges do not necessarily appear in order of priority

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4/24/2019

Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074449

Search Date: 24/04/2019 09:48

Title Reference: 51150994

Date Created: 02/07/2018

Previous Title: 17468106

REGISTERED OWNER

Dealing No: 718755844 18/05/2018

IPSWICH CITY PROPERTIES PTY LTD A.C.N. 135 760 637

ESTATE AND LAND

Estate in Fee Simple

LOT 2 SURVEY PLAN 300605  
Local Government: IPSWICH

EASEMENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by  
Deed of Grant No. 19531151 (ALLOT 21 SEC 3)  
Deed of Grant No. 19531157 (ALLOT 20 SEC 3)  
Deed of Grant No. 19531162 (ALLOT 19 SEC 3)  
Deed of Grant No. 19531165 (ALLOT 22 SEC 3)  
Deed of Grant No. 19531168 (ALLOT 18 SEC 3)  
Deed of Grant No. 19531170 (ALLOT 17 SEC 3)

ADMINISTRATIVE ADVICES - NIL  
UNREGISTERED DEALINGS - NIL

CERTIFICATE OF TITLE ISSUED - No

\*\* End of Current Title Search \*\*

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Order — Property Information

CURRENT STATE TENURE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND  
Request No: 31074448  
Search Date: 24/04/2019 09:48  
Title Reference: 17719151  
Date Created: 21/10/1995

DESCRIPTION OF LAND

Tenure Reference: SL 27/51591

Lease Type: TERM

LOT 25 CROWN PLAN SL804975  
Local Government: IPSWICH

Area: 0.107300 Ha. (SURVEYED)

No Land Description

No Forestry Entitlement Area

Purpose for which granted:  
BUSINESS (VEHICLE TRAFFIC RAMP AND LOADING DOCK)

TERM OF LEASE

Term and day of beginning of lease

Term: 30 years commencing on 01/11/1990

Expiring on 31/10/2020

REGISTERED LESSEE

Dealing No: 712434877 26/05/2009

IPSWICH CITY PROPERTIES PTY LTD A.C.N. 135 760 637

CONDITIONS

- G1 The lessee shall not utilise nor be permitted to utilize the provisions of Section 207 of the Land Act 1962.
- I18 The lessee shall provide an indemnity in accord with the draft Deed of Indemnity submitted with the offer of lease.
- M76 The lessee shall use the leased area as a site for a vehicular traffic ramp and loading dock, for purposes incidental thereto and for no other purposes whatsoever.

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4/24/2019

Order — Property Information

CURRENT STATE TENURE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074448

Search Date: 24/04/2019 09:48

Title Reference: 17719151

Date Created: 21/10/1995

CONDITIONS

- M76 The Lessee shall at his own cost and expense properly keep and maintain the vehicle traffic ramp, guard rails, loading dock, supporting columns and any works incidental to any of the aforementioned constructed within the leased area (all the aforementioned hereinafter called "the improvements") in a good and safe repair order and condition and shall forthwith repair any damage and remedy any defect thereto and therein.
- M76 The Lessee shall at all times hereafter at the Lessee's own cost and expense keep the ramp and loading dock properly supported and shall not in any way weaken, injure or destroy the same or any part thereof or cause or permit or suffer the same to carry a greater weight or load than can be safely carried.
- M76 The Lessee shall at the Lessee's own cost and expense whenever maintenance or repair is such as to disturb the public free use and enjoyment of Bremer Street, or is such as to interfere, alter or change any services of gas, water, electricity, telephone or any other service and whether within or without the leased area before commencing such maintenance or repair obtain the consent of any relevant authority and shall carry out such maintenance and repair to the requirements of and to the satisfaction of the relevant Authorities.
- M76 The Lessee shall not attach nor permit anything being attached to or hung from the improvements, whether banners, advertisements, bill boards or any other matter or thing of any kind or nature whatsoever.
- M76 The Lessee shall prior to the execution hereof by the Crown deliver to the Minister a Performance Guarantee Bond issued by a Trading Bank approved of by the Minister for the sum of \$94,000.00 in a form approved by the Minister unconditionally guaranteeing to pay the said sum to the Minister on demand as surety for the completion for demolition and removal, and restoration referred to in Condition 9 hereof as may occur or be required by the terms and conditions hereof.
- M76 The guarantee referred to in Condition 10 hereof shall be reviewed each five years by the Minister prior to the expiration of each five year period to determine the amount at that time reasonably required to reimburse the Minister. Provided always that the amount determined by the Minister shall not exceed the amount of the first guarantee of \$94,000.00 by the proportion by which the consumer price index at the time of determination exceeds the consumer price index at the date of this lease. The Minister shall then inform the Lessee of the sum to be guaranteed and the Lessee no later than the expiration of the five year period then current shall produce and deliver to the Minister a bank guarantee for the sum determined by the Minister.

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Order — Property Information

CURRENT STATE TENURE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074448

Search Date: 24/04/2019 09:48

Title Reference: 17719151

Date Created: 21/10/1995

CONDITIONS

- M76 Notwithstanding anything herein contained and without prejudice to any action the Minister may take under the conditions hereof or as may be imposed upon the Lessee under the Land Act the Lessee shall be obliged to carry out at his own cost and expense the demolition and removal of the improvements from the lease area and/or to bear the cost of such demolition and removal which obligation/s shall be a continuing obligation upon the Lessee whether the lease has expired, been surrendered or has been forfeited.
- M76 In the event that any transfer of the leased land is approved the purchaser will be required to furnish to the Minister a Performance Guarantee Bond for demolition and removal of the structure, a Deed of Indemnity and effect a Public Risk policy upon such terms and conditions as the Minister may at that time determine.
- M76 The Lessee shall comply with any requirements of the Ipswich City Council in relation to town planning procedures or any other matter.
- M76 A transfer of the leased area will not be permitted except in conjunction with freehold Lot 531 on Plan SL12439, county of Stanley, parish of Ipswich, city of Ipswich.
- M81 In the event of:-  
(a) Expiry of the lease or any renewal thereof.  
(b) Surrender of the lease by the Lessee or any assigns.  
(c) The improvements becoming unsafe so as to endanger pedestrian or vehicular traffic in Bremer Street.  
(d) Forfeiture of the lease.  
The Lessee shall, if requested by the Minister to do so, undertake and carry out at the Lessee's own cost and expense the demolition and removal of the improvements and shall carry out such demolition and removal to the requirements of and to the satisfaction of the Minister and any other relevant Authority. In the event of the Lessee so failing to demolish and remove the improvements within two (2) months of being requested to do so by the Minister, the Minister shall be at liberty to demolish and remove the improvements and is hereby authorised to do all such acts to the property of the Lessee as is necessary to so demolish and remove the improvements and to restore the Lessee's property to a safe condition. The Minister may recover from the Lessee the total cost incurred in the said demolition and removal, and restoration of the Lessee's premises.

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Order — Property Information

CURRENT STATE TENURE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074448

Search Date: 24/04/2019 09:48

Title Reference: 17719151

Date Created: 21/10/1995

CONDITIONS

- M84 The Lessee shall, forthwith affect a Public Risk Policy of Insurance with an authorised insurer approved by the Minister for Land Management naming the Minister and the Ipswich City Council and the Lessee as the insured. Such policy shall:-
- (a) be for an amount of Ten Million Dollars (\$10,000,000.00) and shall include a cross-liability Clause, the purpose of which requires the insurer to accept the term "insured" as applying to each of the persons insured as if a separate policy of insurance had been issued to each of them.
  - (b) be maintained at all times during the currency of the lease.
  - (c) contain provisions acceptable to the Minister that will:-
    - (i) require the insurer whenever the insurer gives to or serves upon the Lessee, any Insurance Broker or agent of the Permittee, a Notice of Cancellation or any other Notice under or in relation to the policy, at the same time, to inform the Minister, in writing, that the Notice has been given to or served upon the Permittee, Insurance Broker or agent; and
    - (ii) provide that a Notice of Claim given to the insurer by the Minister, the Ipswich City Council or the Lessee shall be accepted by the insurer as a Notice of Claim given to the Insurer by the Minister, the Ipswich City Council and the Lessee.
- The Lessee shall, as soon as practicable, inform the Minister, in writing, of the occurrence of any event that may give rise to a claim under the policy of insurance affected and shall ensure that the Minister is kept fully informed of subsequent actions and developments concerning the claim.
- Within seven (7) days of the date of commencement of the Special Lease and whenever requested in writing, from time to time by the Minister, the Lessee shall produce evidence to the satisfaction of the Minister of the insurance affected and maintained by the Lessee.
- The Lessee shall punctually renew at its expense such policy each year during the currency of this lease and forward a certificate to the Minister.

ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by Lease No. 17719151

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Order — Property Information

CURRENT STATE TENURE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND  
Request No: 31074448  
Search Date: 24/04/2019 09:48  
Title Reference: 17719151  
Date Created: 21/10/1995

ENCUMBRANCES AND INTERESTS

2. SUB LEASE No 602809913 (L192620E) 16/09/1992  
MEMO CORPORATION OF AUSTRALIA PTY LIMITED  
OVER WHOLE  
TERM 30 YEARS LESS 1 DAY  
FROM 1.11.1990 TO 30.10.2020  
TRANSFER OF SUB LESSEE'S INTEREST REGISTERED 14.1.1993
3. TRANSFER No 712434902 26/05/2009 at 15:15  
SUB LEASE: 602809913 (L192620E)  
IPSWICH CITY PROPERTIES PTY LTD A.C.N. 135 760 637
4. SUB LEASE No 602809914 (L192627X) 16/09/1992  
MEMO CORPORATION OF AUSTRALIA PTY LIMITED  
OVER WHOLE  
TERM 30 YEARS LESS 1 DAY  
FROM 1.11.1990 TO 30.10.2020  
TRANSFER OF SUB LESSEE'S INTEREST REGISTERED 14.1.1993
5. TRANSFER No 712434908 26/05/2009 at 15:16  
SUB LEASE: 602809914 (L192627X)  
IPSWICH CITY PROPERTIES PTY LTD A.C.N. 135 760 637
6. COVENANT No 718820003 20/06/2018 at 14:40  
restricts dealings over  
LOT 1 ON SP300605 AND  
LOT 25 ON SL804975

ADMINISTRATIVE ADVICES - NIL  
UNREGISTERED DEALINGS - NIL

Caution - Charges do not necessarily appear in order of priority

\*\* End of Current State Tenure Search \*\*

Information provided under section 34 Land Title Act(1994) or  
section 281 Land Act(1994)

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Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074443

Search Date: 24/04/2019 09:48

Title Reference: 18007008

Date Created: 31/07/1990

Previous Title: 15688101

REGISTERED OWNER

Dealing No: 713434987 30/08/2010

QUEENSLAND RAIL LIMITED A.C.N. 132 181 090

ESTATE AND LAND

Estate in Fee Simple

LOT 1 REGISTERED PLAN 157021  
Local Government: IPSWICH

EASEMENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by  
Deed of Grant No. 19531153 (ALLOT 11 SEC 3)  
Deed of Grant No. 19531155 (ALLOT 10 SEC 3)  
Deed of Grant No. 19531156 (ALLOT 24 SEC 3)  
Deed of Grant No. 19531165 (ALLOT 22 SEC 3)  
Deed of Grant No. 19531219 (ALLOT 9 SEC 3)  
Deed of Grant No. 19533087 (ALLOT 23 SEC 3)
2. LEASE No 601375840 (K706747B) 18/07/1991  
OF LEASE B ON RP164258  
TO KERN CORPORATION LTD  
COMMENCING 01 SEP 1989  
TERMINATING 27 NOV 2077
3. SUB LEASE No 712326168 06/04/2009 at 11:46  
LEASE: 601375840 (K706747B)  
FLIGHT CENTRE LIMITED A.C.N. 003 377 188  
OF PART OF THE GROUND FLOOR (LEASE 11)  
TERM: 07/11/2008 TO 06/11/2015 OPTION NIL
4. AMENDMENT OF LEASE No 712547074 24/06/2009 at 16:14  
SUB LEASE: 712326168  
TERM: 07/11/2008 TO 06/11/2015 OPTION NIL
5. SUB LEASE No 712542618 23/06/2009 at 14:57  
LEASE: 601375840 (K706747B)  
NATIONAL HEARING CENTRES PTY LTD A.C.N. 075 889 262 TRUSTEE  
UNDER INSTRUMENT 712542618  
PART OF THE GROUND FLOOR (LEASE P)  
TERM: 05/01/2009 TO 04/01/2014 OPTION 5 YEARS

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Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074443

Search Date: 24/04/2019 09:48

Title Reference: 18007008

Date Created: 31/07/1990

EASEMENTS, ENCUMBRANCES AND INTERESTS

6. AMENDMENT OF LEASE No 716453306 27/04/2015 at 08:32  
SUB LEASE: 712542618  
TERM: 05/01/2009 TO 04/01/2019 OPTION NIL
7. SUB LEASE No 716267497 20/01/2015 at 08:35  
LEASE: 601375840 (K706747B)  
GREEN HOLDINGS INTERNATIONAL PTY LTD A.C.N. 149 244 897  
OF PART OF THE GROUND FLOOR (LEASE N)  
TERM: 01/05/2013 TO 30/04/2020 OPTION 3 YEARS
8. SUB LEASE No 717941172 04/04/2017 at 12:58  
LEASE: 601375840 (K706747B)  
LEASE: 601375841 (K706749F)  
THE STATE OF QUEENSLAND  
(REPRESENTED BY DEPARTMENT OF HOUSING AND PUBLIC WORKS)  
OF PART OF THE GROUND FLOOR (LEASES H, I AND M)  
TERM: 01/12/2016 TO 30/11/2019 OPTION 1 YEAR
9. SUB LEASE No 717944516 05/04/2017 at 13:18  
LEASE: 601375840 (K706747B)  
LEASE: 601375841 (K706749F)  
THE STATE OF QUEENSLAND  
(REPRESENTED BY DEPARTMENT OF HOUSING AND PUBLIC WORKS)  
OF PART OF THE LOWER GROUND FLOOR (LEASE F)  
TERM: 01/12/2016 TO 30/11/2019 OPTION 1 YEAR
10. TRANSFER No 718591606 21/02/2018 at 12:39  
LEASE: 601375840 (K706747B)  
LEASE: 601375841 (K706749F)  
IPSWICH CITY PROPERTIES PTY LTD A.B.N. 88 135 760 637
11. LEASE No 601375841 (K706749F) 18/07/1991  
OF LEASE A ON RP153920  
TO KERN CORPORATION LTD  
COMMENCING 01 SEP 1989  
TERMINATING 27 NOV 2077  
ORIGINAL LEASE NOT SIGHTED AT DATA CAPTURE
12. SUB LEASE No 716453311 27/04/2015 at 08:34  
LEASE: 601375841 (K706749F)  
ACTE PTY LTD A.C.N. 122 076 877  
OF PART OF THE FIFTH FLOOR (LEASE EF)  
TERM: 15/10/2013 TO 14/10/2016 OPTION 3 YEARS
13. AMENDMENT OF LEASE No 717281908 31/05/2016 at 08:35  
SUB LEASE: 716453311  
TERM: 15/10/2013 TO 14/10/2019 OPTION 3 YEARS

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Order — Property Information

CURRENT TITLE SEARCH  
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 31074443

Search Date: 24/04/2019 09:48

Title Reference: 18007008

Date Created: 31/07/1990

EASEMENTS, ENCUMBRANCES AND INTERESTS

14. SUB LEASE No 716453312 27/04/2015 at 08:35  
LEASE: 601375841 (K706749F)  
ACTE PTY LTD A.C.N. 122 076 877  
OF PART OF THE SECOND FLOOR (LEASE BB)  
TERM: 01/04/2013 TO 31/03/2016 OPTION 3 YEARS
15. AMENDMENT OF LEASE No 717251298 17/05/2016 at 08:37  
SUB LEASE: 716453312  
TERM: 01/04/2013 TO 31/03/2019 OPTION 3 YEARS
16. SUB LEASE No 716633024 17/07/2015 at 08:33  
LEASE: 601375841 (K706749F)  
ACTE PTY LTD A.C.N. 122 076 877  
OF PART OF THE THIRD FLOOR (LEASE CC)  
TERM: 01/06/2015 TO 31/05/2018 OPTION 3 YEARS
17. LEASE No 709871535 22/08/2006 at 14:11  
THIS DEALING IS A SUB LEASE OF LEASE 601375840  
(K706747B)  
CHRISAN PTY LTD A.C.N. 110 599 418  
OF PART OF THE GROUND FLOOR (LEASE E )  
TERM: 01/10/2005 TO 30/09/2015 OPTION 5 YEARS
18. AMENDMENT OF LEASE No 710823970 18/07/2007 at 15:34  
LEASE: 709871535  
TERM: 01/10/2005 TO 30/09/2015 OPTION 5 YEARS
19. TRANSFER No 713134838 23/03/2010 at 14:34  
LEASE: 709871535  
JASON STEER TENANT IN COMMON 1/2  
MARIO TASCONE TENANT IN COMMON 1/2
20. EASEMENT No 711649129 15/05/2008 at 12:38  
benefiting the land over  
EASEMENT E ON SP207274

ADMINISTRATIVE ADVICES - NIL  
UNREGISTERED DEALINGS - NIL

CERTIFICATE OF TITLE ISSUED - No

Caution - Charges do not necessarily appear in order of priority

\*\* End of Current Title Search \*\*

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Investment in Associate - Queensland Urban Utilities	\$
Transactions between 30 June 2011 to 30 June 2018 that were accounted for using the equity method due to financial statements being prepared on a consolidated basis.	
Council's share in 2010 QUU Equity (\$27.237m * 12.222% = \$3.329m)	(3,329,000.00)
Recognise undistributed profits of QUU in value of investment in associate June 2011	8,300,000.00
Recognise undistributed profits of QUU in value of investment in associate June 2012	6,969,000.00
Recognise undistributed profits of QUU in value of investment in associate June 2013	7,837,000.00
Recognise undistributed profits of QUU in value of investment in associate June 2014.	7,638,000.00
Prior period correction relating to QUU Participant Share. Share of other comprehensive income in QUU - Asset Revaluation Surplus.	18,825,000.00
Prior period correction relating to QUU Participant Share. Share in QUU's defined benefit plan actuarial gains (losses). \$167k x 12.222%.	20,000.00
Prior period correction relating to QUU Participant Share. Participant's return was overstated by \$47k in June 2012 as QUU only provided unaudited statements at the time.	(47,000.00)
Recognise participant's share in QUU's defined benefit plan actuarial gains (losses). (\$1.305m x 12.222%) 2013-14.	159,000.00
Recognise undistributed profits of QUU in value of investment in associate June 2015.	13,810,000.00
Recognise participant's share in QUU's defined benefit plan actuarial gains (losses). (\$449k x 12.222%.)	55,000.00
Recognise undistributed profits of QUU in value of investment in associate June 2016.	12,939,000.00
Recognise undistributed profits in QUU value of investment in associate - 2016-17.	15,470,000.00
Prior period correction relating to QUU Participant Share. Share in QUU's 2016 defined benefit plan actuarial gains (losses).	(34,000.00)
Prior period correction relating to QUU Participant Share. Share in QUU's 2017 defined benefit plan actuarial gains (losses).	49,000.00
Recognise undistributed profits in QUU value of investment in associate - 2017-18.	10,692,000.00
Recognise participant's share in QUU's defined benefit plan actuarial gains (losses).	65,000.00
	99,418,000.00
Initial Investment in Queensland Urban Utilities on the 1 July 2010 QUU Settlement Statement - Ipswich City Council	310,290,053.00
<b>Total Investment in Queensland Urban Utilities using the cost method.</b>	<b>\$ 409,708,053.00</b>

Undistributed profits is calculated as:

QUU's Net Profit for the financial year Multiplied by ICC share of 12.222%  
Less Participation Return Paid (Dividends Paid - Cash)  
Equals Participation Return (Non-cash)



Doc ID No: A5581385

ITEM: 5  
SUBJECT: WASTE TASK FORCE UPDATE  
AUTHOR: EXECUTIVE BUSINESS SUPPORT OFFICER  
DATE: 10 JUNE 2019

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### **EXECUTIVE SUMMARY**

This is a report concerning the Department of Environment and Science ('DES') representatives meeting with Council on 8 April 2019 to provide an update on operations, findings, and outputs of the Odour Abatement Taskforce ('OAT').

### **RECOMMENDATION/S**

That the report be received and the contents noted.

### **RELATED PARTIES**

External

- Department of Environment and Science

Internal

- Corporate Governance
- Planning & Regulatory Services

### **ADVANCE IPSWICH THEME LINKAGE**

Caring for the environment

### **PURPOSE OF REPORT/BACKGROUND**

The Odour Abatement Taskforce was a DES task force that primarily sought to audit and undertake compliance action for sites reported as having odour nuisance.

In parallel, Council was running an internal waste compliance team that focused on compliance and auditing for waste uses in the Willowbank, Tivoli and Swanbank Industrial Areas. These 2 task forces ran largely in independence.

On 8 April 2019, members of the waste compliance team, Council leadership and the Interim Administrator met with the DES to discuss the progress of the Odour Abatement Taskforce.

The update from DES staff is as follows:



OAT focus reduced from over 30 sites in the initial stages of taskforce monitoring to seven sites at the six month milestone:

- Candy Soils
- Cleanaway New Chum Landfill
- Veolia Wattle Glen Landfill
- Sapar Landscape Supplies
- Remondis Landfill
- Wood Mulching Industries
- NuGrow

Further OAT activities reduced priority sites to three:

- Cleanaway New Chum Landfill
- NuGrow
- Wood Mulching Industries

OAT has undertaken 23 pre-enforcement actions, issued 7 s451 Notices, 7 warnings, 2 environmental evaluations and 7 PINs since commencement.

In addition, DES staff and ICC staff resolved to work together more proactively and to share information. To this end and since the collaborative meeting DES has provided ICC with Public Register Documents for NuGrow and WMI through drop box access.

#### **FINANCIAL/RESOURCE IMPLICATIONS**

Not applicable.

#### **LEGAL/POLICY BASIS**

This report and its recommendations are consistent with the following legislative provisions:  
*Not Applicable*

#### **CONCLUSION**

DES and ICC staff have resolved to explore available pathways to information exchange relevant to the broader compliance and enforcement actions of each organisation in relation to the Swanbank Industrial Area.

In conclusion key staff in development and compliance areas are most appropriate to engage DES in the project moving forward. Further work is required to build relationships and identify core contacts in both organisations.

Louise Randall

**EXECUTIVE BUSINESS SUPPORT OFFICER**

I concur with the recommendations contained in this report.

Brett Davey

**ACTING GENERAL MANAGER - PLANNING AND REGULATORY SERVICES**

***“Together, we proudly enhance the quality of life for our community”***

Doc ID No: A5569195

ITEM: 6  
SUBJECT: PROGRESS OF THE 2018-2019 ANNUAL INTERNAL AUDIT PLAN  
AUTHOR: CHIEF AUDIT EXECUTIVE  
DATE: 11 JUNE 2019

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### **EXECUTIVE SUMMARY**

This is a report concerning the status of the 2018-2019 Annual Internal Audit Plan as presented in the attachment to this report.

### **RECOMMENDATION/S**

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

### **RELATED PARTIES**

Not applicable.

### **ADVANCE IPSWICH THEME LINKAGE**

The intention is for the Internal Audit activity to support all five themes:

Strengthening our local economy and building prosperity

Managing growth and delivering key infrastructure

Caring for the community

Caring for the environment

Listening, leading and financial management

Individual internal audits and corrupt conduct investigations will to a varying degree support these themes, but the main objective for Internal Audit is to support the organisation in achieving its objectives.

### **PURPOSE OF REPORT/BACKGROUND**

The attachment is an indication of the progress and indicating the number of actual audit days compared to the budgeted audit days in the approved audit plan, relative to various Internal Audit Branch activities undertaken during the year.

### **FINANCIAL/RESOURCE IMPLICATIONS**

Resources are provided to internal audit through the annual audit plan and budgeting processes. No additional resources were required because of this report. However situations

will dictate if internal audits and investigations have to be outsourced and also management will have to consider their implications to implement the recommendations as per the individual reports.

### **RISK MANAGEMENT IMPLICATIONS**

Each of the individual reports provides for a control environment opinion as well as individual risk ratings per individual findings and recommendations. The importance is for management to implement the individual recommendations well to either address or diminish the exposure for Council, or explain why it is acceptable to not implement the suggested improvements. As per the corrupt conduct investigation, the findings and risks vary in each situation and are discussed in the confidential reports. Having said that the key risks are still if the information is not well presented, well understood or does not generate an appropriate response.

### **LEGAL/POLICY BASIS**

This report and its recommendations are consistent with the following legislative provisions:

*Local Government Act 2009*

*Local Government Regulation 2012*

*Crime and corruption Act 2001*

### **COMMUNITY AND OTHER CONSULTATION**

Internal Audit mostly consults internally to the organisation and its management in conducting the internal audits and finalising the reports. For investigations the appropriate consultations take place as the situation allows and requires.

### **CONCLUSION**

The Internal Audit Branch continued to have another demanding year due to the increased requirements regarding corrupt conduct investigations.

There were five carry over internal audits from the previous year completed in this financial year.



Six internal audits were postponed. These were mainly done due to timing issues in that many of these are affected by transformation projects and were mostly rescheduled into the next financial year. Portable and Attractive Assets were moved out till 2021-2022 due to Asset Management as a whole being brought forward to hopefully be done as the new framework is put in place.

One internal audit was cancelled due to changes of focus and circumstances. The Change Management New Building will now be done externally by experts when it is deemed appropriate.

With the carry overs from the previous year added it is expected that the Internal Audit Branch will still complete about 13/14 Internal Audit Reports/Projects/Consulting Tasks/Investigation projects for the year.

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**ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS**

1.	Progress of Internal Audit Plan 2018-2019  
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Freddy Beck

**CHIEF AUDIT EXECUTIVE**

I concur with the recommendations contained in this report.

David Farmer

**CHIEF EXECUTIVE OFFICER**

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Item 6 / Attachment 1.

IPSWICH CITY COUNCIL  
INTERNAL AUDIT

INTERNAL AUDIT PLAN PROGRESS 2018-2019

INTERNAL AUDIT PLAN - Progress up to 31 May 2019		Budgeted Days 2018/19					Actual Days	Status
Specific Audit Activity Days	Manager	Ethical Standards Manager	Principal Internal Auditor	Internal Auditor	Contract	Total		
Ad hoc audit – To be confirmed with CEO	3		18			21		Re-allocated to other audits
Community Lease Agreements							17	Report Issued 24/01/2019
Construction Quality Verification							5	Report Issued 30/10/2018
Design Certification							5	Report Issued 19/12/2018
Environmental Plan Levy							5	Report Issued 25/07/2018
ICT Managed Services Implementation							3	Report Issued 04/10/2018
Business Case Development	3		18			21	17.5	In progress
Civic Hall Safety and Security	3		18			21	20	Report Issued 03/06/2019
Change Management New Building	4				17	21	0.25	Cancelled, Experts to control
Conflicts of Interests	3	18				21	0.25	Postponed to 2019/20
Credit Cards Framework – Allocation and Use	3		18			21	22	In progress
Cyber Security	4				17	21	0.25	Postponed to 2019/20
Enterprise Resource Planning (ERP) Observation/Advice	18					18	16	In progress
Fraud Prevention and Investigation Process	4	18				22	14	In progress
Infrastructure Services Capacity Review	4		18			22	20.75	In progress
Lakes and Retention Basins	4				17	21		Postponed to 2019/20
Objective - Record Storage, Clarification & Retrieval	3		18			21	4.5	In progress
Operation of Fleet and Plant	4	18				22	19.5	In progress
Penalty Infringement Process	3		18			21	18	In progress
Portable and Attractive Assets	3	18				21	1	Postponed to 2021/22
Pound Operations	3	18				21	23	In progress
Procurement	3		18			21	0.25	Postponed to 2019/20
Tender Evaluation (WPR)	3		18			21		Postponed to 2019/20
Waste Business Management Systems	1		7			8	12	Report Issued 14/05/2019
<b>Total Specific Audit Activity Days</b>	<b>Total</b>	<b>76</b>	<b>90</b>	<b>169</b>	<b>51</b>	<b>386</b>	<b>224.25</b>	

IPSWICH CITY COUNCIL  
INTERNAL AUDIT

INTERNAL AUDIT PLAN PROGRESS 2018-2019

INTERNAL AUDIT PLAN - Progress up to 31 May 2019		Budgeted Days 2018/19						Actual Days	Status
		Manager	Ethical Standards Manager	Principal Internal Auditor	Internal Auditor	Contract	Total		
<b>Specific Audit Activity Days</b>									
<b>Audit Related Activity Days:</b>									
Audit Committee Preparation, Facilitation & Assistance		14	2	2			18	18.25	
Chief Executive Officer, 3 <sup>rd</sup> Level Managers, Team Meetings & Preparation		9	4	4			17	16.5	
Consulting, Advice, Assistance & Presentations (Ad hoc)		9	3	6			18	20	
Internal Audit Plan Preparation & Risk Assessment		6	3	5			14	12.25	
Investigations (Corrupt Conduct)		26	95	8		35	164	263.5	
Organisation, Supervision & Liaison with External & Contract Auditors		5	2	2			9	2	
Quality Self-Assessment, Annual Report & Performance Assessment		5	2	3			10	8.25	
Recommendations (Updating & Monitoring)		7	2	3			12	11.5	
Review of Charters, Manuals & Website		5	2	3			10	8.5	
Risk Management (Workshops & Liaisons)		3	2	2			7	9.25	
<b>Total Audit Related Activity Days</b>	<b>Total</b>	<b>89</b>	<b>117</b>	<b>38</b>		<b>35</b>	<b>279</b>	<b>370</b>	
<b>Total Productive Days</b>	<b>Total</b>	<b>165</b>	<b>207</b>	<b>207</b>		<b>86</b>	<b>665</b>	<b>594.25</b>	
<b>Support Activity Days:</b>									
Conferences & Seminars		5	4	4			13	5	
Liaisons (LGIA, CMC, IIA, ISACA, CPA etc.)		8	3	3			14	4	
Management, Administration & Resource Planning		20	4	4			28	29	
Training & Professional Development		6	6	6			18	28.75	
<b>Total Support Activity Days</b>	<b>Total</b>	<b>39</b>	<b>17</b>	<b>17</b>			<b>73</b>	<b>66.75</b>	
<b>TOTAL PROGRAMMED DAYS *</b>	<b>Total</b>	<b>204</b>	<b>224</b>	<b>224</b>		<b>86</b>	<b>738</b>	<b>661</b>	





Doc ID No: A5560923

ITEM: 7

SUBJECT: UPDATE ON QAO RECOMMENDATIONS (PLANNING AND REGULATORY SERVICES DEPARTMENT)

AUTHOR: BUSINESS SUPPORT MANAGER

DATE: 10 JUNE 2019

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## **EXECUTIVE SUMMARY**

This is a report concerning the Planning and Regulatory Services Department's progress in complying with the Queensland Audit Office (QAO) recommendations outlined in 'QAO 2018 Closing Report' (adopted by Council on 4 December 2018). Specifically, Appendix A - Internal Control Issues (items 1 to 3) relating to developer infrastructure contributions and fee variations.

## **RECOMMENDATIONS**

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

## **RELATED PARTIES**

There are no related party matters associated with this report.

## **ADVANCE IPSWICH THEME LINKAGE**

Managing growth and delivering key infrastructure

## **PURPOSE OF REPORT/BACKGROUND**

In 2018, QAO conducted an audit of Ipswich City Council's (Council's) financial records and processes, including outstanding infrastructure contributions (as of 31 August 2018). QAO delivered their findings and recommendations in the 'QAO 2018 Closing Report' (Attachment 3) on 28 November 2018. Of the issues identified in this report, items 1 to 3 relate to functions owned by the (former) Planning and Development Department:

1. No policies or procedures in relation to developer infrastructure contributions;
2. Reconciliation of Infrastructure Charges Notice (ICN) Register to Pathway for outstanding developer infrastructure contributions; and
3. Lack of transparency in calculation of fee variations.

After consultation with QAO, on 15 October 2018 the (former) Planning and Development Department commenced the review of the \$304m of infrastructure contributions that had been levied but not yet collected. The Department reviewed and categorised the 725 development applications to identify applications with contributions legitimately owing (see table below). Of the \$304m in outstanding contributions, \$231.7m were for developments that had not commenced or were under construction. As infrastructure contributions are payable once the work is finalised, these contributions were not owing.

	No. of applications	Contributions
<b>Development not commenced</b> (contributions not payable)	306	\$107,253,930
<b>Under construction/staged development</b> (contributions not payable)	140	\$124,419,557
<b>Requires further investigation</b> (development completed)	88	\$46,597,394
<b>Lapsed and superseded</b> (contributions no longer payable)	130	\$22,787,639
<b>Contributions paid during review period</b>	35	\$1,750,003
<b>Redundant contributions</b> (e.g. water/sewer)	21	\$1,161,242
<b>Administrative errors</b> (i.e. duplicates, incorrect entry)	5	\$34,686
<b>TOTAL</b>	<b>725</b>	<b>\$304,004,451</b>

Since completing the review, \$79m has been removed from the outstanding infrastructure contributions balance owing to:

- the removal of water and sewerage contributions no longer collected by Council;
- correction of administrative errors;
- removal of lapsed and superseded applications; and
- contributions paid during this time.

The current balance of the outstanding infrastructure contributions report for the same period (as at 15 October 2018) is now \$224.6m which consists of:

	No. of applications	Contributions	Percentage of Contributions
<b>Development not commenced</b> (contributions not payable)	296	\$93,999,499	41.9%
<b>Under construction/staged development</b> (contributions not payable)	122	\$93,322,535	41.6%
<b>Audit underway</b> (contributions outstanding)	76	\$37,243,826	16.5%
<b>*Development completed</b>	1	\$11,026	0%

(contributions not collected)

	TOTAL	495	\$224,576,886	100%
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**\*Note: this application relates to a development at Braeside road, Bundamba where legal assistance has been sought, and contributions continue to remain outstanding.**

The recommendations of QAO have been managed through several new procedures and workflows have been developed to facilitate transparent and effective processes around infrastructure contributions and fee variations, including:

- **Infrastructure Charges Procedure:** provides a framework for assessing, levying, monitoring, collecting, reporting and reconciling infrastructure contributions, offsets and refunds. This procedure also relates to the reconciliation of contributions and credits as part of an infrastructure agreement. This procedure is being finalised and it is expected to be adopted and in effect by 1 July 2019.
- **Variation of Development Applications Fees Procedure (Attachment 2):** supports the Ipswich City Council Register of Fees and Charges in the determination of fee variations, providing a consistent approach to receiving, assessing and approving requests that align with financial delegations. It is expected that this procedure will be noted in a report to the June round of the Governance Committee and will take effect by 1 July 2019.
- **Development Approval Compliance Program (Attachment 1):** this workflow facilitates the monitoring and collection of infrastructure contributions through a proactive compliance program and forms the basis for the Development Approval Compliance procedure currently being drafted. It is expected that this procedure will be approved and in effect by 1 July 2019.

In addition, auditing of the ICN Register is underway and due to be complete by 30 June 2019. Register entries relating to applications determined after 1 July 2017 are being reviewed for consistency with Pathway and compliance with the requirements of the *Planning Act 2016*.

In addition to the above, a subsequent body of work is required to finalise and appropriately implement the recommendations made by the QAO, including:

- Further reconciliation of the ICN Register for applications determined between 1 July 2011 and 30 June 2016 under the *Sustainable Planning Act 2009*.
- Reconciliation of offsets and credit transactions between ICN Register, the Infrastructure Agreements (IA) Registers and Pathway.
- Quarterly reconciliations between the ICN Register and Pathway to ensure completeness and accuracy of outstanding infrastructure contributions.

In addition to the above, there is a proposed reform to the *Planning Act 2016* and *Planning Regulation 2017* which may result in significant changes to the process for levying, collecting and recording of infrastructure charges. The complexity of the existing system as well as the

complexity of managing the levying of charges under the existing framework and information systems, with the use of Microsoft Excel to fill gaps in the system, suggests that a complete systems review may be warranted to better manage this aspect of Council's business. This will be further investigated by the Development Planning Branch.

### **FINANCIAL IMPLICATIONS**

All costs associated with completing the QAO recommendations have been absorbed within the Planning and Regulatory Services Department operational budget. Therefore, there are no financial implications associated with this report.

### **RISK MANAGEMENT IMPLICATIONS**

There are no risk management implications associated with this report.

### **LEGAL/POLICY BASIS**

This report and its recommendations are consistent with the following legislative provisions:

*Local Government Act 2009*

*Planning Act 2016*






### **COMMUNITY AND OTHER CONSULTATION**

The contents of this report did not require any community consultation.

### **CONCLUSION**

The Planning and Regulatory Services Department continue to work through the QAO recommendations and it is anticipated that all QAO recommendations will be complete by 31 December 2019.

### **ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS**

1.	Development Approval Compliance Program Workflow  
2.	Variation of Development Application Fees Procedure  
2.1	Attachment within Attachment 2  
	CONFIDENTIAL
3.	QAO 2018 Closing report - Ipswich City Council

Nicole Yiannou

**BUSINESS SUPPORT MANAGER**

I concur with the recommendations contained in this report.

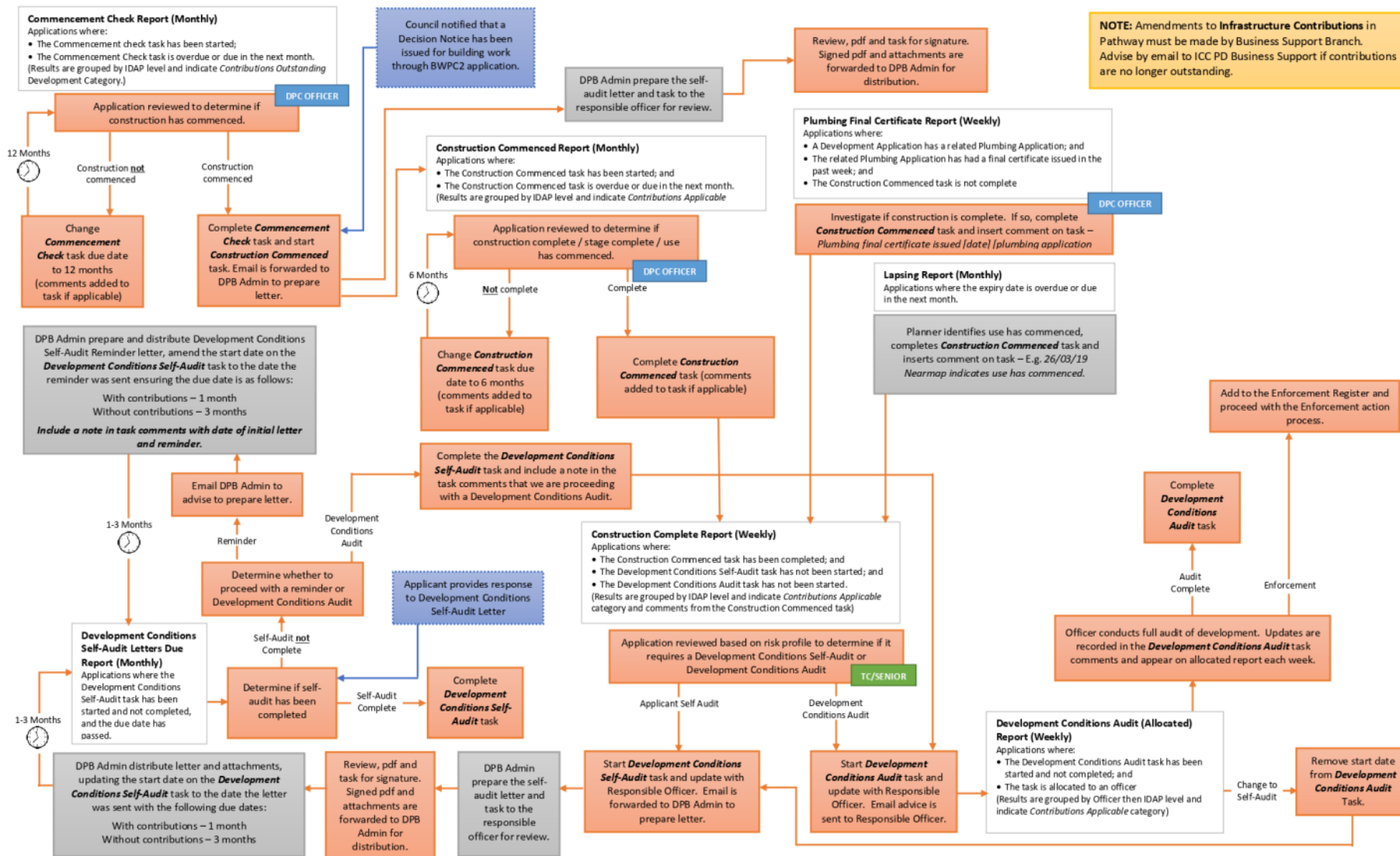
Brett Davey

**ACTING GENERAL MANAGER - PLANNING AND REGULATORY SERVICES**

***“Together, we proudly enhance the quality of life for our community”***

## Development Approval Compliance Audit Program

### PROCESS FLOWCHART





## Variation of Development Application Fees Procedure

Our Values: Collaboration Communication Integrity Efficiency Leadership

TOGETHER WE PROUDLY ENHANCE THE QUALITY OF LIFE FOR OUR COMMUNITY

Version Control and Objective ID	Version No: 1	Objective ID: [TBA]
Name of parent Policy / Directive	<a href="#">Ipswich City Council Register of Fees and Charges</a>	
Procedure Owner	Planning and Regulatory Services	
Approved by ELT on	[Date]	
Date of Review	[Date]	

### 1. Background

This procedure relates to the determination of fee variation requests for any assessment fee contained within the Ipswich City Council Register of Fees and Charges for an application or service provided by the Development Planning, Engineering & Environment or Building & Plumbing branches of the Planning and Regulatory Services Department.

In accordance with the provisions of the *Local Government Act 2009*, Council is permitted to charge reasonable fees based on recovering the cost of processing development applications and must therefore have regard to the complexity of the application and the time that each Council officer will need to put into deciding the application.

### 2. Purpose

The objective of this procedure is to provide a framework and process for deciding requests to reduce development application fees as outlined in the Ipswich City Council Register of Fees and Charges. This procedure supports the 'Fee Policies' contained within the Register of Fees and Charges.

### 3. Regulatory Authority

*Local Government Act 2009*

*Economic Development Act 2012*

Ipswich City Council Register of Fees and Charges

Policy titled 'Framework for Development Applications and Related Activities'

### 4. Roles and Responsibilities

*Approving Officers:* CEO, General Manager (Planning & Regulatory Services), Development Planning Branch Manager, Building and Plumbing Branch Manager, Engineering and Environment Branch Manager.

*Assessing Officers:* Team Coordinators (Development), Senior Development Planner, Development Planner, Team Coordinator (Building), Team Coordinator (Plumbing), Principal Engineering Officers, Principal Development Engineers, Team Coordinator (Environment)

**5. Stakeholders**

Planning and Regulatory Services

Strategic Client Branch

**6. Education and Training Requirements**

N/A

**7. Procedure**

The following steps outline the process for determining fee variations:

<b>Step 1.0</b>	<p><b>Request submitted</b></p> <p>Requests to reduce development applications fees are to be submitted on the <i>Request for Variation of Development Application Fees</i> form. Where the applicant is requesting the variation as a bona fide charitable or not-for-profit organisation, proof of status must be submitted with this form (e.g. ABN/ACN, solicitors undertaking, Australian Charities and Not-for-profits Commission registration etc.).</p> <p><b>Community Service Obligations:</b> Where work is required to be undertaken which is not captured under the fees and charges, or a fee is unable to be charged under the fees and charges (i.e. providing comments on a proposed public housing development or a community infrastructure designation), the Request for Variation of Development Application Fees form is not required Proceed to <a href="#">Step 4.0</a></p>
<b>Step 2.0</b>	<p><b>Request forwarded to relevant Branch</b></p> <p>Requests received by email are forwarded to the relevant Branch mailbox (i.e. <a href="mailto:development@ipswich.qld.gov.au">development@ipswich.qld.gov.au</a>, <a href="mailto:building@ipswich.qld.gov.au">building@ipswich.qld.gov.au</a> etc.).</p> <p>Hard copy requests are registered into Objective by the Strategic Client Branch and tasked to the relevant Branch Administration Team (i.e. PD Development Branch Administration Team, PD Building Plumbing Administration Team).</p>
<b>Step 3.0</b>	<p><b>Record of request created</b></p> <ol style="list-style-type: none"> <li>The Administration Officer enters the request into the Pathway Fee Variations Register, including the date of the request, applicant contact details, application number (if known) and property location. Electronic requests are registered into Objective with the following precis: <p><b>[Branch/Register No.] Fee Variation Request Email – [Property Location]</b>  <i>Example: DP/635 Fee Variation Request Email – 50 South Street, Ipswich</i></p> </li> <li>Where required, the Administration Officer separates and registers the PDF <i>Request for Variation of Development Application Fees</i> form into the relevant Fee Variation Requests folder in Objective with the following precis: <p><b>[Branch/Register No.] Fee Variation Request Form – [Property Location]</b></p> </li> </ol>



	<p><i>Example: DP/635 Fee Variation Request Form – 50 South Street, Ipswich</i></p> <p>3. The <i>Administration</i> Officer records the Pathway Fee Variations Register number on the <i>Request for Variation of Development Application Fees</i> form, saves and tasks the form (and supporting documentation) to the relevant Team Coordinator.</p>										
<b>Step 4.0</b>	<p><b>Request assessed and submitted for approval/refusal</b></p> <p>The relevant Team Coordinator (or nominated officer on their behalf) reviews and processes the request as outlined in the <i>Processing Requests for Variation of Development Application Fees</i> flowchart (see Attachment A). The request is submitted for approval by the relevant delegated officer (see table below).</p> <table border="1"> <thead> <tr> <th>REQUEST TYPE</th><th>DELEGATED OFFICER</th></tr> </thead> <tbody> <tr> <td>Minor Requests &amp; Community Service Obligations (PID/PPH applications)</td><td>Branch Manager</td></tr> <tr> <td>Unreasonable Prescribed Fee/Other (the variation amount is less than \$50,000 and less than a 75% reduction of the prescribed fee)</td><td>Branch Manager</td></tr> <tr> <td>Unreasonable Prescribed Fee/Other (the variation amount is between \$50,000 and \$500,000 or greater than a 75% reduction of the prescribed fee)</td><td>General Manager</td></tr> <tr> <td>Unreasonable Prescribed Fee/Other (the variation amount is greater than \$500,000)</td><td>Chief Executive Officer</td></tr> </tbody> </table> <p>When a request is made relating to an ‘unreasonable prescribed fee’, the assessing officer should consider matters such as:</p> <ul style="list-style-type: none"> <li>• the applicable fee in other SEQ local government areas;</li> <li>• previous decisions in the Fee Variation Register; and</li> <li>• if the fee is comparable with fees charged for applications with a similar complexity and assessment requirements in the fees and charges.</li> </ul>	REQUEST TYPE	DELEGATED OFFICER	Minor Requests & Community Service Obligations (PID/PPH applications)	Branch Manager	Unreasonable Prescribed Fee/Other (the variation amount is less than \$50,000 and less than a 75% reduction of the prescribed fee)	Branch Manager	Unreasonable Prescribed Fee/Other (the variation amount is between \$50,000 and \$500,000 or greater than a 75% reduction of the prescribed fee)	General Manager	Unreasonable Prescribed Fee/Other (the variation amount is greater than \$500,000)	Chief Executive Officer
REQUEST TYPE	DELEGATED OFFICER										
Minor Requests & Community Service Obligations (PID/PPH applications)	Branch Manager										
Unreasonable Prescribed Fee/Other (the variation amount is less than \$50,000 and less than a 75% reduction of the prescribed fee)	Branch Manager										
Unreasonable Prescribed Fee/Other (the variation amount is between \$50,000 and \$500,000 or greater than a 75% reduction of the prescribed fee)	General Manager										
Unreasonable Prescribed Fee/Other (the variation amount is greater than \$500,000)	Chief Executive Officer										
<b>Step 5.0</b>	<p><b>Request record updated</b></p> <p>1. The decision is forwarded to the relevant Administration Team. Where the officer’s recommendation is to amend the Register of Fees and Charges so that a variation is no longer required or a new category of fee variation is to be created in the Fee Variation Register in Pathway, the decision is also forwarded to the Business Support Branch Manager.</p> <p>2. The Administration Team register the decision into Objective with the following precis:</p> <p><b>[Branch/Register No.] Fee Variation Request [Approval/Refusal] – [Property Location]</b></p> <p><i>Example: DP/635 Fee Variation Request Approval – 50 South Street, Ipswich</i></p>										

	<p>3. The relevant Administration Officer updates the Pathway Fee Variations Register (with details of the approval/refusal) and prepares the <i>Response to Request for Variation of Development Application Fees</i> letter (if required) for signature. Once signed, the letter is registered into Objective with the following precis and distributed to the applicant.</p> <p><b>[Branch/Register No.] Response to Fee Variation Request – [Property Location]</b>  <i>Example: DP/635 Response to Fee Variation Request – 50 South Street, Ipswich</i></p>
<b>Step 6.0</b>	<p><b>Transfer documents to application file</b>  When the development application has been lodged with Council, the variation request documentation is saved into the application file and the Pathway Fee Variations register is updated to include the application number.</p>

## 8. Monitoring and review

This process will be monitored through regular reporting to the General Manager (Planning and Regulatory Services) outlining fee variation requests received during the previous quarter.

This details outlined in this procedure will be reviewed every two (2) years from the date of approval.

## 9. Related documents



Attachment A -  
Processing Requests

## 10. Definitions

**Minor Requests** are requests that relate to one of the following:

- Local Government Infrastructure (section 1.6 of the Ipswich City Council Register of Fees and Charges)
- Application Fee Cap (section 1.4 of the Ipswich City Council Register of Fees and Charges)
- Community Organisation and Purpose (section 1.5 of the Ipswich City Council Register of Fees and Charges)
- Development Constraint Overlay Error
- Incorrect Fee Quotation
- Request consistent with an Implementation Guideline or Council Policy
- Resubmission of DA (section 1.12 of the Ipswich City Council Register of Fees and Charges)
- Transfer of DA Fees (section 1.3 of the Ipswich City Council Register of Fees and Charges)

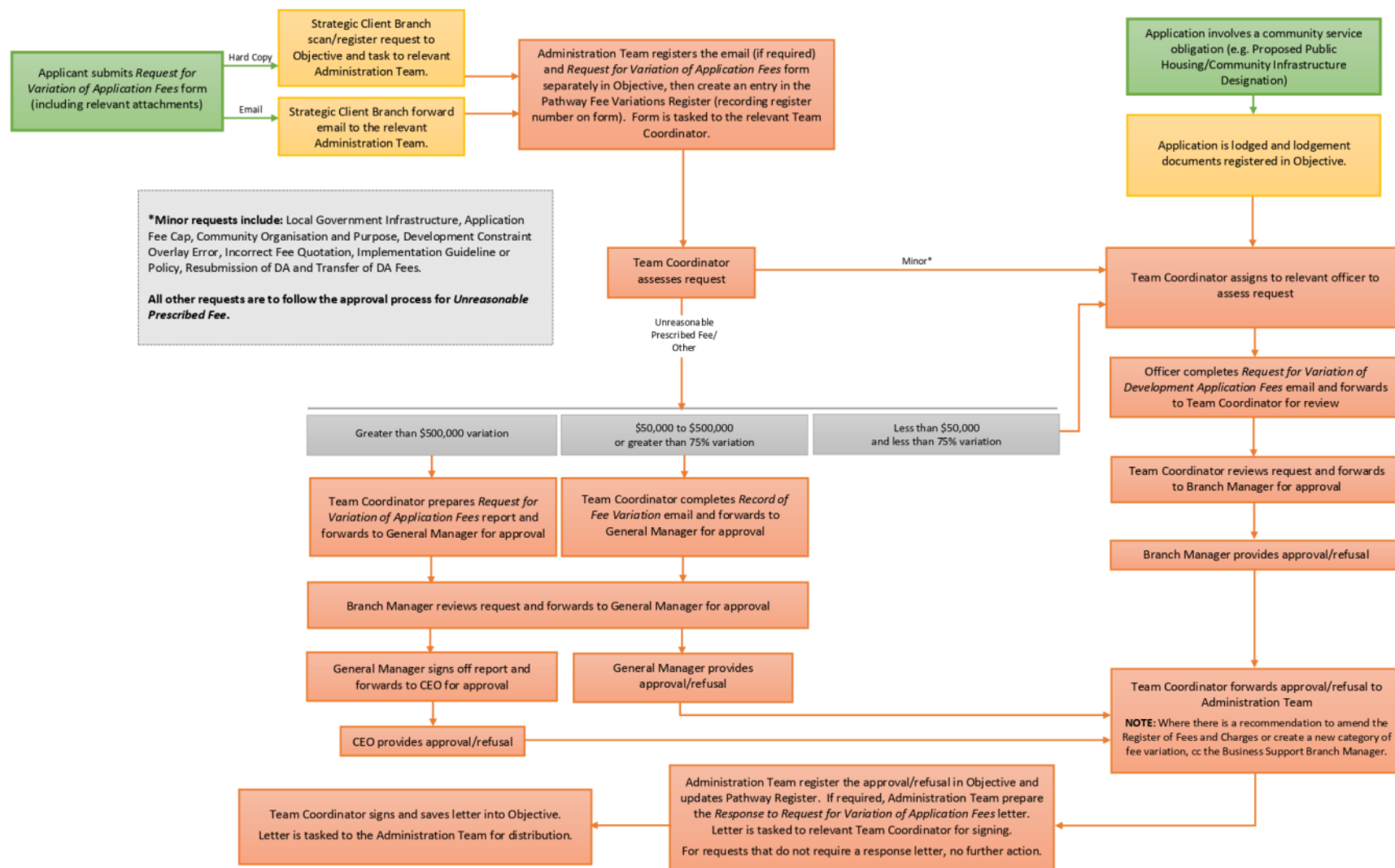
**Local Government Infrastructure** is where the request relates to a development application that has been made on or on behalf of Ipswich City Council and relates to the provision of standard local government infrastructure and facilities.

**Unreasonable Prescribed Fee** is where a request has been made that the strict application of the scheduled fee is unfair or unreasonable, in accordance with section 1.3 of the Ipswich City Council Register of Fees and Charges.



## Processing Requests for Variation of Development Application Fees

Planning & Regulatory Services Department



28 May 2019

Doc ID No: A5557447

ITEM: 8

SUBJECT: INTERNAL AUDIT BRANCH ACTIVITIES REPORT FOR THE PERIOD 4 FEBRUARY 2019 TO 10 JUNE 2019

AUTHOR: CHIEF AUDIT EXECUTIVE

DATE: 10 JUNE 2019

---

### **EXECUTIVE SUMMARY**

This is a report concerning the activities of Internal Audit undertaken since 4 February 2019 and the current status of these activities.

### **RECOMMENDATION/S**

**That the report be received, the contents noted and the recommendations in Attachments 2 and 3, be considered finalised and archived.**

### **RELATED PARTIES**

Not applicable.

### **ADVANCE IPSWICH THEME LINKAGE**

The intention is for the Internal Audit activity to support all five themes:

- Strengthening our local economy and building prosperity
- Managing growth and delivering key infrastructure
- Caring for the community
- Caring for the environment
- Listening, leading and financial management

Individual internal audits and corrupt conduct investigations will to a varying degree support these themes, but the main objective for Internal Audit is to support the organisation in achieving its objectives.

### **PURPOSE OF REPORT/BACKGROUND**

The purpose of this report is to keep the Audit and Risk Management Committee informed and to report on performance of the Internal Audit Branch:

- Summary of the activities of the Internal Audit Branch
- Report the status of the audit recommendations from completed audits
- Report the status of the audits currently under way

The supply of the information to the Mayor, the Chief Executive Officer and Audit and Risk Management Committee, is a requirement of the Internal Audit Charter.

### **Audits, Reviews, Projects and Activities (Attachment 1)**

This is a report on audits, reviews, projects and activities that were conducted during the period or in progress as at 10 June 2019.

### **Audit Recommendations (Attachment 2 and 3)**

Extracted from the Audit Recommendations System, these reports list all Internal 2 and External 3 Audit recommendations (with management comments and responses) that managers advise have been implemented since the report made to the last Audit Committee meeting.

This report is presented to the Audit and Risk Management Committee prior to the recommendations being finalised and/or archived.

### **Internal Audit Report Register (Attachment 4)**

This is a historic register recording the reference number of formal reports produced, audits commenced, report status and date completed for the last ± two years.

### **FINANCIAL/RESOURCE IMPLICATIONS**

Resources are provided to internal audit through the annual audit plan and budgeting processes. No additional resources were required because of this report. However situations will dictate if internal audits and investigations have to be outsourced and also management will have to consider their implications to implement the recommendations as per the individual reports.

### **RISK MANAGEMENT IMPLICATIONS**

Each of the individual reports provides for a control environment opinion as well as individual risk ratings per individual findings and recommendations. The importance is for management to implement the individual recommendations well to either address or diminish the exposure for Council, or explain why it is acceptable to not implement the suggested improvements. As per the corrupt conduct investigation the findings and risks vary in each situation and are discussed in the confidential reports. Having said that the key risks are still if the information is not well presented, well understood or does not generate an appropriate response.

### **LEGAL/POLICY BASIS**

This report and its recommendations are consistent with the following legislative provisions:

*Local Government Act 2009*

*Local Government Regulation 2012*

*Crime and Corruption Act 2001*

## COMMUNITY AND OTHER CONSULTATION



Internal Audit mostly consults internally to the organisation and its management in conducting the internal audits and finalising the reports. For investigations the appropriate consultations take place as the situation allows and requires.

## CONCLUSION

During the period under review the Internal Audit Branch undertook a number of activities, including as listed in Attachment 1.

During the course of Internal Audit activities, contributions to the improvement of operational procedures, practices and the control environment have been achieved.

## ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	Internal Audit Register  
	CONFIDENTIAL
2.	Internal Audit Activity Report
3.	Internal Audit Recommendations Implemented
4.	External Audit Recommendations Implemented

Freddy Beck

**CHIEF AUDIT EXECUTIVE**

I concur with the recommendations contained in this report.

David Farmer

**CHIEF EXECUTIVE OFFICER**

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## Internal Audit Report Status

2018/2019 Financial Year			
Reference	Audit Name	Final Report	Finalised
A1718-03	Community Lease Agreements	24/01/2019	
A1718-04	Construction Quality Verification	30/10/2018	30/10/2018
A1718-07	Design Certification	19/12/2018	
A1718-09	Environmental Plan Levy	25/07/2018	
A1718-10	ICT Managed Services Implementation	04/10/2018	04/10/2018
A1819-01	Business Case Development	In Progress	
A1819-02	Civic Hall Safety and Security	03/06/2019	
A1819-05	Credit Cards Framework – Allocation and Use	Draft Report	
A1819-07	Enterprise Resource Planning Observation/Advice	In Progress	
A1819-08	Fraud Prevention and Investigation Process	In Progress	
A1819-09	Infrastructure Services Capacity Review	Draft Report	
A1819-11	Objective	In Progress	
A1819-12	Operations of Fleet and Plant	In Progress	
A1819-13	Penalty Infringement Process	In Progress	
A1819-15	Pound Operations	Draft Report	
A1819-18	Waste Business Management Systems	14/05/2019	

2017/2018 Financial Year			
Reference	Audit Name	Final Report	Finalised
A1617-05	Ethics	23/08/2017	05/06/2019
A1617-10	IT Security	10/11/2017	10/11/2017
A1617-14	Process of Communications Release	16/08/2017	31/07/2018
A1617-15	Procurement and Contract Management	15/08/2017	
A1617-17	Service Request Management	18/07/2017	
A1718-01	Arboriculture	20/04/2018	
A1718-08	Enterprise Resource Planning Observation/Advice	30/06/2018	30/06/2018
A1718-11	Immunisation Program	29/06/2018	
A1718-12	Line Marking and Signs	29/06/2018	
A1718-16	Residential Swimming Pools	16/11/2017	

**Item 8 / Attachment 1.**

ICC Internal Audit Activities Report

**ATTACHMENT 4**

<u>2017/2018 Financial Year</u>			
Reference	Audit Name	Final Report	Finalised
A1718-17	Security and Safety Cameras	29/06/2018	
A1718-18	Waste Business Management Systems	20/04/2018	04/12/2018

<u>2016/2017 Financial Year</u>			
Reference	Audit Name	Final Report	Finalised
201602	Change Management IT	16/12/2016	16/05/2017
201603	Contributed Assets	19/09/2016	07/01/2019
201608	Governance of Controlled Entities	12/10/2016	07/08/2018
A1617-02	Data <sup>#3</sup> (Compliance) ICT Managed Services - Probity	16/06/2017	16/06/2017
A1617-04	Enterprise Resource Planning (ERP) Observation/Advice	30/06/2017	30/06/2017
A1617-06	Fees and Charges (Revenue)	12/04/2017	07/12/2018
A1617-07	Fuel and Corporate Cards	02/06/2017	02/06/2017
A1617-08	Food Safety Program	12/04/2017	10/10/2017
A1617-09	Infrastructure Agreements	03/03/2017	16/05/2017
A1617-11	Library	27/03/2017	28/02/2018
A1617-12	Overtime and Allowances	30/01/2017	15/02/2017
A1617-13	Parks, Open Spaces and Playgrounds	28/10/2016	30/05/2018
A1617-18	SES	02/06/2017	
A1617-19	IWS Business Management System	03/03/2017	11/09/2017

<u>2015/2016 Financial Year</u>			
Reference	Audit Name	Final Report	Finalised
201509	IT Security	07/09/2015	15/02/2017
201511	Privacy/Identity Management	02/02/2016	03/08/2016
201516	Social Media	16/07/2015	15/02/2017
201601	Business Process Reengineering and Benefits Realisation	18/01/2016	17/02/2016
201604	Enterprise Resource Planning (ERP) Observation/Advice	30/06/2016	03/08/2016
201605	Enterprise Risk Management (ERM)	29/04/2016	
201606	Fire Safety	23/05/2016	30/06/2017
201609	Independent Validation of Internal Audit Quality Self-Assessment	30/06/2016	
201610	Internal Audit Recommendations Implementation Follow-up	03/06/2016	03/08/2016

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Item 8 / Attachment 1.

ICC Internal Audit Activities Report

ATTACHMENT 4

<u>2015/2016 Financial Year</u>			
Reference	Audit Name	Final Report	Finalised
201611	Objective – Record Storage, Clarification and Retrieval	30/06/2016	03/08/2016
201613	Procurement (External Audit Recommendations)	23/03/2016	18/05/2016
201614	Program Management Process (IS) review new process	13/04/2016	18/05/2016
201618	Transport Corridor Planning	05/02/2016	18/05/2016
201619	IWS Management Systems Review	19/04/2016	03/08/2017

<u>2014/2015 Financial Year</u>			
Reference	Audit Name	Final Report	Finalised
201401	Animal Management	07/08/2014	17/02/2016
201402	Budget Management	08/01/2015	17/02/2016
201404	Cloud Computing	22/08/2014	22/10/2014
201405	Contract Management	25/09/2014	31/07/2018
201501	Abandoned Vehicles	17/10/2014	13/05/2015
201502	Appointment Process	15/04/2015	13/05/2015
201503	Asset Management – Strategic (WPR)	20/03/2015	17/02/2016
201504	Cemeteries	25/02/2015	
201505	Dealing with Children	07/11/2014	13/10/2016
201506	Enterprise Resource Planning (ERP) Observation/Advice	30/06/2015	05/08/2015
201508	IT Governance	16/06/2015	05/08/2015
201510	Parking Fines	27/05/2015	03/10/2007
201513	Purchase Card Industry – Data Security Standard	19/06/2015	03/08/2016
201514	Roads Rehabilitation Maintenance	19/06/2015	18/05/2016
201517	Transfer Station	11/06/2015	28/10/2015
201518	Workplace Health & Safety	20/03/2015	16/05/2017
201519	Ipswich Waste Services Management Systems Review	28/05/2015	05/08/2015
201520	Rates	21/05/2015	05/07/2017

<u>2013/2014 Financial Year</u>			
Reference	Audit Name	Final Report	Finalised
201303	Asset Management Tool and Software Capability	08/11/2013	22/10/2014
201311	Project Quality Management (Actual vs. Specified) (IS)	23/08/2013	21/05/2014

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**Item 8 / Attachment 1.**

ICC Internal Audit Activities Report

**ATTACHMENT 4**

<u>2013/2014 Financial Year</u>			
Reference	Audit Name	Final Report	Finalised
201312	Purchase Cards (Supervision)	09/08/2013	12/02/2014
201315	Task Performance Management (Absenteeism, Productivity) (WP&R)	19/12/2013	13/05/2015
201403	Business Activity Statement (BAS) Preparation	26/09/2013	21/05/2014
201406	ECM Records (Assessment of Pilot)	30/06/2014	12/08/2014
201407	Enterprise Resource Planning (ERP) Observation/Advice	30/06/2014	12/08/2014
201408	Flood Damage Management	06/11/2013	21/05/2014
201409	Investigation and Compliance (HS&RS)	26/09/2013	22/10/2014
201410	Internal Financial Control (C&CS)	19/12/2013	12/08/2014
201411	Phone Contract Management	05/02/2014	21/05/2014
201412	Plant Hire	15/05/2014	11/02/2015
201415	Security of Council Assets and People	18/02/2014	13/05/2015
201417	Tender Evaluation	01/05/2014	16/05/2017
201418	Waste Drivers Time and Attendance Recording	15/08/2013	11/02/2015
201419	Ipswich Waste Services Management Systems Review	05/02/2014	12/08/2014

<u>2012/2013 Financial Year</u>		
Reference	Audit Name	Final Report Date
201202	Business Intelligence & Reporting	28/09/2012
201210	Intellectual Property and Commercialisation (C&CS)	28/09/2012
201214	Private Work (IS, P&D)	26/09/2012
201215	Project Management (Review 2 or 3 selected projects) (IS, WP&R)	14/08/2012
201217	Restructuring (Loss of Control Measures)	28/09/2012
201302	Asset Management Portable and Attractive (HS&RS)	20/03/2013
201304	Enterprise Resource Planning (ERP) Assurance	30/06/2013
201305	Financial Capitalisation and Asset Recognition (IS, F&CS)	18/06/2013
201306	Footpath Inspection and Maintenance (WP&R)	25/06/2013

Item 8 / Attachment 1.

ICC Internal Audit Activities Report

ATTACHMENT 4

<u>2012/2013 Financial Year</u>		
Reference	Audit Name	Final Report Date
201307	Grants and Subsidies Received and Allocated	04/12/2012
201308	Investigation Procedure and Guidelines	19/06/2013
201310	Payroll Allowances and Reconciliations	18/06/2013
201316	Transfer Station	20/03/2013

<u>2011/2012 Financial Year</u>		
Reference	Audit Name	Final Report Date
201102	Asset Valuation, Depreciation & Impairment	01/08/2011
201106	Disaster Recovery Processes & Business Continuity (Waste Pilot)	27/06/2012
201201	Bushfire Planning and Preparation (P&D, WP&R)	14/05/2012
201203	Community Engagement Plans	23/03/2012
201204	Control Processes and Documentation (P&D)	25/06/2012
201205	Disaster Recovery Processes & Business Continuity (F&CS (IT), WP&R)	27/06/2012
201206	Enterprise Resource Planning (ERP) Assurance	30/06/2012
201207	Estimates Process for Capital and Other Projects (IS, WP&R)	31/01/2012
201208	General Complaints Process	14/05/2012
201209	Hiring of Contractors	02/12/2011
201211	Performance & Appraisal Process (Staff)	17/02/2012
201212	Policy & Procedure Currency Review	15/11/2011
201213	Privacy (Protect Sensitive & Private Information (HS&RS))	01/03/2012
201216	Receivals – Actual/Outcome versus Specifications/Requirements	02/12/2011
201218	Secure Mobile Devices	02/03/2012
201219	Flood Reconstruction Due Process (Special Audit)	30/09/2011

<u>2010/2011 Financial Year</u>		
Reference	Audit Name	Final Report Date
201011	One Stop Shop Compliance Framework (HP&R, P, ES)	13/08/2010
201014	Project Management (F&CS, P, E)	14/12/2010

Item 8 / Attachment 1.

ICC Internal Audit Activities Report

ATTACHMENT 4

<u>2010/2011 Financial Year</u>		
Reference	Audit Name	Final Report Date
201001	Accounts Payable	24/03/2011
201104	Continuous Control Monitoring (Fraud Prevention and Detection)	30/06/2011
201107	Enterprise Resource Planning (ERP) Assurance	30/06/2011
201108	FBT (Policy & Calculation)	21/09/2010
201109	IT Security (Oracle)	04/11/2010
201110	Legislative Compliance	06/04/2011
201113	Procurement (Roles & Segregation)	03/11/2010
201114	Quality Assessment of Internal Audit Unit	13/04/2011
201115	Training Framework	12/11/2010

<u>2009/2010 Financial Year</u>		
Reference	Audit Name	Final Report Date
200908	Enterprise Risk Management (ERM)	18/08/2009
200910	Facilities Management	20/07/2009
201001	Infrastructure Assets Maintenance & Rehabilitation	28/04/2010
201002	Asset Sales and Disposal	29/06/2010
201003	Bank Reconciliation (F&CS)	30/06/2010
201004	Cash Handling Sites	05/03/2010
201005	Continuous Control Monitoring (Fraud Prevention and Detection)	30/06/2010
201006	Delegations	18/08/2009
201008	Enterprise Resource Planning (ERP) Assurance	30/06/2010
201009	Financial Accounting (Oracle)	21/04/2010
201012	Overtime and Allowances	10/02/2010
201013	Performance Measurement	02/06/2010
201015	Revenue Loss	17/12/2009

Doc ID No: A5570564

ITEM: 9

SUBJECT: ANNUAL INTERNAL AUDIT PLAN FOR 2019-2020 THAT INCLUDES THE  
STRATEGIC INTERNAL AUDIT PLAN FOR 2020-2022

AUTHOR: CHIEF AUDIT EXECUTIVE

DATE: 10 JUNE 2019

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### **EXECUTIVE SUMMARY**

This is a report concerning the proposed Annual Audit Plan for 2019-2020 that includes the Strategic Internal Audit Plan for 2020-2022.

### **RECOMMENDATION/S**

**That the Interim Administrator of Ipswich City Council resolve:**

- A. That the draft Internal Audit Annual Plan for 2019-2020 that includes the draft Strategic Internal Audit Plan for 2020-2022 (Attachment 1) as prepared by the Chief Audit Executive be reviewed and considered by the Audit and Risk Management Committee.**
- B. That, following receipt of the views of the Audit Committee, the Plans subject to amendments as considered necessary, be formally approved by the Chief Executive Officer as required under the Internal Audit Charter.**

### **RELATED PARTIES**

Not applicable.

### **ADVANCE IPSWICH THEME LINKAGE**

The intention is for the Internal Audit activity to support all five themes:  
Strengthening our local economy and building prosperity  
Managing growth and delivering key infrastructure  
Caring for the community  
Caring for the environment  
Listening, leading and financial management

Individual internal audits and corrupt conduct investigations will to a varying degree support these themes, but the main objective for Internal Audit is to support the organisation in achieving its objectives.

## **PURPOSE OF REPORT/BACKGROUND**

This report is submitted to this meeting for review and comment on the proposed draft Internal Audit plan. For the first time the annual and three year strategic internal audit plans have been combined into one plan.

The Internal Audit Charter requires that:

### ***“8. INTERNAL AUDIT APPROACH***

*8.1 Internal Audit Branch will adopt an integrated risk based approach to allocating resources and planning.*

*8.2 Risk Profile, Three Year Strategic and Annual Internal Audit Plans:*

*8.2.1 The Internal Audit Branch, in consultation with management, will develop a risk profile for each area within Council so that greater audit attention can be directed to areas of higher risk.*

*8.2.2 Based on the risk assessment, the general direction of Council's internal audit activities over the medium term is to be documented in the Three Year Strategic Internal Audit Plan. This plan shall be reviewed and approved by the CEO. The Plan will also be reviewed annually to take account of any change in circumstances.*

*8.2.3 The Annual Audit Plan projects may include financial, compliance, performance, due diligence, information systems, program evaluation, operational audits and other approaches as deemed appropriate, given the resources and also the priorities established through the risk assessment process and other more recent considerations.”*

A review of the risk assessment for internal audit planning purposes is conducted in the latter half of each financial year facilitated by a meeting between the members of Council's Executive Leadership Team and the Chief Audit Executive. As a consequence of these discussions, the more significant risk and auditable issues facing the organisation have been identified and summarised in the Three Year Audit Plan.

This proposed Internal Audit Program was presented at the Executive Leadership Team meeting of 30 May 2018 (that includes a schedule of estimated dates) and is now tabled at the meeting of the Audit and Risk Management Committee for discussion and consideration.

## **FINANCIAL/RESOURCE IMPLICATIONS**

Resources are provided to internal audit through the annual audit plan and budgeting processes. No additional resources are considered at this moment in time. However situations will dictate if internal audits and investigations have to be outsourced and also management will have to consider their implications to implement the recommendations as per the individual reports.

## RISK MANAGEMENT IMPLICATIONS

Each of the individual reports provides for a control environment opinion as well as individual risk ratings per individual findings and recommendations. The importance is for management to implement the individual recommendations well to either address or diminish the exposure for Council, or explain why it is acceptable to not implement the suggested improvements. As per the corrupt conduct investigation the findings and risks vary in each situation and are discussed in the confidential reports. Having said that the key risks are still if the information is not well presented, well understood or does not generate an appropriate response.

## LEGAL/POLICY BASIS

This report and its recommendations are consistent with the following legislative provisions:

*Local Government Act 2009*

*Local Government Regulation 2012*

*Crime and Corruption Act 2001*

Internal Audit is constituted as per the *Local Government Act 2009* and *Local Government Regulation 2012* and the following are the requirements in relation to the internal audit plan:

<b>Part 11</b>	<b>Auditing</b>
<b>Division 1</b>	<b>Internal audit function</b>
<b>Subdivision 1</b>	<b>Internal auditing and reporting</b>
<b>207</b>	<b>Internal audit</b>
Requirement	Section in Plan
(1) For each financial year, a local government must—	
(a) prepare an internal audit plan;	The whole annual and strategic audit plan
(2) A local government's <b>internal audit plan</b> is a document that includes statements about—	
(a) the way in which the operational risks have been evaluated; and	3, 5 and 6
(b) the most significant operational risks identified from the evaluation; and	7, 11, 12 and 13
(c) the control measures that the local government has adopted, or is to adopt, to manage the most significant operational risks.	7, 8, 9 and 10

## COMMUNITY AND OTHER CONSULTATION

Internal Audit mostly consults internally to the organisation and its management in conducting the internal audits and finalising the reports. For investigations the appropriate consultations take place as the situation allows and requires.

## CONCLUSION

The process of audit planning by the Chief Audit Executive has been completed and has been reviewed by Council's Executive Leadership Team.

## ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	CONFIDENTIAL Draft Annual and Strategic Internal Audit Plan 2018-2019
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Freddy Beck  
**CHIEF AUDIT EXECUTIVE**

I concur with the recommendations contained in this report.

David Farmer  
**CHIEF EXECUTIVE OFFICER**

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Doc ID No: A5567919

ITEM: 10  
SUBJECT: SUMMARY OF RECENT INTERNAL AUDIT REPORTS ISSUED  
AUTHOR: CHIEF AUDIT EXECUTIVE  
DATE: 11 JUNE 2019

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### **EXECUTIVE SUMMARY**

This is a report concerning recently completed internal audits and the subsequent reports released since the previous report dated 4 February 2018.

### **RECOMMENDATION/S**

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

### **RELATED PARTIES**

Not applicable

### **ADVANCE IPSWICH THEME LINKAGE**

The intention is for the Internal Audit activity to support all five themes:  
Strengthening our local economy and building prosperity  
Managing growth and delivering key infrastructure  
Caring for the community  
Caring for the environment  
Listening, leading and financial management

Individual internal audits and corrupt conduct investigations will to a varying degree support these themes, but the main objective for Internal Audit is to support the organisation in achieving its objectives.

### **PURPOSE OF REPORT/BACKGROUND**

Since 4 February 2018, Internal Audit has issued/finalised 3 Internal Audit reports/Consulting Tasks and the extracts of the reports containing the audit recommendations, management response and agreed action by date, are attached to enable any further discussion that may be required by the Audit and Risk Management Committee.

Control Environment Opinion Summary over Areas in Scope of Audits	5	4	3	2	1
Civic Centre Safety and Security(A1819-02)			✓		
IWS Business Management Systems Review (A1819-18)					✓

Rating Definitions	
5	Indicates unacceptable control environment or critical operating or control problems or extreme exposure.
4	Indicates unsatisfactory control environment or significant operational, procedural or control deficiencies or high exposure.
3	Indicates limited control environment or some operational, procedural or control deficiencies, issues or moderate exposure
2	Indicates acceptable control environment or minor operational, procedural or control deficiencies, issues or exposure.
1	Indicates well controlled environment or no or limited unfavourable audit findings, observations or exposure.

## FINANCIAL/RESOURCE IMPLICATIONS

Resources are provided to internal audit through the annual audit plan and budgeting processes. No additional resources were required because of this report.

## RISK MANAGEMENT IMPLICATIONS

Each of the individual reports provides for a control environment opinion as well as individual risk ratings per individual findings and recommendations. The importance is for management to implement the individual recommendations well to either address or diminish the exposure for Council, or explain why it is acceptable to not implement the suggested improvements. As per the corrupt conduct investigation the findings and risks vary in each situation and are discussed in the confidential reports. Having said that the key risks are still if the information is not well presented, well understood or does not generate an appropriate response.

## LEGAL/POLICY BASIS

This report and its recommendations are consistent with the following legislative provisions:

*Local Government Act 2009*

*Local Government Regulation 2012*

## COMMUNITY AND OTHER CONSULTATION

Internal Audit mostly consults internally to the organisation and its management in conducting the internal audits and finalising the reports.

## CONCLUSION

The attached executive summary of reports provides for the individual opinion as per each report.

## ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

	CONFIDENTIAL
1.	Executive summaries of internal audit reports
2.	Audit Report No. A1819-02
3.	Audit Report No. A1819-18

Freddy Beck  
**CHIEF AUDIT EXECUTIVE**

I concur with the recommendations contained in this report.

David Farmer  
**CHIEF EXECUTIVE OFFICER**

***“Together, we proudly enhance the quality of life for our community”***

Doc ID No: A5581457

ITEM: 11

SUBJECT: OVERDUE RECOMMENDATIONS AS AT 10 JUNE 2019.

AUTHOR: CHIEF AUDIT EXECUTIVE

DATE: 10 JUNE 2019

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### **EXECUTIVE SUMMARY**

This is a report concerning the status of each Department's progress in actioning the internal and external audit recommendations due or overdue for implementation.

### **RECOMMENDATION/S**

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

### **RELATED PARTIES**

Not applicable

### **ADVANCE IPSWICH THEME LINKAGE**

The intention is for the Internal Audit activity to support all five themes:

Strengthening our local economy and building prosperity

Managing growth and delivering key infrastructure

Caring for the community

Caring for the environment




Listening, leading and financial management

Individual internal audits will to a varying degree support these themes, but the main objective for Internal Audit is to support the organisation in achieving its objectives.

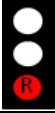
### **PURPOSE OF REPORT/BACKGROUND**


Every month each Department Head is requested to update the status of both the internal and external audit recommendations due for implementation within their area of responsibility.


Traffic light have been introduced based on the request of the Audit and Risk Management Committee. The following is an indication of what each indicator could mean.

Light	Green	Light	Orange	Light	Red
	Under control Reasonable number Low overall risk		Need to monitor Number increasing Moderate overall risk		Need to be addressed Number problematic High overall risk

The following Departments' progress towards the implementation of recommendations, for which they are responsible, is summarised below:

Corporate Services					
Date of Report	Total overdue	Catastrophic	High	Moderate	
10 June 2019	4	0	1	1	
In relation to: Independent Validation of Internal Audit Self-Assessment (201609), Service Request Management (A1617-17), Procurement and Contract Management (A1617-15)					

Infrastructure and Environment					
Date of Report	Total overdue	Catastrophic	High	Moderate	
10 June 2019	2	0	0	2	
In relation to: Arboriculture (A1718-01), Line Marking and Signs (A1718-12)					

Planning and Regulatory Services					
Date of Report	Total overdue	Catastrophic	High	Moderate	
10 June 2019	5	0	0	1	
In relation to: Cemeteries (201504), Immunisation Program (A1718-11)					

All other departments had no recommendations overdue for more than 3 months.

## FINANCIAL/RESOURCE IMPLICATIONS

Resources are provided to internal audit through the annual audit plan and budgeting processes. No additional resources are required because of this report. However management will have to consider their implications to implement the recommendations as per the individual reports.

## RISK MANAGEMENT IMPLICATIONS

Each of the individual reports provides for a control environment opinion as well as individual risk ratings per individual findings and recommendations. The importance is for management to implement the individual recommendations well to either address or diminish the exposure for Council, or explain why it is acceptable to not implement the suggested improvements.

## LEGAL/POLICY BASIS

This report and its recommendations are consistent with the following legislative provisions:  
*Local Government Act 2009*  
*Local Government Regulation 2012*

## COMMUNITY AND OTHER CONSULTATION

Internal Audit mostly consults internally to the organisation and its management in conducting the internal audits and finalising the reports.

## CONCLUSION

Total Internal Audit recommendations **overdue for more than 3 months** and level of risk:

Minimal and Low not indicated.

Date of Report	Total overdue	Catastrophic	High	Moderate	
10 June 2019	10	0	1	4	
4 February 2019	10	0	1	8	

Total Internal Audit recommendations **open** and level of risk:

Date of Report	Total open	Catastrophic	High	Moderate	
10 June 2019	29	0	3	16	
4 February 2019	35	0	4	25	

Total External Audit recommendations **overdue** and level of risk:

Ratings as used by QAO.

Date of Report	Total overdue	High	Moderate	Low	
10 June 2019	2	0	2	0	
4 February 2019	3	1	2	0	

Total External Audit recommendations **open** and level of risk:

Date of Report	Total open	High	Moderate	Low	
10 June 2019	21	5	13	3	
4 February 2019	45	15	20	10	

Overall Status	
The number of overdue recommendations have been stable but needs attention due to the nature of the recommendations and to ensure this remains static or improves. The total number of open recommendations have reduced.	

## ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

	CONFIDENTIAL
1.	Recommendations Statistics and Overdue Summary
2.	Internal Audit Recommendations overdue for more than 3 months
3.	External Audit Recommendations overdue for more than 3 months

Freddy Beck

**CHIEF AUDIT EXECUTIVE**

I concur with the recommendations contained in this report.

David Farmer

**CHIEF EXECUTIVE OFFICER**

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Doc ID No: A5570386

ITEM: 12

SUBJECT: RISK AND PLANNING SECTION'S PERFORMANCE IN THE MANAGEMENT OF  
CORPORATE RISK AND INSURANCE

AUTHOR: ACTING CORPORATE GOVERNANCE MANAGER

DATE: 5 JUNE 2019

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### **EXECUTIVE SUMMARY**

This is a report concerning the performance of the Risk and Planning Section (the Section) in relation to the management of corporate risk and insurance for the period 1 January 2019 to 31 March 2019 (the Quarter).

### **RECOMMENDATION/S**

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

### **RELATED PARTIES**

There are no related parties.

### **ADVANCE IPSWICH THEME LINKAGE**

Listening, leading and financial management

### **PURPOSE OF REPORT/BACKGROUND**

To inform the Committee of:

- Corporate Risk and Insurance Statistics for the Quarter
- Status of Transformational Project No. 7 Review and Implement the Risk Management Framework, Fraud and Corruption Control, Decision Making and Integrity.



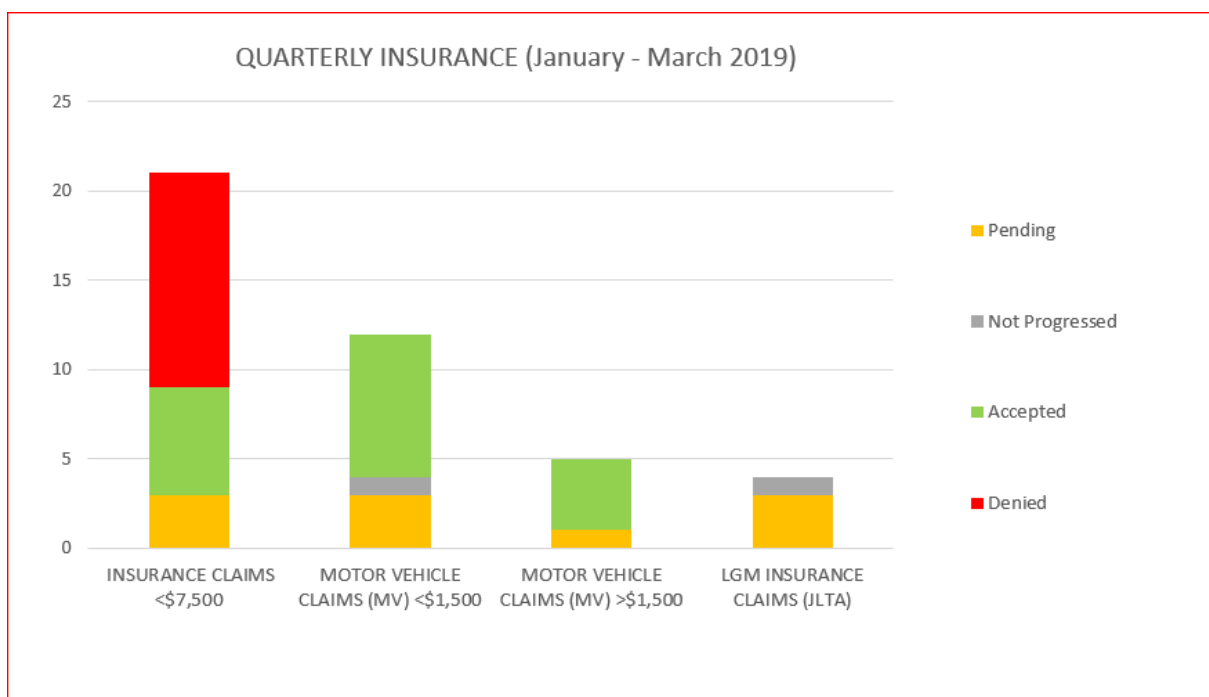
## 1. Corporate Risk and Insurance Statistics for the Quarter

Confidential spreadsheet (Attachment 1 and 2) provide detailed information on:

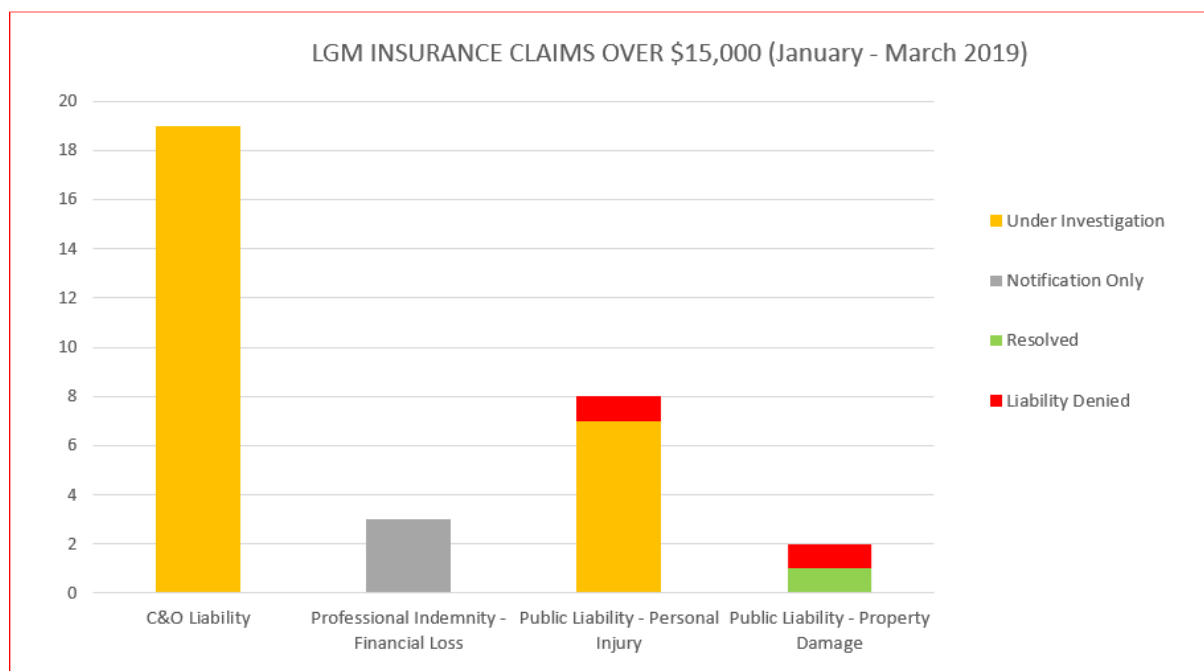
- LGM Insurance Claims Over \$15,000 (Including Councillors and Officers Claims)
- Insurance Claims < \$7,500, Motor Vehicle <\$1,500, LGM Claims received in Quarter

The following tables provide a high-level snapshot of insurance claims over \$15,000 and all other insurance claims for the quarter:

QUARTERLY REPORTING INSURANCE - JAN TO MAR 2019	Pending	Finalised - No Further Action	Accepted	Denied	TOTAL
INSURANCE CLAIMS <\$7,500			4	7	11
MOTOR VEHICLE CLAIMS (MV) <\$1,500	1		6		7
MOTOR VEHICLE CLAIMS (MV) >\$1,500	6		2		8
LGM INSURANCE CLAIMS (JLTA)	3	1			4
<b>TOTAL</b>	<b>10</b>	<b>1</b>	<b>12</b>	<b>7</b>	<b>30</b>



LGM INSURANCE CLAIMS OVER \$15,000 - JAN TO MAR 2019	Under Investigation	Notification Only	Resolved	Liability Denied	TOTAL
C&O Liability	13				13
Professional Indemnity - Financial Loss	1	1			2
Public Liability - Personal Injury	8			1	9
Public Liability - Property Damage				1	1
<b>TOTAL</b>	<b>22</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>25</b>



## 2. TP7 Review and Implement the Risk Management Framework, Fraud and Corruption Control, Decision Making and Integrity

Largely TP7's purpose is to develop a better practice and consistent whole of Council approach to Enterprise Risk Management (ERM) in order to proactively identify, manage and respond to issues that represent risks to the achievement of Council's strategic objectives. The project is critical to increase the operational effectiveness and efficiency of Council through a framework of transparent, compliance driven, informed decision making processes. The project has five sub-projects as detailed below with current progress and issues against each noted.

**Summary** – TP7 is basically on track (approx. 3 weeks behind the adopted schedule) following some delays in the engagement of a risk consulting firm.

**Sub-project 1** - Risk management program including the risk management governance framework (ERM)

PWC were engaged following two RFQ processes. The consultants have commenced the review of Council's existing documentation and as part of the next phase, meetings are being scheduled mid-June for individual meetings with the CEO, the Interim Administrator and ELT

members. There is also another meeting being scheduled with three of the IMC members. The purpose of these meetings is to discuss the ERM, identify opportunities for improvement and discuss key risks. To date good progress has been made with the consultants having gained an understanding of weaknesses in implementation and coverage of the existing risk registers.

**Sub-project 2 - Fraud and corruption control program**

Previously TP10 but now integrated into TP7. Activities that form sub-project 2 are yet to commence (in line with the endorsed schedule). It is anticipated that SP2 related activities will commence in late June/early July.

**Sub-project 3 - Good decision making and ethics principles**

Delay in commencement to the sub-project, sub-project has recently recommenced with potential overlaps with TP6's training program being clarified and final scope of activities under the sub-project being confirmed.

**Sub-project 4 - Business Continuity Plans**

The draft Business Continuity Management Administrative Directive has been prepared and placed on agenda for the June 25 Steering Committee meeting. The next focus is on creating the supporting framework and conducting high-level business impact assessments to identify critical business functions. Basically on track with some delays in June to conflicting work priorities.

**Sub-project 5 - Project Risk Management Model**

A 'one size fits all' project risk model (applicable for a wide range of projects across Council) is well under development and due for completion mid-June 2019. It is anticipated that the draft model will be included in the agenda for the June 25 Steering Committee meeting. Communications and training will then occur internally to promote the model and its utilisation.

**FINANCIAL/RESOURCE IMPLICATIONS**

There are no financial/resource implications.

**RISK MANAGEMENT IMPLICATIONS**

As reported to the Audit and Risk Management Committee in February 2019 the following risk was identified:

Currently, due to staffing changes, the organisation does not have any officer who possesses significant experience in risk management and insurance or has an expert understanding of Council's statutory governance and compliance obligations.

The mitigation for this risk was the recruitment of a Risk Management Coordinator. On 4 June 2019 Graham McGinniskin commenced working for council in this role. Graham has worked in the risk management sector for many years and has a wealth of risk management expertise. The Risk Management Coordinator's duties will be:

- To coordinate risk management practice throughout Council in a professional, efficient and confidential manner, ensuring the development of good working relationships with all staff and stakeholders.
- Assist Council in meeting its risk management compliance requirements with Commonwealth and State legislation and Council's own risk management strategies and policies.
- Assist in developing and implementing proposals to improve Council's enterprise risk management framework in accordance with key objectives of performance, transparency and probity.
- Assist in organisation-wide coordination of risk management in a way that is equitable, accountable and of a consistently high standard.
- Convene meetings of the Council's Risk Management Committee and record and follow up business conducted by that Committee.
- Coordinate regular and effective cross-organisation communication on risk management related issues.
- Liaise with Council's organisational development unit to coordinate training and development opportunities concerning risk management.

With the successful delivery of TP#7, the Risk Management Coordinator will be responsible for driving the organisation's risk management and insurance program forward, positioning Council to be known as an exemplar for better practice risk management.

## LEGAL/POLICY BASIS

In managing risk and insurance for the organisation staff perform their duties in keeping with the Local Government Principles of:

- transparent and effective processes, and decision-making in the public interest;
  - good governance of, and by, local government; and
- ethical and legal behaviour of Councillors and local government employees

The following table outlines the relevant legislation and the administrative functions and services provided by the Section:

Relevant Legislation	Corporate Services Branch Administrative Functions and Services Provided
<i>Local Government Act 2009</i> <i>Local Government Regulation 2012</i> AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines	Manage and coordinator: <ul style="list-style-type: none"><li>• the implementation of Council's Risk Management Framework</li><li>• public liability claims from external customers</li><li>• public liability claims for Councillors and staff</li><li>• negotiate (within Delegated Authority), on behalf</li></ul>

Relevant Legislation	Corporate Services Branch Administrative Functions and Services Provided
	<p>of Council any insurance resolutions</p> <ul style="list-style-type: none"> <li>the insurance of Council assets including but not limited to Council buildings, machinery and equipment, park infrastructure, swimming pools, sports centres, club houses, fleet vehicles, etc.</li> <li>the renewal of Council insurance policies (excluding Workers Compensation)</li> <li>the provision of expert insurance and risk advice to both external and internal stakeholders</li> <li>recover costs from damaged made by third parties to Council assets</li> </ul>

## COMMUNITY AND OTHER CONSULTATION

This report did not require community engagement.

## CONCLUSION

Council has, for some time, needed to implement a better practice Risk Management Framework and to increase the capability of the organisation to manage risk efficiently and effectively. With the recruitment of a Risk Management Coordinator and delivery of TP#07 Risk Management Framework, Council is positioning itself be an exemplar Council in the management of Risk and Insurance.

## ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1. 2.	<p>CONFIDENTIAL</p> <p>LGM Insurance Claims over \$15,000 including councillors and officers' claims</p> <p>Insurance Claims &lt; \$7,500 Motor Vehicle &lt;\$1,500 LGM Claims received in quarter</p>
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Angela Harms

**ACTING CORPORATE GOVERNANCE MANAGER**

I concur with the recommendations contained in this report.

Andrew Knight

**GENERAL MANAGER - CORPORATE SERVICES**

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Doc ID No: A5570415

ITEM: 13

SUBJECT: INTEGRITY AND GOVERNANCE SECTION'S PERFORMANCE IN RELATION TO  
LEGISLATIVE COMPLIANCE

AUTHOR: ACTING CORPORATE GOVERNANCE MANAGER

DATE: 5 JUNE 2019

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### **EXECUTIVE SUMMARY**

This is a report concerning the performance of the Integrity and Governance Section (the Section) in relation to managing Council's legislative compliance in the management of complaints, insurance, risk, Right to Information and Information Privacy functions for the period 1 January 2019 to 31 March 2019 (the Quarter).

### **RECOMMENDATION/S**

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

### **RELATED PARTIES**

There are no related parties.

### **ADVANCE IPSWICH THEME LINKAGE**

Listening, leading and financial management

### **PURPOSE OF REPORT/BACKGROUND**

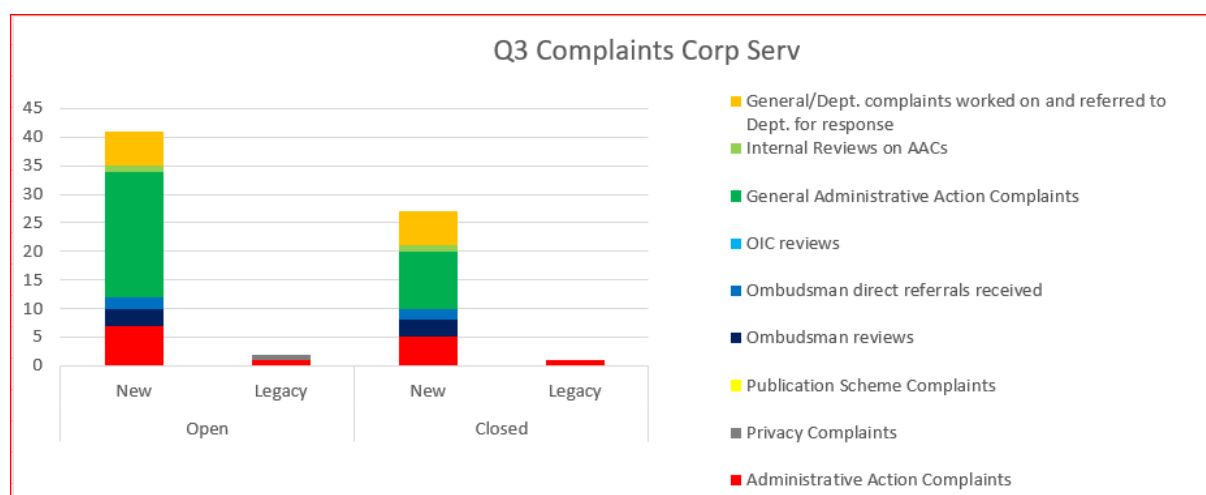
To inform the Committee of the management of how the Branches have performed the below functions for the previous quarter:

- Management of Complaints
- Management of Right to Information and Information Privacy Applications
- Status of the Transformational Projects which impact the Integrity and Governance Section's management of complaints and RTI/IP applications:
  - TP#06 Complaints Management Framework
  - TP#12 Information and Transparency

## 1. Management of Complaints

The below graph and table provide details of the management of all complaint types for the Quarter:

Complaint Type	Open		Closed	
	New	Legacy	New	Legacy
Administrative Action Complaints	7	1	5	1
Privacy Complaints	0	1	0	0
Publication Scheme Complaints	0	0	0	0
Ombudsman reviews	3	0	3	0
Ombudsman direct referrals received	2	0	2	0
OIC reviews	0	0	0	0
General Administrative Action Complaints	22	0	10	0
Internal Reviews on AACs	1	0	1	0
General/Dept. complaints worked on and referred to Dept. for response	6	0	6	0



There was a significant increase in general complaints received this Quarter (Q2-6, Q3-22) due to staff behaviour complaints previously managed by People and Culture now sitting in this space as of March 2019.

A number of operational complaints were received by both the Office of the CEO and Interim Administrator that were referred to the Section for handling, which has increased the general complaints figures for this Quarter.

There has been a slight increase in Ombudsman referred matters which is indicative of advised dissatisfaction by two insurance claimants, a legacy issue of an unmaintained road and development matters.

Detailed information (e.g. complaint overview and completion timeframes) of the above complaint types for the Quarter are contained in Attachment 1.

## **2. Management of Right to Information and Information Privacy Applications**

Council did not receive any Information Privacy Applications for the quarter. The below table provides details of the management of all RTI Applications for the Quarter:

<b>RTI Management</b>	<b>No.</b>
Carried over from previous Quarter	6
Received	5
Received but pending	3
Closed	9
Open and will be carried into next Quarter	2

All RTI Applications were processed in accordance with legislative requirements, Council Policy and Procedures. Attachment 2 contains the details of the five (5) RTI Applications received in the Quarter. The six (6) carried over Applications have been finalised.

## **3. Status of the Transformational Projects which impact the Integrity and Governance Section's management of complaints and RTI/IP applications**

### **3.1 TP#6 Complaints Management Framework**

The purpose of the project is to ensure a better practice, legislatively compliant and transparent whole of Council approach to:

- formal complaints made against Council as a result of dissatisfaction with services provided or a failure to provide a service; and
- complaints and reports of wrongdoing against council or staff, including allegations of fraud, corrupt conduct and public interest disclosures.

The project has progressed throughout the Quarter. Key deliverables to date have been:

- Public Interest Disclosure Policy
- Public Interest Disclosure Procedure
- Public Interest Disclosure Management Plan
- Establishment of Report a Concern WIRE Page
- PID Training Program for Managers/Supervisors and Champions
- Review and update of employee related Policies and Procedures
- Review and update of Policy and Procedures regarding:
  - Administrative Action Complaints
  - Privacy Complaints
  - Publication Scheme Complaints
  - Human Resources Complaints
  - Chief Executive Officer Complaints

Project Deliverables for the next Quarter are:



Project Phase	Deliverable
Framework Model	Steering Committee Sign-off/endorsement of Complaints Management Framework
Adoption of Framework by Council	Report to Council recommending adoption of Complaints Management Framework
Policies, Procedures, Templates, Guidelines, Scripting	Amend/develop policies, procedures, templates, work instructions and customer service scripting for complaints management and internal complaints review at the department level, vexatious complaints, Administrative Action Complaints, Privacy and Publication Scheme Complaints
	Report to working group proposing a definition of a complaint, better practice policies and procedures for complaints management and internal complaints review at the department level, vexatious complaints, Administrative Action Complaints, Privacy and Publication Scheme Complaints
	Steering Committee Sign-off/endorsement of the definition of a complaint, and complaints management at the department level, vexatious complaints, Administrative Action Complaints, Privacy and Publication Scheme Complaints policies and procedures
Adoption of Policies by Council	Report to Council recommending adoption of the definition of a complaint and policies for complaints management, internal complaint reviews at the department level, vexatious complaints, Administrative Action Complaints, Privacy and Publication Scheme Complaints
Complaints Handling and Good Decision Making Training	Undertake a training needs gap analysis regarding complaints handling for customer service staff and department officers who are responsible for managing departmental complaints and internal complaint reviews
	Identify an appropriate sustainable annual training program for complaints handling and good decision training and other identified training gaps
	Design and establish complaints handling annual training program
Data Capture, Monitoring & Reporting	In relation to complaints and internal complaint reviews at the department level, determine what complaint data departments are/should capture, their processes for capturing and recording data, reporting requirements and reporting timeframes
	Steering Committee Sign-off/endorsement of proposed complaint reporting i.e. data captured, processes for capturing and recording data, reporting requirements and timeframes

Project Phase	Deliverable
Procedures, Templates, Guidelines	Develop procedures, templates, guidelines, scripting and work instructions that details roles, responsibilities and regarding data capture, monitoring and reporting
	Steering Committee Sign-off/endorsement of roles, responsibilities and regarding data capture, monitoring and reporting procedures
Training	Implement and roll out across council identified complaint management software platform
	Develop and implement Coms Plan
	Provide training on recording complaints data and extracting meaningful reports on complaint trends

The following Project Risks and Issues have been identified and appropriate mitigation and actions put in place. Risks and Issues will continue to be reviewed monthly by the Project Lead throughout the life of the Project.

Major Risks Summary			
Risk Description	Risk Mitigation	Initial Severity	Mitigated Severity
Staff training fatigue	1. Prioritisation and delivery options (i.e. online or face to face) of each Transformational Project's training program 2. Ensuring TP training programs consider already established calendar of training for staff	Major	Low
No consistent corporate approach to complaints management	1. Conduct one on one sessions with COOs to determine their requirements for a complaints management process and how complaint data could inform business decisions/processes and improve customer satisfaction etc. 2. Formulate a strategy for developing a corporate complaints management process and supporting implementation plan and reporting practices for submission to JTC	Major	Low

Major Issues Summary			
Issue Description	Actions	Initial Impact	Actioned Impact
Non-agreement to corporate wide 'complaint' terminology	Project Title will be amended to remove the word complaint and all subsequent documentation will reflect new title	Major	Major

Staff failing to attend scheduled training	ELT requested to support staff attending training and to filter message of importance and financial cost to organisation  Development of good communication plan for training commitments	Major	Major
Project Milestones for next two reporting periods may not be met	Engagement of additional staff, approval being sought through COO	Major	Minor

The Project's budget is being managed by the Project Lead. The funds are being used to provide training from the Ombudsman's Office and the Office of the Information Commissioner. With additional training scheduled throughout the life of the project it is anticipated all funds will be expended by the end of the Project.

Budget to date	Actuals to Date	Balance
\$60,000	\$28,800	\$31,200

### 3.2 TP#12 Information and Transparency

On 17 May 2018, the Office of the Information Commissioner (OIC) tabled a Compliance Audit Report relating to its review of Council's compliance with the *Right to Information Act 2009* (RTI Act) and *Information Privacy Act 2009* (IP Act). The areas audited focused on topics of 'leadership and governance', 'culture of openness', 'compliance', 'privacy' and captured the following activities/areas within Council:

- Information Governance
- Community Engagement
- RTI/IP Application Handling
- Camera Surveillance
- Ipswich City Council Website

The Audit Report contained 12 Recommendations with implementation timeframes ranging from 3 months to 18 months. This project focuses on three (3) Audit Recommendations:

Rec No.	Recommendation
8Rec8	Council review its template documents and manual for application handling and ensure the documents are accurate, up-to-date and support legislatively compliant application handling and good practice
2Rec2	Council designs and implements training on right to information and information privacy:

Rec No.	Recommendation
	<ul style="list-style-type: none"> <li>• general obligations</li> <li>• policies and procedures specific to the council</li> </ul> for inclusion in its induction and awareness training, mandatory for all staff
9Rec9	Council will communicate interactively with all Council departments about their roles and responsibilities in response to applications for information made under the <i>Right to Information Act 2009</i> or <i>Information Privacy Act 2009</i>

The project has progressed throughout the quarter. Key deliverables to date have been:

- Internal & external staff completed RTI and IP Training
- Council's Induction program now includes RTI and IP Training
- RTI/IP Processing Templates updated
- RTI/IP Manual/work instructions updated
- Corporate Governance staff cross training in RTI/IP processing
- RTI/IP Presentation developed and meetings with GMs and Level 3 Managers scheduled

Project Deliverables for the next Quarter are:

Project Phase	Deliverable
Step - OIC Rec #9	Presentation to all GMs and Managers regarding their obligations and responsibilities under RTI and IP
Step – Report to Council and OIC	Report to Council on completion of Project and status of out of scope OIC Recommendations 1, 3 and 6 being delivered by Transformational Project #8 Design and implement a new Information Knowledge Management System
	Report to OIC of the finalization of Recommendations 2, 8 and 9 and status of out of scope OIC Recommendations 1, 3 and 6

The following Project Risks and Issues have been identified and appropriate mitigation and actions put in place. Risks and Issues will continue to be reviewed monthly by the Project Lead throughout the life of the Project.

Major Risks Summary			
Risk Description	Risk Mitigation	Initial Severity	Mitigated Severity
Efforts to conduct training and awareness activities are not effective	1. Prioritisation and delivery options (i.e. online or face to face) of each Transformational Project's training program 2. Ensuring TP training programs consider	Major	Low

	already established calendar of training for staff		
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Major Issues Summary			
Issue Description	Actions	Initial Impact	Actioned Impact
Project Milestones for next two reporting periods may not be met due to staff capacity	Engagement of additional staff, approval being sought through COO	Major	Minor

The Project's budget is being managed by the Project Lead. The funds are being used to provide training from the Office of the Information Commissioner. With additional training scheduled throughout the life of the project it is anticipated all funds will be expended by the end of the Project.

Budget	Actuals to Date	Balance
\$12,000	\$4,613	\$7,387

## FINANCIAL/RESOURCE IMPLICATIONS

There are no financial/resource implications.

## RISK MANAGEMENT IMPLICATIONS

As reported to the Audit and Risk Management Committee in February 2019 the following risk was identified:

The largest risk to the organisation identified during the Quarter is the lack of awareness by staff of their responsibilities under the RTI and IP Acts. The staff involved in the Breaches have been made aware of their responsibilities and received refresher training, however the entire organisation should undertake refresher RTI/IP Training.

All outside staff have attended RTI and IP Training delivered by the TP#6 Project Lead. Internal staff will commence Office of the Information Commissioner RTI and IP Training online via E-Hub. Both training modules are to be completed by 1 July.

## LEGAL/POLICY BASIS

The following table outlines the relevant legislation and the administrative functions and services provided by the Branch:

Relevant Legislation	Integrity and Governance Team Administrative Functions and Services Provided
<i>Local Government Act 2009</i> and <i>Local Government Regulation 2012</i>	Management complaint types: <ul style="list-style-type: none"> <li>• Administrative Action Complaints and Internal Reviews</li> <li>• Privacy Complaints</li> <li>• Publication Scheme Complaints</li> <li>• Ombudsman Review of Complaint Management</li> <li>• Ombudsman Direct Referral of Complaints</li> <li>• Office of Information Commission (OIC) Complaint Reviews</li> <li>• Operational i.e. General Department complaints referred to relevant Council Depart./Branch for resolution</li> </ul>
<i>Right to Information Act 2006</i>	Management of Right to Information Applications for: <ul style="list-style-type: none"> <li>• access to information that is not administratively available</li> <li>• internal review of a reviewable decision</li> </ul>
<i>Information Privacy Act 2006</i>	Management of Information Privacy Applications: <ul style="list-style-type: none"> <li>• for personal information</li> <li>• to amend personal information or</li> <li>• to investigate complaints of privacy breaches</li> <li>• internal review of a reviewable decision</li> </ul>

## COMMUNITY and OTHER CONSULTATION

This report did not require community engagement.

## CONCLUSION

The Integrity and Governance Section has performed its responsibilities and obligations in relation to maintaining Council's compliance with the *Local Government Act*, *Local Government Regulation*, *Right to Information Act* and *Information Privacy Act* for the previous Quarter.

## ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

	CONFIDENTIAL
1.	Complaints Management report for the quarter
2.	RTI Management report for the quarter

Angela Harms

**ACTING CORPORATE GOVERNANCE MANAGER**

I concur with the recommendations contained in this report.

Andrew Knight  
**GENERAL MANAGER - CORPORATE SERVICES**

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Doc ID No: A5594834

ITEM: 14  
SUBJECT: QAO BRIEFING PAPER AND DRAFT INTERIM MANAGEMENT REPORT  
AUTHOR: FINANCE MANAGER  
DATE: 13 JUNE 2019

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### **EXECUTIVE SUMMARY**

This is a report concerning a briefing paper and draft interim management report submitted by Queensland Audit Office.

### **RECOMMENDATION/S**

**That the reports be received and the contents noted.**

### **RELATED PARTIES**

Queensland Audit Office

### **ADVANCE IPSWICH THEME LINKAGE**

Listening, leading and financial management

### **PURPOSE OF REPORT/BACKGROUND**

The purpose of the report is to provide a briefing to the Audit and Risk Management Committee.

### **FINANCIAL/RESOURCE IMPLICATIONS**

Not applicable.

### **RISK MANAGEMENT IMPLICATIONS**

Not applicable

### **LEGAL/POLICY BASIS**

This report and its recommendations are consistent with the following legislative provisions:  
*Local Government Act 2009*  
*Local Government Regulation 2012*



## COMMUNITY AND OTHER CONSULTATION

Consultation has occurred with representatives of Ipswich City Council.

## CONCLUSION

The briefing paper and draft interim management report is submitted to the Audit and Risk Management Committee from the Queensland Audit Office for information.

## ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

	CONFIDENTIAL
1.	QAO Briefing Paper as at June 2019
2.	QAO draft Interim Management Report for Ipswich City Council

Jeffrey Keech

**FINANCE MANAGER**

I concur with the recommendations contained in this report.

Andrew Knight

**GENERAL MANAGER - CORPORATE SERVICES**

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