

10.3 Appointment of Audit Committee Chairperson

The recruitment process for the independent Chairperson of the City of Onkaparinga Audit Committee has been concluded. This report seeks Council endorsement of the recommended candidate and suggests an additional independent appointment to the Committee.

This is an update on a previously reported project, concept or issue.

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File Reference:

Attachments: Nil

1 Executive Summary

1.1 Topic

The recruitment process for the independent Chairperson of the City of Onkaparinga Audit Committee has been concluded. This report seeks Council endorsement of the recommended candidate and suggests an additional independent appointment to the Committee.

1.2 Context

In accordance with Section 126 of the Local Government Act 1999 Council has established an Audit Committee. Mayor Rosenberg and Councillor Oakes were appointed as members to the Committee. Councillor Arbon was appointed as a proxy member.

Council determined that it would utilise an external recruitment agency to secure the appointment of an independent Chairperson. Hender Consulting conducted the process on behalf of Council.

Council endorsement is required for the appointment and establishment of the remuneration.

1.3 Suggested Outcome

That Council approve the appointment of the independent Chairperson of the Audit Committee and an additional independent member of the Committee.

2 Recommendation(s)

1. (a) That under the provisions of Section 90(2) of the Local Government Act 1999 an order be made that the public be

excluded from attendance at the meeting in order to consider in confidence this item.

- (b) That the Council is satisfied that it is necessary that the public be excluded to enable the Council to receive, discuss and consider the report at the meeting on the following grounds:
- information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead);
- (c) That accordingly, on this basis the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information or discussion confidential.
2. That Allan Bolaffi be appointed as independent Chairperson of the City of Onkaparinga Audit Committee for a period of two years (concluding 31 May 2009).
 3. That the remuneration for the independent Chairperson of the Audit Committee be \$20,000 per annum.
 4. That Peter Agars be appointed as an additional independent member of the City of Onkaparinga Audit Committee for a period of two years (concluding 31 May 2009).
 5. That the remuneration for the independent member of the Audit Committee be \$12,000 per annum.
 6. That an order be made under the provisions of Section 91(7) and (9) of the Local Government Act 1999 that the abovementioned document (or part of such document) including the minutes and the report of the Council/Committee relating to discussion of the subject matter of that document, having been dealt with on a confidential basis under Section 90 of the Act, should be kept confidential on the grounds of information contained in Section 90(3) (a) until all parties are notified of the outcome of Councils deliberations.

Key Factors

3 Discussion

Recruitment

Following an executive search process conducted by Hender Consulting, interviews for the position of independent Chairperson of the City of

Onkaparinga Audit Committee were held on 23 April 2007. The interview panel was:

- Mayor Lorraine Rosenberg.
- Jeff Tate, Chief Executive Officer.
- Mick Petrovski, Director Local Government Relations, Office of State Local Government Relations.

The candidates interviewed were as follows:

Name	Summary - Expertise/Background
Peter Agars AM	Partner Peter Agars & Associates. Previously partner with Coopers & Lybrand, Touche Ross & KPMG. Past president of CPA Australia (national) & the International Federation of Accountants. Chairman of Lochert Bros Pty Ltd, Director of Hands on SA, Foodbank and Paragon Equity Ltd. Particular expertise and interest in strategic leadership, corporate governance and operational management of companies & not for profit organisations, financial management, performance management, operational and resource reviews, internal audit and risk management reviews.
Allan Bolaffi Chair of City of Adelaide Audit Committee, Member of Adelaide Hills Council Audit Committee	Chartered Accountant and Managing Partner of UHY Haines Norton. Member of Flinders University Audit Committee. Particular experience & interest in economy & efficiency reviews, assistance in legislative review processes, fringe benefit tax reviews for Local Government and various reports for the Local Government Association of South Australia.
Brenton Ellery	Partner Edwards Marshall & registered company auditor. Particular experience & interest in taxation, forensic accounting, business valuations & litigation support services and probity audit.

Ross Haslam Member of City of Adelaide Audit Committee.	Consultant to Ferrier Hodgson (Adelaide). Chairman of Directors of Australian Synthetic Fibres Pty Ltd. Adviser to a number of Adelaide Boards in the building, advertising and tourism industries. Particular interest & experience in mediation and arbitration services, due diligence and financial capability analysis and corporate governance advice.
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The Selection Panel concluded that based on qualifications, expertise and experience, Allan Bolaffi was the preferred candidate for the role of independent Chairperson of the Audit Committee. It should be noted that Allan Bolaffi currently fulfills two roles connected to Council:

- Chairperson of the McLaren Vale Grape Wine and Tourism/City of Onkaparinga Visitor Centre Taskforce (a short term role that will conclude shortly) and;
- Board Member of the Southern Region Economic Board.

These interests (and any potential future involvement with Council) have been discussed with Mr Bolaffi. The interests do not give rise to any conflict with the role of independent Chairperson of the Audit Committee.

The interview panel felt that Peter Agars would also add knowledge and skills to the Audit Committee. It recommends that he be appointed as an additional independent member of the Committee.

Remuneration

Given the newness of the legislation surrounding Audit Committees the situation regarding remuneration is variable. A scan of metropolitan Councils indicates that some pay a sitting fee for Chairpersons and independent members (e.g. ranging from \$300.00 to \$1,200.00) and some a sitting fee with a capped annual amount.

Advice sought from Hender recommends that a fixed amount per annum would be the best option. This is particularly the case given that the work program for the Committee is yet to be determined and the number of meetings required is unclear. Hender Consulting indicate that current remuneration levels within Local Government and similar bodies vary from \$5,000 - \$20,000. Therefore the recommended remuneration levels for the independent members of the Audit Committee are as follows:

\$20,000 per annum for the independent Chairperson.

\$12,000 per annum for the independent Member.

Initial discussions with the candidates indicate that these levels would be acceptable.

10.4 McLaren Vale and Fleurieu Visitors Centre

The outcomes of the McLaren Vale Grape Wine and Tourism Association (MVGW&TA) – Council Visitor Centre Task Force preliminary investigations for the preferred path to resolve the future of the McLaren Vale and Fleurieu Peninsula Visitor Information Centre.

This is an update on a previously reported new project, concept or issue.

General Manager: Brian Hales
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File Reference:
Attachments: 1 (1 page – Risk Benefits Analysis)

1 Executive Summary

1.1 Topic

The outcomes of the McLaren Vale Grape Wine and Tourism Association (MVGW&TA) – Council Visitor Centre Task Force preliminary investigations for the preferred path to resolve the future of the McLaren Vale and Fleurieu Peninsula Visitor Information Centre.

1.2 Context

Council received a report and presentation at the Special Council Meeting of 18 April 2007 regarding the request of MVGW&TA for financial assistance. The meeting resolved as follows:

That the Task Force continue to investigate scenarios and bring back a report to Council considering the following:

- *The option of Council purchasing the subject land.*
- *Establishing the position of the South Australian Tourism Commission on visitor servicing and the role of the Fleurieu Peninsula Visitors Centre.*
- *A comparative risk/benefit analysis of any options*
- *Costing of the various scenarios*

1.3 Suggested Outcome

That Council provide in-principle support for the purchase of the McLaren Vale and Fleurieu Visitor Centre subject to a number of conditions outlined in the report.

2 Recommendation(s)

- 1. (a) That under the provisions of Section 90(2) of the Local Government Act 1999 an order be made that the public be excluded from attendance at the meeting in order to consider in confidence this item.**
- (b) That the Council is satisfied that it is necessary that the public be excluded to enable the Council to [receive/discuss/consider] the [information/matter/report] at the meeting on the following grounds:**
 - (i) commercial information of a confidential nature (not being a trade secret) the disclosure of which -**
 - could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and**
 - would, on balance, be contrary to the public interest;**
 - (c) That accordingly, on this basis the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information or discussion confidential.**
- 2. That Council provide in-principle support for the direction proposed including:**
 - purchase of the McLaren Vale and Fleurieu Visitor Centre by Council for a consideration reflecting the debt incurred in establishing and operating the Centre for visitor servicing;**
 - the proposed Food Wine Industry Association to operate visitor servicing;**
 - the remainder of the Centre to be leased to compatible parties including the McLaren Vale Grape Wine and Tourism Association; and**
 - upgrading of the Centre to be part funded by the South Australian Tourism Commission.**
- 3. That the Chief Executive Officer be delegated the authority to negotiate a draft agreement with the McLaren Vale Grape Wine and Tourism Association to be brought back to Council for its consideration.**

4. **That an order be made under the provisions of Section 91(7) and (9) of the Local Government Act 1999 that the abovementioned document (or part of such document) including the minutes and the report of the Council relating to discussion of the subject matter of that document, having been dealt with on a confidential basis under Section 90 of the Act, should be kept confidential on the grounds of information contained in 90(3)(d) until the future of the McLaren Vale and Fleurieu Visitor Information Centre is agreed between the parties.**

Key Factors

3 Discussion

Council staff and MVGW&TA representatives have undertaken considerable research into resolving the future of the Visitor Centre in a manner which will not only address the immediate financial issues but also the long term positioning of the Centre within the strategic direction provided by the Fleurieu Peninsula Region Integrated Tourism Strategic Plan (FPRITSP). This report provides a summary of the research to assist Council in considering its preferred direction for the future of the Visitor Centre.

The Visitor Centre Task Force has considered a number of options for the future of the Visitor Centre and, with the resolution of the Special Council meeting of the 18 April, the option of purchase by Council has been considered. The overall analysis is provided as Attachment 1. The Task Force preferred model is one in which the Council acquires the property and acts as landlord with visitor servicing provided by a new organisation known as Food Wine Industry Association and the remaining space occupied by compatible tenants. Our interpretation of the model is as follows:

Council Role

- Acquire the freehold for cost reflecting the debt associated with the construction of the facility and deficit incurred in visitor servicing which is estimated to be \$450,000;
- Undertake all required capital upgrades to the building;
- Ongoing property management;
- Undertake or allocate the delivery of visitor services (proposed to be Food Wine Industry Association); and
- Support for governance of Food Wine Industry Association (see below).

Food Wine Industry Association (FWIA) Role

FWIA is proposed to be a peak representative industry association which will broker the development of Food Wine Tourism across the Fleurieu Peninsula (in line with FPRITSP). It will comprise member associations which would provide the direction and management through the following board membership:

- MVGW&TA;
- Fleurieu Peninsula Food Group;
- Langhorne Creek Winemakers; and
- Currency Creek and Southern Fleurieu Vignerons.

FWIA is in the advanced stages of development by key participants in the wine and food industries and, in relation to the Visitor Centre, is proposing a Regional Food and Wine Centre be established. It is proposed to provide a range of regional value add products, branded merchandise, tourism and educational packages, including:

- Food & Wine Value Add Products;
- Food & Wine tastings 'Flights';
- Regional Produce Meals and Wine (Café style);
- Branded Merchandise: aprons, books, wine glasses, picnic baskets;
- Meet the Winemaker Series;
- Regional Food Workshops;
- Viticulture Workshops;
- Accommodation Bookings;
- Vineyard, Winery and Farm Gate Tours;
- Tailored Packages including transport, accommodation and activities.

FWIA will focus on Food & Wine Tourism and Visitor Servicing as part of its charter. It merges the interests of Wine and Food for the benefit of Tourism and is the logical extension of the Fleurieu Peninsula Food Group.

The preliminary projections show that FWIA will operate at a deficit and will be seeking Council support in the order of \$90,000 per annum (average

sustainable). This would be offset by a property management surplus, with the building fully tenanted, in the order of \$10,000.

MVGW&TA role

- Tenant of the Visitor Centre at commercial rates;
- Development of Wine and Viticulture industries;
- Support the activities of FWIA through aligning industry development with the regional Food Wine Tourism strategy;
- Membership and Association management; and
- Lease and management of the vineyards for \$17,000 per annum (indexed) payable to Council with surplus from the vineyards to be used for the benefit of MVGW&TA.

South Australian Tourism Commission (SATC) Role

- Part funding capital upgrade;
- Part funding visitor servicing operations;
- Potentially headquartering Fleurieu Peninsula Tourism Marketing as a tenant; and
- State, national and international marketing of the Centre

Financial Model

Further assumptions:

- Regional Food and Wine Centre occupies half of the net lettable area;
- All other tenancies provided at commercial rates;
- Immediate backlog maintenance is estimated to be \$200,000;
- No provision for State and Federal funding provided;

Based on preliminary financial analysis by FWIA it will operate at a deficit as outlined in the following table:

Year 1	Year 2	Year 3

\$150,000	\$100,000	\$80,000
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The assumptions upon which these figures are based require further testing and will be the subject of further discussions with the proponents.

Further discussions have been held with SATC regarding funding for capital upgrades of the Centre. SATC has indicated strong support for this funding which is in the order of \$200,000 subject to the Council assuming ownership of the premises.

Assessment

At the presentation to Special Council on 18 April 2007, four scenarios were provided, all of which assumed Council as lessee (Options 1 to 4 in Attachment 1). The major risk associated with all of these options is the financial and political exposure of Council if MVGW&TA cannot resolve its financial issues and is forced to close. If this were to occur then the Commonwealth Bank could foreclose and place the property on the market to recover the debt. This could result in closure of the premises or place pressure on the Council to ultimately step in to resolve the financial difficulties of the Centre.

The preferred model overcomes this risk where MVGW&TA retains its status as a tenant only.

Next Steps

The following actions will be required to be undertaken:

- Detailed financial assessment including benchmarking with comparable visitor centres with a significant retail component;
- Confirming funding from SATC for capital upgrade; and
- Agreement with MVGW&TA and FWIA proponents on a transition plan for the visitor servicing at the Centre.