Adelaide Hills
COUNCIL

AUDIT COMMITTEE

NOTICE OF MEETING

To: **Presiding Member** Cr Malcolm Herrmann

Members

David Moffatt
Peter Brass
Paula Davies
Cr Leith Mudge

Notice is hereby given pursuant to the provisions under Section 87 of the *Local Government Act 1999* that the next meeting of the Audit Committee will be held on:

Monday 17 February 2020
6.00pm
63 Mt Barker Road, Stirling

A copy of the Agenda for this meeting is supplied under Section 87 of the Act.

Committee meetings are open to the public and members of the community are welcome to attend. Public notice of the Agenda for this meeting is supplied under Section 88 of the Act.

Andrew Aitken
Chief Executive Officer

Adelaide Hills
COUNCIL

AUDIT COMMITTEE

AGENDA FOR MEETING
Monday 17 February 2020
6.00pm
63 Mt Barker Road, Stirling

ORDER OF BUSINESS

1. **COMMENCEMENT**

2. **APOLOGIES/LEAVE OF ABSENCE**

 2.1. Apology

 2.2. Leave of Absence

 2.3. Absent

3. **MINUTES OF PREVIOUS MEETINGS**

 3.1. Audit Committee Minutes – 18 November 2019

 Recommendation
 That the minutes of the Audit Committee meeting held on 18 November 2019, as supplied, be confirmed as an accurate record of the proceedings of that meeting.

4. **DELEGATION OF AUTHORITY**
 The Audit Committee operates in accordance with the relevant sections of the Local Government Act 1999, and its Terms of Reference.

5. **DECLARATION OF INTEREST BY MEMBERS OF THE COMMITTEE**

6.   **MOTION ON NOTICE**

6.1.   Cyber Security – Councillor Leith Mudge

7.   **OFFICER REPORTS**

7.1.   Action Report & Work Plan Update

7.2.   Climate Change Adaptation Governance and Risk Assessment

7.3.   Update on Asset Management Planning

7.4.   Quarterly Council Performance Report – Q2

7.5.   2019-20 Budget Review 2

7.6.   Long Term Financial Plan Review

7.7.   Debtors Report

7.8.   Draft Fraud, Corruption, Misconduct and Maladministration Policy

7.9.   Risk Management Plan - quarterly update

7.10.   LGRS Risk Evaluation 2019 Results

7.11.   2019/20 External Audit Plan

7.12.   Internal Audit Quarterly Update

7.13.   Audit Actions Implementation Update

7.14.   Audit Committee Presiding Members Report 2019

8.   **NEXT MEETING**
        The next Audit Committee meeting is scheduled for 18 May 2020. It is proposed
        that, due to member unavailability, this meeting be moved to 24 May 2020 at 63
        Mount Barker Road, Stirling

9.   **CLOSE MEETING**

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 18 NOVEMBER 2019
63 MT BARKER ROAD STIRLING

In Attendance

Members:

Cr Malcolm Herrmann	Presiding Member
Peter Brass	Independent Member
Geoff Purdie	Independent Member
Paula Davies	Independent Member
Councillor Leith Mudge	Council Member

In Attendance:

Andrew Aitken	Chief Executive Officer
Terry Crackett	Director Corporate Services
Lachlan Miller	Executive Manager Governance & Performance
Marcela Ardelean	Acting Manager Financial Services
Steven Watson	Governance and Risk Coordinator Minute Taker

Guests in Attendance:

Juliano Freitas	Galpins Accountants, Advisers and Business Consultants (Galpins)

1.   COMMENCEMENT

The meeting commenced at 6.03pm

2.   APOLOGIES/LEAVE OF ABSENCE

2.1.   Apology
Nil

2.2.   Leave of Absence
Nil

2.3.   Absent
Nil

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 18 NOVEMBER 2019
63 MT BARKER ROAD STIRLING**

3.   MINUTES OF PREVIOUS MEETINGS

3.1.   Audit Committee Meeting – 12 August 2019

Moved Peter Brass
S/- Paula Davies   **38/AC19**

That the minutes of the Audit Committee meeting held on 12 August 2019, as supplied, be confirmed as an accurate record of the proceedings of that meeting.

Carried

4.   Delegation of Authority

In accordance with the Audit Committee Terms of Reference, the Committee has no delegated decision-making powers. The Recommendations in Item(s) 7.4, 7.6, 7.8 are to be submitted to Council for consideration.

5.   DECLARATION OF CONFLICT OF INTEREST BY MEMBERS OF AUDIT COMMITTEE

Nil

6.   MOTION ON NOTICE – DECISION ITEMS

6.1.   MOTION ON NOTICE – Cyber Security, Cr Leith Mudge
Withdrawn and deferred to February 2020 Audit Committee Meeting.

7.   OFFICER REPORTS – DECISION ITEMS

7.1.   Action Report and Workplan Update

Moved Paula Davies
S/- Cr Leith Mudge   **39/AC19**

The Audit Committee resolves the report be received and noted.

Carried

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 18 NOVEMBER 2019
63 MT BARKER ROAD STIRLING

7.2.   **2018-19 End of Year Financial Report**

Moved Peter Brass
S/- Cr Leith Mudge   **40/AC19**

The Audit Committee resolves:

1.   **That the report be received and noted**
2.   **To note the Audited 2018-19 Financial Results compared to Budget contained within this report**

Carried

7.3.   **2018-19 Draft General Purpose Financial Statements**

Presentation by Juliano Freitas, Galpins

Moved Cr Leith Mudge
S/- Geoff Purdie   **41/AC19**

The Audit Committee resolves:

1.   **That the report be received and noted.**
2.   **That in accordance with Section 126(4)(a) of the Local Government (Financial Management) Regulations 1999, the Audit Committee advises Council that it has reviewed:**
        a.   **the General Purpose Financial Statements of the Council for the financial year ended 30 June 2019 as contained in Appendix 1, and**
        b.   **the External Auditor Galpins' Audit Clearance Report as contained in Appendix 2, and is satisfied that they present fairly the state of affairs of the Council.**
3.   **To recommend that the Adelaide Hills Council 2018-19 General Purpose Financial Statements, contained in Appendix 1, can be certified by the Chief Executive Officer and the Mayor.**
4.   **That it notes the confirmation of Galpins Auditor Independence Statement provided as Appendix 3 and considers that the Certification of Auditor Independence statement contained in Appendix 4 can be certified by the Chief Executive Officer and the Presiding Member of the Audit Committee in accordance with the requirements of Regulation 22(3) of the Local Government (Financial Management) Regulations 2011.**

Carried

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 18 NOVEMBER 2019
63 MT BARKER ROAD STIRLING**

7.4.   2018-19 Draft Annual Report

Moved Peter Brass
S/- Paula Davies   **42/AC19**

The Audit Committee resolves that the:

1.   **Report be received and noted.**
2.   **Draft 2018-19 Annual Report, as contained in Appendix 1, be endorsed – and
         recommend to Council for adoption recognising the need for subsequent inclusion
         of the General Purpose Financial Statements and Council's Regional Subsidiaries
         Annual Reports.**

Carried

7.5.   Audit Committee Self-Assessment 2019

Moved Geoff Purdie
S/- Cr Leith Mudge   **43/AC19**

The Audit Committee resolves that the report be received and noted.

Carried

7.6.   Audit Committee Terms of Reference Review

Moved Paula Davies
S/- Geoff Purdie   **44/AC19**

**That the Audit Committee resolves to recommend the draft Audit Committee Terms of
Reference at Appendix 1 to Council for adoption acknowledging the likely impact on
Audit Committee functions and composition arising from the Local Government Reforms.**

Carried

7.7.   Risk Management Plan Update

Moved Peter Brass
S/- Cr Leith Mudge   **45/AC19**

The Audit Committee resolves that the report be received and noted.

Carried

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 18 NOVEMBER 2019
63 MT BARKER ROAD STIRLING

7.8.   Internal Audit Quarterly Update

Moved Geoff Purdie
S/- Paula Davies   **46/AC19**

The Audit Committee resolves to:

1.   **Receive and note the report.**
2.   **Recommend to Council to adopt the revised Strategic Internal Audit Plan as contained in Appendix 1**

Carried

7.9.   Budget Review 1

Moved Paula Davies
S/- Peter Brass   **47/AC19**

The Audit Committee:

1.   **Resolves that the report be received and noted.**
2.   **Notes:**
         a.   **that the Operating Budget variations presented in Budget Review 1 do not impact on the Budgeted Operating Surplus of $411k for the 2019-20 financial year.**
         b.   **the proposed Capital Works adjustments increasing capital income by $519k and capital expenditure by $670k.**
         c.   **the proposed deferral of capital projects expenditure of $1.726m to the following year**
         d.   **that there will be a decrease in the Net Borrowing result from $5.010m to $3.433m as a result of the proposed Capital Program amendment**

Carried

7.10.   Quarterly Debtors Report

Moved Cr Leith Mudge
S/- Geoff Purdie   **48/AC19**

The Audit Committee resolves that the report be received and noted.

Carried

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 18 NOVEMBER 2019
63 MT BARKER ROAD STIRLING

7.11.   2020 Audit Committee Meeting Dates

Moved Geoff Purdie
S/- Paula Davies   **49/AC19**

The Audit Committee resolves:

1.   **That the report be received and noted.**
2.   **To approve the Audit Committee meeting schedule, timings and locations for 2020 as follows:**

Commencement	6.00pm
Meeting Dates and Locations	**17 February 2020, 63 Mt Barker Road, Stirling**
	20 April 2020, 36 Nairne Road Woodside
	18 May 2020, 63 Mt Barker Road, Stirling
	17 August 2020, 63 Mt Barker Road, Stirling
	19 October 2020, 63 Mt Barker Road, Stirling
	16 November 2020, 63 Mt Barker Road, Stirling

Carried

7.12.   Audit Committee 2020 Work Plan

Moved Geoff Purdie
S/- Peter Brass   **50/AC19**

The Audit Committee resolves:

1. **That the report be received and noted.**
2. **That the 2020 Work Plan, at Appendix 1, be adopted.**

Carried

8.   CONFIDENTIAL ITEMS

Nil

9.   NEXT MEETING

The next ordinary meeting of the Audit Committee will be held on Monday, 17 February 2020 from 6.00pm at 63 Mt Barker Road, Stirling.

10.   CLOSE MEETING

The meeting closed at 8.22pm

Presiding Member_____   17 February 2020

Item:	**6.1**	**Motion on Notice**
Originating from:	**Cr Leith Mudge**	
Subject:	**Cyber Security**	

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1. **MOTION**

   I move the Audit Committee recommends to the Council that:

   Given the increasing number of cyber security threats that are being reported, that the Audit Committee recommends to Council the following:

   1. Council acknowledge that cyber security threats are serious issues that have the potential to significantly impact on Council operations and therefore a need to ensure that risk mitigation systems are in place, resourced & managed in line with Strategic and Operational Management Plans.

   2. The Strategic Internal Plan 2018/19-2022/23 is amended to set the scope for the Cyber Security Audit to be "Focusing on the cyber security risks to the Council, undertake an assessment of the adequacy of the control framework including an assessment against the maturity levels of the Australian Cyber Security Centre's Essential Eight Model."

   3. The Cyber Security Audit currently scheduled for Q2 2020/21 be bought forward such that it can be performed as soon as is reasonably practicable.

2. **BACKGROUND**

   Local governments along with other government and private organisations are facing an increasing threat from cyber-attacks that can cripple critical infrastructure and services.

   For example, just prior to Christmas, the City of Onkaparinga experienced a Ryuk ransomware attack that locked down council services and affected phones and email (see https://www.abc.net.au/news/2020-01-06/city-of-onkaparinga-hit-by-ryuk-ransomware/11843598 for an example of the media coverage). There is significant evidence in recent years that these attacks have increased in frequency and seriousness.

   The Australian Signals Directorate (ASD) through the Australian Cyber Security Centre (ACSC) recently developed a set of mitigation strategies are known as the *Essential Eight Maturity Model* (***Appendix 1***). These present a baseline of mitigation strategy that all at-risk organisations should move towards implementing. An understanding of progress towards the implementation of these strategies would form a solid basis for the Audit Committee

and Council to understand the degree of our preparedness for this threat and an action plan for improvement.

It appears that the most recent cyber security audit conducted by Council was in 2015. The threat has substantially increased since then and technology has move on substantially.

Recently Audit Committee and Council approved a delay in the internal audit schedule, which delayed the previously planned Cyber Security audit by another year from Q2 2019/20 to Q2 2020/21.

By the time this internal audit is scheduled to occur, it will have been around 6 years since the previous substantial audit. In view of the substantially increased threat, the progress of technology and standards since the previous audit, this motion recommends to Council that the Cyber Security internal audit be bought to the "front of the queue" in the internal audit program and scheduled as soon as is reasonably practicable.

2. OFFICER'S RESPONSE – James Sinden, Manager ICT & Lachlan Miller, Executive Manager Governance & Performance

There has been a significant increase in the number and impact of cyber security attacks globally and more recently, an increased focus within government, business and media highlighting potential risks in relation cybercriminal activity.

Cybercrime for councils is not new and there has been numerous changes made to systems and strategies to counter attack breaches.

Systems (controls) in place that assist council to mitigate cybercrime risks are;

- Physical Security Systems
- Cloud Spam Filtering Solutions
- Firewalls, Routing & Switching Configurations
- DMZ (demilitarised zone)
- Endpoint Security Software (Antivirus)
- Active Directory Systems & Security (Authentication)
- System Patching (Critical and Systems Security Patch Updates)
- Logging and Reporting Systems
- System Backup and Recovery Plans (ICT BCP)
- Strategic Internal Audit Plan (Cyber Security)

For reference there are several recognised strategies and standards and controls, including but not limited to:

- Australian Signals Directorate (ASD) Strategies to mitigate targeted cyber intrusions, particularly the *Essential Eight Maturity Model*, which address around 85% of common cyber risks;
- International Organization for Standardization (ISO) and International Electrotechnical Commission (IEC) information security standards:
  - *ISO/IEC 27001 Information technology—Security techniques—Information security management systems—Requirements*; and
  - *ISO/IEC 27002 Information technology—Security techniques—Code of practice for information security management*;

- Information Systems Audit and Control Association's (ISACA) *Control Objectives for Information and Related Technology* (COBIT 5); and
- Payment Card Industry Security Standards Council's Payment Card Industry Data Security Standard.

In 2015/16, Council commissioned a high-level cyber security risk assessment to provide a level of assurance that the controls deployed relating to the confidentiality, integrity and availability of the information within the organisation's ICR environment. The review identified a total of 35 'gaps' in a number of areas that related to third parties, people, processes and technology. A series of actions were agreed to address these gaps and over the eschewing period, the ICT Department has been implementing the agreed actions and these have now been completed.

In developing the 2018-21 Strategic Internal Audit Plan (SIAP), a cyber security auditable area for Year 2 of the Plan was programmed. The timing was selected to enable the actions from the earlier cyber risk assessment to be (largely) completed. The proposed scope of the audit is:

> *Focussing on the systems, processes and controls associated with securing and protection Council's IC&T network from penetration and data corruption/denial of service from external parties. Including a Post Implementation Review from the 2015 audit.*

Progress on implementing the SIAP is approximately a year behind schedule due to competing resource priorities. As such there are a number of other audits nominally scheduled before the cyber security audit.

Bringing forward the cybersecurity audit may be justifiable on risk rating grounds however it will have an impact on the progression of the SIAP for the balance of the 2019-20 year from a budget perspective.

Options available to the Audit Committee are as follows:

1. Prioritise the cyber security audit and defer the Year 1 audits to 2020-21 – No 2019-20 budgetary impact but will lengthen the completion of the SIAP unless additional budget is provided in later years

2. Continue with the 2019-20 program and schedule the cyber security audit in 2020-21 – No 2019-20 budgetary impact and will generally keep the SIAP on track

3. Continue with the 2019-20 program and also schedule the cyber security audit in 2019-20 – There will be a 2019-20 budgetary impact which can be managed as follows:

   a. A recommendation to Council for a budget variation

   b. An application to Local Government Risk Services (LGRS) to access part of the Risk Incentive Fund allocation to Adelaide Hills Council (which would likely be successful). LGRS also offers a Cyber Vulnerability & Risk Profiling Program but this product is unlikely to meet the proposed audit scope in the SIAP or the proposed motion.

Depending on the option preferred by the Audit Committee, the corresponding recommendation to Council may need to change.

3.   APPENDICES

(1)   Australian Cyber Security Centre – *Essential Eight Maturity Model* – July 2009

Appendix 1

*Australian Cyber Security Centre – Essential Eight
Maturity Model – July 2009*

Essential Eight
Maturity Model

Introduction

The Australian Signals Directorate's Australian Cyber Security Centre (ACSC) has developed prioritised mitigation strategies, in the form of the *Strategies to Mitigate Cyber Security Incidents*, to help organisations mitigate cyber security incidents caused by various cyber threats. The most effective of these mitigation strategies are known as the Essential Eight.

Maturity levels

To assist organisations in determining the maturity of their implementation of the Essential Eight, three maturity levels have been defined for each mitigation strategy. The maturity levels are defined as:

- Maturity Level One: Partly aligned with the intent of the mitigation strategy
- Maturity Level Two: Mostly aligned with the intent of the mitigation strategy
- Maturity Level Three: Fully aligned with the intent of the mitigation strategy.

What maturity level to aim for

As a baseline organisations should aim to reach Maturity Level Three for each mitigation strategy. However, some organisations are constantly targeted by highly skilled adversaries, or otherwise operate in a higher risk environment. Where the ACSC believes an organisation requires a maturity level above that of Maturity Level Three, the ACSC will provide tailored advice to meet the specific needs of the organisation.

Further information

The *Australian Government Information Security Manual* (ISM) assists in the protection of information that is processed, stored or communicated by organisations' systems. It can be found at https://www.cyber.gov.au/ism.

The *Strategies to Mitigate Cyber Security Incidents* complements the advice in the ISM. The complete list of strategies can be found at https://www.cyber.gov.au/publications/strategies-to-mitigate-cyber-security-incidents.

Contact details

Organisations or individuals with questions regarding this advice can email asd.assist@defence.gov.au or call 1300 CYBER1 (1300 292 371).

Essential Eight Maturity Model

Mitigation Strategy	Maturity Level One	Maturity Level Two	Maturity Level Three
Application whitelisting	An application whitelisting solution is implemented on all workstations to restrict the execution of executables to an approved set. An application whitelisting solution is implemented on all servers to restrict the execution of executables to an approved set.	An application whitelisting solution is implemented on all workstations to restrict the execution of executables, software libraries, scripts and installers to an approved set. An application whitelisting solution is implemented on all servers to restrict the execution of executables, software libraries, scripts and installers to an approved set.	An application whitelisting solution is implemented on all workstations to restrict the execution of executables, software libraries, scripts and installers to an approved set. An application whitelisting solution is implemented on all servers to restrict the execution of executables, software libraries, scripts and installers to an approved set. Microsoft's latest recommended block rules are implemented to prevent application whitelisting bypasses.
Patch applications	Security vulnerabilities in applications and drivers assessed as extreme risk are patched, updated or mitigated within one month of the security vulnerabilities being identified by vendors, independent third parties, system managers or users. Applications that are no longer supported by vendors with patches or updates for security vulnerabilities are updated or replaced with vendor-supported versions.	Security vulnerabilities in applications and drivers assessed as extreme risk are patched, updated or mitigated within two weeks of the security vulnerabilities being identified by vendors, independent third parties, system managers or users. Applications that are no longer supported by vendors with patches or updates for security vulnerabilities are updated or replaced with vendor-supported versions.	Security vulnerabilities in applications and drivers assessed as extreme risk are patched, updated or mitigated within 48 hours of the security vulnerabilities being identified by vendors, independent third parties, system managers or users. An automated mechanism is used to confirm and record that deployed application and driver patches or updates have been installed, applied successfully and remain in place. Applications that are no longer supported by vendors with patches or updates for security vulnerabilities are updated or replaced with vendor-supported versions.
Configure Microsoft Office macro settings	Microsoft Office macros are allowed to execute, but only after prompting users for approval. Microsoft Office macro security settings cannot be changed by users.	Only signed Microsoft Office macros are allowed to execute. Microsoft Office macros in documents originating from the internet are blocked. Microsoft Office macro security settings cannot be changed by users.	Microsoft Office macros are only allowed to execute in documents from Trusted Locations where write access is limited to personnel whose role is to vet and approve macros. Microsoft Office macros in documents originating from the internet are blocked. Microsoft Office macro security settings cannot be changed by users.
User application hardening	Web browsers are configured to block or disable support for Flash content.	Web browsers are configured to block or disable support for Flash content. Web browsers are configured to block web advertisements. Web browsers are configured to block Java from the internet.	Web browsers are configured to block or disable support for Flash content. Web browsers are configured to block web advertisements. Web browsers are configured to block Java from the internet. Microsoft Office is configured to disable support for Flash content. Microsoft Office is configured to prevent activation of Object Linking and Embedding packages.
Restrict administrative privileges	Privileged access to systems, applications and information is validated when first requested. Policy security controls are used to prevent privileged users from reading emails, browsing the web and obtaining files via online services.	Privileged access to systems, applications and information is validated when first requested and revalidated on an annual or more frequent basis. Policy security controls are used to prevent privileged users from reading emails, browsing the web and obtaining files via online services.	Privileged access to systems, applications and information is validated when first requested and revalidated on an annual or more frequent basis. Privileged access to systems, applications and information is limited to that required for personnel to undertake their duties. Technical security controls are used to prevent privileged users from reading emails, browsing the web and obtaining files via online services.
Patch operating systems	Security vulnerabilities in operating systems and firmware assessed as extreme risk are patched, updated or mitigated within one month of the security vulnerabilities being identified by vendors, independent third parties, system managers or users. Operating systems for workstations, servers and ICT equipment that are no longer supported by vendors with patches or updates for security vulnerabilities are updated or replaced with vendor-supported versions.	Security vulnerabilities in operating systems and firmware assessed as extreme risk are patched, updated or mitigated within two weeks of the security vulnerabilities being identified by vendors, independent third parties, system managers or users. Operating systems for workstations, servers and ICT equipment that are no longer supported by vendors with patches or updates for security vulnerabilities are updated or replaced with vendor-supported versions.	Security vulnerabilities in operating systems and firmware assessed as extreme risk are patched, updated or mitigated within 48 hours of the security vulnerabilities being identified by vendors, independent third parties, system managers or users. An automated mechanism is used to confirm and record that deployed operating system and firmware patches or updates have been installed, applied successfully and remain in place. Operating systems for workstations, servers and ICT equipment that are no longer supported by vendors with patches or updates for security vulnerabilities are updated or replaced with vendor-supported versions.
Multi-factor authentication	Multi-factor authentication is used to authenticate all users of remote access solutions. Multi-factor authentication uses at least two of the following authentication factors: passwords with six or more characters, Universal 2nd Factor security keys, physical one-time password tokens, biometrics, smartcards, mobile app one-time password tokens, SMS messages, emails, voice calls or software certificates.	Multi-factor authentication is used to authenticate all users of remote access solutions. Multi-factor authentication is used to authenticate all privileged users and any other positions of trust. Multi-factor authentication uses at least two of the following authentication factors: passwords with six or more characters, Universal 2nd Factor security keys, physical one-time password tokens, biometrics, smartcards or mobile app one-time password tokens.	Multi-factor authentication is used to authenticate all users of remote access solutions. Multi-factor authentication is used to authenticate all privileged users and any other positions of trust. Multi-factor authentication is used to authenticate all users when accessing important data repositories. Multi-factor authentication uses at least two of the following authentication factors: passwords with six or more characters, Universal 2nd Factor security keys, physical one-time password tokens, biometrics or smartcards.
Daily backups	Backups of important information, software and configuration settings are performed monthly. Backups are stored for between one to three months. Partial restoration of backups is tested on an annual or more frequent basis.	Backups of important information, software and configuration settings are performed weekly. Backups are stored offline, or online but in a non-rewritable and non-erasable manner. Backups are stored for between one to three months. Full restoration of backups is tested at least once. Partial restoration of backups is tested on a bi-annual or more frequent basis.	Backups of important information, software and configuration settings are performed at least daily. Backups are stored offline, or online but in a non-rewritable and non-erasable manner. Backups are stored for three months or greater. Full restoration of backups is tested at least once when initially implemented and each time fundamental information technology infrastructure changes occur. Partial restoration of backups is tested on a quarterly or more frequent basis.

Item:	**7.1**
Originating Officer:	**Steven Watson, Governance & Risk Coordinator**
Responsible Director:	**Andrew Aitken, Chief Executive Officer**
Subject:	**Action Report & Work Plan Update**
For:	**Decision/Information**

SUMMARY

A formal Audit Committee Action Report is maintained to record the items requiring 'actioning' that result from each of the Audit Committee meetings.

The Audit Committee Work Plan assists the Committee members and staff in scheduling both discussion and reports to ensure appropriate coverage of the Committee functions over the 12 month period.

The Audit Committee 2020 Workplan has suggested amendments for this meeting.

RECOMMENDATION

The Audit Committee resolves:

1. **The report be received and noted.**
2. **That the 2020 Work Plan V1.1, at Appendix 3 be adopted.**

1. **GOVERNANCE**

   ➢ **Strategic Management Plan/Council Policy**

   Goal   Organisational Sustainability
   Strategy   Governance

   Monitoring Audit Committee decisions and actions and the Committee's Work Plan assist in meeting legislative and good governance responsibilities and obligations

   ➢ **Legal Implications**

   Section 126 of the *Local Government Act 1999* sets out the functions of an audit committee. Management of Committee's action items and work plan facilitates the achievement of these functions.

➢ **Risk Management Implications**

The management of action items and the work plan will assist in mitigating the risk of:

Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (3D)	Medium (3D)

Note that there are many other controls that assist in mitigating this risk.

➢ **Financial and Resource Implications**

Council's current budget contains provision for the costs associated with the notification and conduct of audit Committee meetings

➢ **Customer Service and Community/Cultural Implications**

The timing and location of Audit Committee meetings should be considerate of the desire for community members to attend.

➢ **Environmental Implications**

Not applicable.

➢ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Council Committees: Not Applicable

Advisory Groups: Not Applicable

Administration: Director Corporate Services
Manager Financial Services
Executive Manager Governance & Performance
Executive Assistant Corporate Services

Community: Not Applicable

2.   **BACKGROUND**

Action Report

The Action List tracks the implementation of resolutions of the Audit Committee.

Work Plan

The functions of the Audit Committee are set out in part 7 (Role) of the Committee Terms of Reference.

Workplan Amendment

A Work Plan has been developed to assist the Committee members and staff in scheduling discussion and reports to ensure appropriate coverage of the functions over the 12 month period. The Audit Committee adopted a Work Plan for 2020 at its 18 November 2019 meeting.

3.   ANALYSIS

Action Report

There are four (4) completed items and three (3) outstanding items on the Audit Committee Action Report (*Appendix 1*) arising from the February, August and November 2019 Committee meetings. Commentary against each of the items is provided for the Committee's information.

Work Plan and Reporting Schedule

As per the *2020 Audit Committee Work Plan and Reporting Schedule* (*Appendix 2*), the following items are detailed below are included in the February 2020 (this) meeting:

Item	Commentary	Month Scheduled
Financial Reporting		
Long Term Financial Plan (LTFP)	Included in this meeting	February
Annual Business Plan		April
Budget Review 1		November
Budget Review 2	Included in this meeting	February
Budget Review 3		May
End of Year Financial Report		November
End of financial year reporting timetable		May
End of financial year update		August
Final Annual Financial Statements (incl management representation letter)		October
Internal Control and Risk Management		
Placement of Council's insurance portfolio (for noting)		August
Internal Financial Controls update		May
Risk Management Plan update	Included in this meeting	Feb/May/August/Nov
Results of LGRS Risk Management Review	Included in this meeting	February
LGRS Risk Evaluation - Action Plan Review		May/August

Internal Audit		
Internal Audit quarterly update	Included in this meeting	February/May/August/November
Internal audit reports	Nil	As Required
Implementation of internal audit actions progress report	Included in this meeting	February
Internal Audit Plan review		May
External Audit		
External audit interim letter		April
Implementation of external audit actions progress report	Included in this meeting	February/August
External Audit Plan review	Included in this meeting	February
Meeting attendance by external auditors	Included in this meeting	February/October
Review of auditor independence and legislative compliance		October
Audit Committee Completion Report		October/November
Public Interest Disclosure		
Public Interest Disclosure Policy review (replaces Whistleblowers)		April
Other Business		
Audit Committee self-assessment review		November
Presiding Member's Report	Included in this meeting	November
Work Plan and Reporting Schedule		November
Audit Committee Meeting Dates		November
Debtors Report	Included in this meeting	February/August
Annual Report		November
Audit Committee's Terms of Reference	Included in this meeting	February
Directors Presentation	Postponed	February/April/May/August
Other Reports		As Required

2020 Work Plan and Reporting Schedule Amendment

A proposed Audit Committee 2020 Work Plan is attached (***Appendix 3***) for the Audit Committee's consideration and adoption.

Key amendments from the 2020 Workplan V1.1 include:

- An amendment to the commencement of an annual presentation from each Director on their portfolio's risk profile, delayed due to competing priorities arising from the Cudlee Creek 2019 Bushfires;
- An amendment to the monthly reporting of Debtors from May and November to February and August respectively.

4.   OPTIONS

The Committee has the following options:

I.   To note the status of the Action Report and 2020 Workplan V1.0 as presented and adopt the 2020 Workplan V1.1 at *Appendix 3* (recommended).

II.   To alter or substitute elements of the Action Report and/or Work Plan/s. (not recommended)

5.   APPENDICES

(1)   Audit Committee Action Report
(2)   2020 Audit Committee Work Plan (v1.0)
(3)   2020 Audit Committee Work Plan (v1.1)

Appendix 1
Audit Committee Action Report

Meeting Date	Meeting	Res No.	Item Name	Previously Declared COI	Action Required (Council Resolution)	Responsible Director	Responsible Officer	Status	Date of Update	Due Date	Status (for Council reporting)
18/02/2019	Audit Committee	6/AC19	Risk Management Plan Update	None Declared	Requests an update to the Committee Workplan to include the Risk Management Framework Review for the August 2019 Audit Committee Meeting.	Andrew Aitken	Steven Watson	In Progress	10/02/2020	29/02/2020	Risk Management Policy was recommended by the Audit Committee to Council for the May 2019 Ordinary Council Meeting. Council adopted the Policy. With the impending LGRS Evaluation occurring in the current financial year, it was felt undertaking a Risk Management Framework review would be an inefficient use of council resources and potentially undertake work that in real terms should be undertaken once the LGRS Evaluation is complete. Subsequently the Risk Management Framework Review has been delayed to follow the 2019 LGRS Evaluation and any outcomes therein. 09 Jan 2020 - The LGRS Evaluation has now occured and the results are being preapredf for the Audit Commitee to consider. 10 Feb 2020 - The LGRS Evaluation Results Report going to 17 Feb 2020 Audit Commitee Meeting.
12/08/2019	Audit Committee	30/AC19	Placement of Council's Insurance Portfolio	None Declared	A further report be provided to the Committee on the items not covered in its insurance portfolio	Andrew Aitken	Lachlan Miller	In Progress	10/12/2019	18/05/2020	A full report on the insurance classes available with be provided t the May 2020 Audit Committee meeting in advance of the commencement of the 2020-21 placement program.
12/08/2019	Audit Committee	36/AC19	Internal Audit Quarterly Update	None Declared	Administrative Action – Management Response to be updated to take into account the views of the Audit Committee	Andrew Aitken	Lachlan Miller	In Progress	10/12/2019	17/02/2020	Commentary will be updated for next round of Agreed Action updates in February 2020.
18/11/2019	Audit Committee	41/AC19	2018-19 Draft General Purpose Financial Statements	None declared	To recommend that the Adelaide Hills Council 2018-19 General Purpose Financial Statements, contained in Appendix 1, can be certified by the Chief Executive Officer and the Mayor	Terry Crackett	Mike Carey	Completed	10/12/2019	26/11/2019	Council's General Purpose Financial Statements were presented to Council at its meeting on 26 November 2019 and subsequently certified by the Chief Executive Office and Mayor and Audit Reports signed off by Galpins Council's External Auditors
18/11/2019	Audit Committee	42/AC19	Draft 2018-19 Annual Report	Nothing declared	Draft 2018-19 Annual Report, as contained in Appendix 1, be endorsed – and recommend to Council for adoption recognising the need for subsequent inclusion of the General Purpose Financial Statements and	Terry Crackett	Lachlan Miller	Completed	10/12/2019	26/11/2019	Item presented to 26 November 2019 Ordinary Council Meeting.
18/11/2019	Audit Committee	44/AC19	Audit Committee Terms of Reference Review	None declared	That the Audit Committee resolves to recommend the draft Audit Committee Terms of Reference at Appendix 1 to Council for adoption acknowledging the likely impact on Audit Committee functions and composition arising from the Local Government Reforms	Andrew Aitken	Lachlan Miller	Completed	10/12/2019	26/11/2019	Item presented to 17 December 2019 Ordinary Council Meeting.
18/11/2019	Audit Committee	46/AC19	Internal Audit Quarterly Update	None declared	Recommend to Council to adopt the revised Strategic Internal Audit	Andrew Aitken	Lachlan Miller	Completed	10/12/2019	26/11/2019	Item presented to 17 December 2019 2019 Ordinary Council Meeting.

Appendix 2
2020 Audit Committee Work Plan (v1.0)

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
2020 Work Plan and Reporting Schedule

Terms of Reference			2020 Feb	April	May	Aug	Oct	Nov
Financial Reporting & Prudential Requirements	Long Term Financial Plan (LTFP)	Annual	■					
	Annual Business Plan	Annual		Draft				
	Budget Review 1	Annual						■
	Budget Review 2	Annual	■					
	Budget Review 3	Annual			■			
	End of Year Financial Report	Annual						■
	End of financial year reporting timetable	Annual			■			
	End of financial year update	Annual				■		
	Final Annual Financial Statements (incl management representation letter)	Annual					■	
Internal Control and Risk Management	Placement of Council's insurance portfolio (for noting)	Annual				■		
	Internal Financial Controls update	Annual			■			
	Risk Management Plan update	Quarterly			■			■
	LGRS Risk Evaluation - Results	Biennial	2019 Results				Next Eval 2021	
	LGRS Risk Evaluation - Action Plan Review	Bi-annual						■
Internal Audit	Internal Audit quarterly update	Quarterly	■		■	■		
	Internal audit reports	As required						
	Implementation of internal audit actions progress report	Bi-annual	■			■		
	Internal Audit Plan review	Annual			■			
External Audit	External audit interim letter	Bi-annual		verbal	verbal	letter		
	Implementation of external audit actions progress report	Bi-annual	■					
	External Audit Plan review	Annual						
	Meeting attendance by external auditors	Annual					in camera	
	Review of auditor independence and legislative compliance	Annual					■	
	Audit Completion Report	Annual					draft	final
Public Interest Disclosure	Public Interest Disclosure Policy review (replaces Whistleblowers)	Triennial		next review 2021				
Other Business	Audit Committee self assessment review	Annual						■
	Presiding Member's Report	Annual						■
	Work Plan and Reporting Schedule	Annual						■
	Audit Committee Meeting Dates	Annual						■
	Debtors Report	Bi-annual			■			■
	Council's Annual Report	Annual						■
	Audit Committee's Terms of Reference	Annual						■
	Director Presentation	Quarterly	Director Community Capacity	Director Corporate Services	Director Infrastructure & Operations	Director Development & Regulatory Services		
	Other Reports	As required	as required	as required	as required	as required	as required	as required

Version Control:	V1.0 - Adopted 18 November 2019

Appendix 3
2020 Audit Committee Work Plan (v1.1)

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
DRAFT - 2020 Work Plan and Reporting Schedule

Terms of Reference			2020					
			Feb	April	May	Aug	Oct	Nov
Financial Reporting & Prudential Requirements	Long Term Financial Plan (LTFP)	Annual	■					
	Annual Business Plan	Annual		Draft				
	Budget Review 1	Annual						■
	Budget Review 2	Annual	■					
	Budget Review 3	Annual			■			
	End of Year Financial Report	Annual						■
	End of financial year reporting timetable	Annual			■			
	End of financial year update	Annual				■		
	Final Annual Financial Statements (incl management representation letter)	Annual					■	
Internal Control and Risk Management	Placement of Council's insurance portfolio (for noting)	Annual			■			
	Internal Financial Controls update	Annual		■		■		
	Risk Management Plan update	Quarterly						
	LGRS Risk Evaluation - Results	Biennial	2019 Results				Next Eval 2021	
	LGRS Risk Evaluation - Action Plan Review	Bi-annual			■			■
Internal Audit	Internal Audit quarterly update	Quarterly	■		■			■
	Internal audit reports	As required	■					
	Implementation of internal audit actions progress report	Bi-annual	■		■			
	Internal Audit Plan review	Annual			■			
External Audit	External audit interim letter	Bi-annual		verbal	verbal	letter		
	Implementation of external audit actions progress report	Bi-annual	■					
	External Audit Plan review	Annual	■					
	Meeting attendance by external auditors	Annual					in camera	
	Review of auditor independence and legislative compliance	Annual						■
	Audit Completion Report	Annual					draft	final
Public Interest Disclosure	Public Interest Disclosure Policy review (replaces Whistleblowers)	Triennial		next review 2021				
Other Business	Audit Committee self assessment review	Annual						■
	Presiding Member's Report	Annual						■
	Work Plan and Reporting Schedule	Annual						■
	Audit Committee Meeting Dates	Annual						■
	Debtors Report	Bi-annual	Amended from May			Amended from Nov		
	Council's Annual Report	Annual						■
	Audit Committee's Terms of Reference	Annual	■					
	Directorate Risk Profile Presentation	Quarterly		Office of the CEO	Director Corporate Services	Director Infrastructure & Operations	Director Development & Regulatory Services	Director Community Capacity
	Other Reports	As required	as required	as required	as required	as required	as required	as required

Version Control:	V1.1 - Draft for Audit Committee Consideration at 17 Feb 2020 Meeting

Item:	**7.2**
Originating Officer:	**Sharon Leith, Sustainability Officer**
Responsible Director:	**Peter Bice, Director Infrastructure and Operations**
Subject:	**Climate Change Adaptation Governance and Risk Assessment**
For:	**Decision**

SUMMARY

The purpose of this report is to provide information on a Climate Risk Governance Assessment that was recently completed by Adelaide Hills Council, outline the approach taken, what has been achieved since the assessment and to identify next steps.

Adelaide Hills Council was one of four South Australian Councils to complete a pilot climate change adaptation governance assessment along with the City of Onkaparinga, City of Marion and the District Council of Mount Barker. The assessment was undertaken by consultants Climate Planning and Seed Consulting during April and May 2019 and included an online staff survey, a review of publicly available corporate documents and face-to face meetings with management and key operational staff. The results of the assessment were presented in a joint staff workshop with the District Council of Mount Barker in August 2019 and the report was presented to the Sustainability Advisory Group (SAG) in December 2019. At the SAG meeting Cr Mudge suggested that the report should be presented to the Audit Committee.

The assessment found that Council is performing well in three of the ten key governance indicators which placed Adelaide Hills Council in the top tenth percentile for small Council's across Australia. However, during 2019 Council undertook or commenced actions that will raise the performance of five (three new indicators) governance indicators including:

- the preparation of the Corporate Carbon Management Plan
- commenced a new Strategic Plan incorporating specific climate change adaptation directions
- updating the Asset Management Plan to include climate change implications and
- commenced a new Emergency Management Plan and
- initiated a new Risk Management Framework.

Further actions have been identified to embed climate change considerations into Council's governance arrangements. The next step is to present at a Council workshop to discuss the approach, achievements and outcomes.

RECOMMENDATION

The Audit Committee resolves:

1.   **That the report be received and noted**
2.   **That the Audit Committee recommends this report is presented to Council for information.**

1.   **GOVERNANCE**

➢   **Strategic Management Plan/Council Policy**

Goal 1   People and business prosper
Strategy 1.12   We will seek opportunities to increase the wellbeing and resilience of
                     our community to withstand, recover and grow in the face of
                     challenges.

Goal 3   Places for people and nature

*"The environment is continually changing-influenced by climate, economic
considerations and human impacts. We need to empower our community with the
knowledge and capacity to adapt to change and secure a sustainable future. Council
plays an important role in mitigating the risks posed by natural hazards such as fire,
flood and extreme weather events."*

This statement along with a reference to governance, risk and responsibility within
organisational sustainability provide the strategic direction for climate adaptation, risk
management and improved governance within the current Strategic Management Plan.

Resilient Hills and Coasts (RH&C) is a partner project between local government, NRM
Boards and state and federal governments to develop and implement a Regional Climate
Change Adaptation Plan for the Adelaide Hills, Fleurieu Peninsula and Kangaroo Island
region (the Adaptation Plan). Adelaide Hills Council is a partner of the RH&C group and the
Adaptation Plan was completed in in February 2016.

➢   **Legal Implications**

Climate Change and Greenhouse Emissions Reduction Act 2007

*"An Act to provide for measures to address climate change with a view to assisting to
achieve a sustainable future for the State; to set targets to achieve a reduction in
greenhouse gas emissions within the State; to promote the use of renewable sources
of energy; to promote business and community understanding about issues
surrounding climate change; to facilitate the early development of policies and
programs to address climate change; and for other purposes. "*

Sector agreements are formal cooperative agreements between the SA Government and
specific business entities, industries, community groups and regions to help tackle climate
change. They are not legally binding contracts.

The creation of voluntary sector agreements is encouraged under Section 16 of South
Australia's climate change legislation.

An agreement typically encourages actions to reduce greenhouse emissions and adapt to climate change and may include commitments such as:

- improving energy efficiency
- reducing energy consumption
- promoting the use of renewable energy
- research, development and innovation in technologies or practices
- member awareness raising and behaviour change programs
- identifying opportunities to adapt to climate change.

Resilient Hills and Coasts signed a Sector Agreement along with all the other project partners on the 5th June 2017.

The Regional Climate Change Adaptation Plan is consistent with Council's roles and functions as set out in the Local Government Act 1999 (SA), and further, meets the region's obligation under South Australia's Strategic Plan Target 62 to develop a regional climate change adaptation plan. The development of a Climate Change Governance Assessment with key actions to reduce risk to Council aligns with the legislation and the Adaptation Plan.

➢ **Risk Management Implications**

Councils are at the forefront of legal, social, economic and environmental risks associated with a changing climate specifically responding to increasing extreme weather events. Councils that fail to mitigate, manage and disclose climate risks in their governance and decision making will expose themselves to legal liabilities. Climate risks are also being addressed by the finance and insurance sectors and those organisations that are not addressing climate risks will find it increasingly difficult to access finance and insurance. There is growing recognition of the need for councils to manage their exposure to climate related legal and financial risks. The assessment is not intended to measure 'on-ground' actions but rather for Council to understand current documented climate risk governance arrangements in order to establish if there are gaps that may expose Council to legal or financial liability. In response Council has participated in the first South Australian pilot to prepare a Climate Change Adaptation Governance Assessment.

The Climate Change Adaptation Governance Assessment and associated actions will assist in mitigating the risk of: lack of acknowledgement and understanding about climate risk implications and exposure leading to increased legal and financial liabilities.

Inherent Risk	Residual Risk	Target Risk
Extreme (4B)	High (3B)	Medium (3C)

Implementing the actions of the Climate Change Adaptation Governance Assessment and embedding climate risk into corporate processes and frameworks will improve Council's climate change adaptation governance and reduce legal and financial risk.

➢ **Financial and Resource Implications**

There are no financial implications associated with the key actions of the assessment other than those budget items that have already been assigned and/or spent. An example is the Corporate Carbon Management Plan. However, there will be resource implications to undertake further investigation and incorporation of climate risk management and public risk disclosure.

➢ **Customer Service and Community/Cultural Implications**

Not applicable

➢ **Environmental Implications**

Not applicable

➢ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Council Committees:	Not Applicable
Advisory Groups:	The assessment was presented to the Sustainability Advisory Group on Thursday 5 December 2019.
Administration:	Director Infrastructure and Operations
	Manager Strategic Assets
	Executive Manager Governance and Performance
	Governance and Risk Coordinator
Community:	Not Applicable

2.   **BACKGROUND**

There is growing recognition of the need for councils to manage their exposure to climate related legal and financial risks. In October 2018 Resilient South and Resilient Hills and Coasts partner councils jointly hosted a 'Climate Risk for Councils', executive briefing and staff workshop in McLaren Vale.

Presentations at the workshop were from:

- Sarah Barker – Special Counsel, Minter Ellison – internationally renowned expert on climate change governance risk.
- John Nairn – South Australian State Director of the Bureau of Meteorology – highly regarded expert on weather-related climate risks.
- Mark Siebentritt – Consultant, Seed Consulting Services – local consultant specialising in water and climate change, who has taken part in most climate planning projects in South Australia to date.
- Donovan Burton – Consultant, Climate Planning – internationally respected climate adaptation planner, who created the Informed.City platform to assess climate governance for governments.

A number of possible actions for mitigating climate risk exposure were identified with a key action to undertake a comprehensive assessment of climate governance to determine areas of leadership, identify gaps and those requiring further action. In response, four partner councils from Resilient South and Resilient Hills & Coasts – Adelaide Hills, Mt Barker, Marion and Onkaparinga – participated in the first South Australian pilot of Climate Planning's Informed.City™ climate risk governance assessment process (the assessment).

The assessment was not intended to measure 'on-ground' climate action but rather to identify documented climate risk governance arrangements in order to establish if there are gaps that may expose councils to legal or financial liability. The assessments drew upon information gathered via:

• Desktop review of publicly available council documents
• Online survey with council staff
• In-depth group interviews with council staff

Councils were assessed against ten quantitative and seven qualitative key performance indicators and specific recommendations were provided to each council about how to lift performance against each indicator.

The quantitative indicators are as follows:

- Strategic Plan/Corporate Plan
- Financial Management
- Public Risk Register and Disclosure
- Asset Management
- Land Use Planning
- Disaster Management
- GHG Emissions
- Climate Risk Management
- Adaptation Planning
- Climate Change Policy

The qualitative indicators are as follows:

- Climate risk assessments
- Climate legal risk
- Staff capacity and resource allocation
- Community/stakeholder engagement
- Institutional /Intergovernmental relationships
- Climate Change information
- Information systems
-
A further council workshop was held in August 2019 where the consultant presented the findings and results to all staff involved in the process.

3.   **ANALYSIS**

All four Councils were ranked among the top performing in Australia. Marion Council was ranked number one, Onkaparinga in the top five, and Adelaide Hills and Mount Barker were in the tenth percentile for small Councils. Consultant, Donovan Burton, noted that the consistently high performance of the cohort was in large part due to the Regional Climate Partnerships. These partnerships enabled sharing of information, tools and resources, peer to peer learning, consistency and joint development of best practice approaches.

The assessments indicated that while there are sound foundations for effective climate risk governance, notable gaps leave partner councils exposed to legal and financial liabilities. Councils can address these gaps to a reasonable level by systematically and incrementally following the recommendations laid out in their report.

AHC is above average of the assessed councils for Strategic Planning, Financial Management and Adaptation Planning and on-par with the average for Public Risk Disclosure and Greenhouse Gas Emissions Reduction. Refer Figure 1
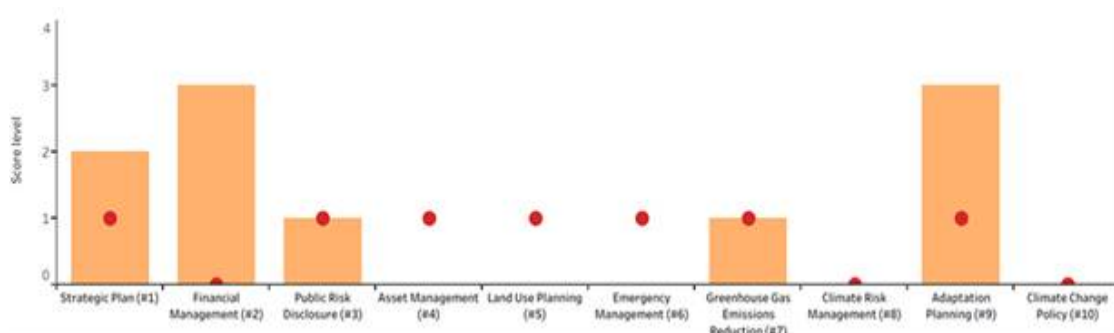
Figure 1 Quantitative indicators and AHC score against benchmark across Australia
Orange bars are Council score, red dots are the average for all Informed.City Councils (200+) 0 = None, 1 = Basic, 2 = Intermediate, 3 = High, 4 = Advanced

AHC has a basic score or above for five of the ten climate change adaptation governance indicators and importantly scored high for Financial Management which is very rare for any council in Australia. This is due to the inclusion of climate change infrastructure and biodiversity funding within the Long Term Financial Plan (LTFP).

The assessment results and workshop ideas indicate some key opportunities for Council to improve their climate risk governance immediately. The main gaps identified in the governance assessment included no consideration of climate change in Council's:

- asset management plan
- emergency management
- land use planning and
- climate risk management frameworks.

Council also does not have a climate change policy.

However, Council has been progressing a number of key indicators as illustrated (criteria with arrows) in Figure 2.
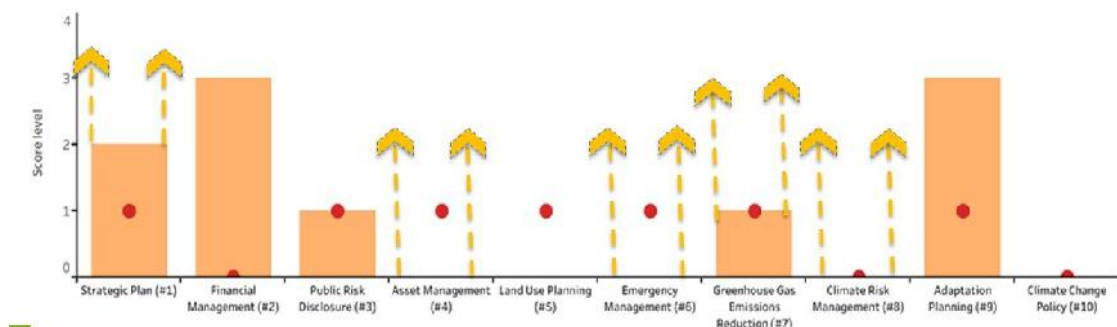
Figure 2 Current progressions of key indicators since completion of the assessment

Specific actions include:

- Strategic Plan-the new Strategic Plan includes a number of references to the changing climate
- Asset Management – the new templates for the Asset Management Plan (AMP) include a section on climate change and implications for asset management
- Emergency Management- Council is involved in the Local Government Association of SA (LGASA) Council Ready program to embed climate risk governance in emergency management including the preparation of a new Emergency Management Framework.
- Greenhouse Gas Emissions Reduction-the Corporate Carbon Management Plan has recently been prepared and endorsed identifying a key goal of 100% renewable energy and striving towards carbon neutrality.
- Risk Management Framework-the new Framework will incorporate climate risk

Other indicators that require further work include:

- Land Use Planning which is reliant on the current State Planning changes and
- Preparation of a climate change policy where it has been suggested that the LGASA could prepare a generic local government wide policy.

Meanwhile, there has been substantial interest from other Councils to undertake the assessment. As more South Australian councils undertake the assessment, more opportunities to share successful approaches will be highlighted, supporting a community of practice approach.

Councils can also choose to repeat the assessment bi-annually to monitor progress and build accountability and transparency over time.

4.   OPTIONS

The Committee has the following options:

I.   It is recommended that the report be received and that it be presented to Council at a later date. (Recommended)

II.   The Committee can decide not to receive the report and to recommend that it not be presented to Council. (Not Recommended)

5.   APPENDICES

(1)   Climate Change Adaptation Governance Assessment Report for Adelaide Hills Council

Appendix 1

Climate Change Adaptation Governance Assessment
Report for Adelaide Hills Council

SOUTH AUSTRALIA PILOT CLIMATE CHANGE ADAPTATION GOVERNANCE ASSESSMENT

Climate Change Adaptation Governance Assessment Report for Adelaide Hills Council

Climate Planning

seed
consulting services

Prepared for:
Adelaide Hills Council

Date/ Version:
6 July 2019/ Version 3

Prepared by:
Climate Planning and Seed Consulting
Services

Citation:

Climate Planning and Seed Consulting Services
2019. South Australia Pilot Climate Change
Adaptation Governance Assessment: Climate
Change Adaptation Governance Assessment
Report for Adelaide Hills Council, prepared for
Adelaide Hills Council, July 2019

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Caveat:

The information provided in the
visualisations is the result of an analysis
using Climate Planning's Informed.City™
tool, current as of 29th May 2019. This
analysis has limitations based on the scope
and resources allocated for this project, and
therefore users should discuss these
limitations with the authors before relying
on the information. The method used to
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Executive Summary

Resilient South and Resilient Hills & Coasts collaborated to run the first trial of Informed.City™ in South Australia. Under this collaboration Adelaide Hills Council, the City of Marion, Mount Barker District Council and the City of Onkaparinga engaged Climate Planning and Seed Consulting Services to undertake a pilot assessment of climate change adaptation governance in these councils. This government assessment will provide an indicator as to how well South Australian local governments are incorporating climate change adaptation governance into their corporate processes and frameworks. The project aims to continue the strong collaborative working relationships between Resilient South, and Resilient Hills and Coasts partner councils.

This report presents the methodology and results of an analysis about the extent of climate change adaptation governance for Adelaide Hills Council, which was undertaken as part of a South Australian Pilot Climate Change Adaptation Governance Assessment. It includes the information collected from an online staff survey, results of the governance assessment, and findings from face-to-face meetings with representatives of Adelaide Hills Council. The report also provides a range of recommendations to assist Adelaide Hills Council in improving their climate change adaptation governance.

Methodology

The Project Team used Climate Planning's Informed.City™ platform to implement the project. The governance assessment for Adelaide Hills Council was undertaken in two stages:

- **Quantitative Assessment** - typology-based review of local government inclusion and influence of climate change in publicly available corporate documents. Also includes a survey of staff members' understanding of climate change impacts, their department's capacity to adapt and their perceived barriers and enablers to improved consideration of climate change in Council decision-making. The quantitative assessment was completed on the 29th of May 2019.
- **Qualitative Assessment** - qualitative analysis of local government consideration of climate change adaptation governance face-to-face meetings with key council staff members. These meetings were used to glean information about barriers and enablers to mainstreaming consideration of climate change. The qualitative assessment was conducted on the 1st and 2nd of May 2019.

Results and Specific Recommendations

The findings of this report bring together information obtained from the above two stages, with a summary of the key insights from the governance assessment presented below.

Quantitative assessment

The Project Team conducted a governance assessment of Adelaide Hills Council to explore how climate change was considered in their corporate documents. Adelaide Hills Council was assessed against ten quantitative governance indicators, with Figure 1 displaying Council's performance.

0 = No data or None   1 = Basic   2 = Intermediate   3 = High   4 = Advanced
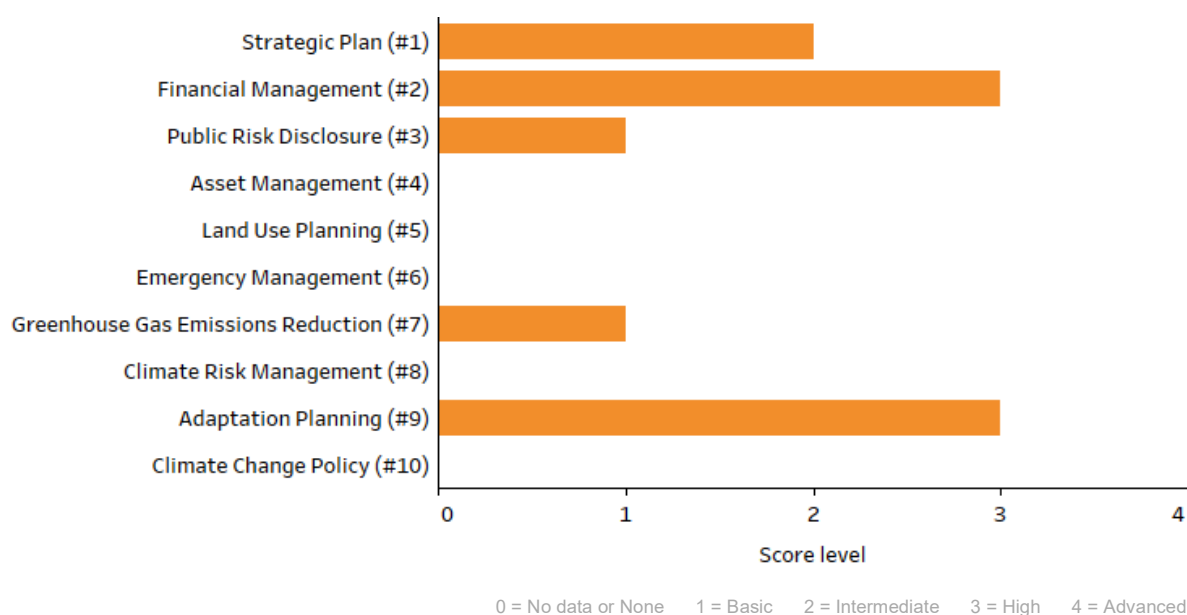
Figure 1: Adelaide Hills Council's quantitative scores for climate change adaptation governance

Table 1 provides the recommended 'first steps' which council should consider implementing for each indicator to improve their climate change adaptation governance scores.

Table 1: Recommended 'first steps' which Adelaide Hills Council should implement to improve their governance scores

Indicator Type Tag	Level	Recommendation
Strategic Plan (#1)	Intermediate	To increase the score for this indicator (to 'High') the next revision of the Strategic Management Plan requires some examples of specific climate change actions spanning more than one council department. General phrases that will support a 'High' score include: "Council will explore how climate change adaptation and mitigation can be mainstreamed into decision making. Specifically, Council will be focusing on sea level rise (if it is a coastal Council) or heatwave risk (or bushfire etc.)". Some resources should be allocated to staff capacity (e.g. conferences and training) as well as some specific technical support which may be required for some elements. However, the majority of support able to be gained from State Government guidelines and information reports as well as gleaning information from other councils through peer-to-peer learning.
Financial Management (#2)	High	To increase the score for this indicator (to 'Advanced') requires some specific focus on the potential supporting policies (e.g. asset management, climate change policy). Council should make statements in its financial planning documents about divestment from fossil fuels, energy transition, and consideration of a price on carbon in adaptation decisions. Council should also consider issues such as insurance, effects on rateable value, asset OPEX and CAPEX issues and other direct and indirect issues associated with climate change. Financial management should also state how financial performance while responding to climate change will be implemented. However, the effect of financial management issues on other council functions (e.g. assets) are important to consider. For example, understanding whether staff capacity, capability and training needs are a barrier to understanding climate change and its financial implications in your council.

Indicator Type Tag	Level	Recommendation
Public Risk Disclosure (#3)	Basic	To increase the score for this indicator (to 'Intermediate') Council should recognise climate change as a corporate strategic risk. As well as including general statements about climate change, elements in the risk register that will support an 'Intermediate' score include specific consideration of one specific risk (e.g. increased flooding risks to Council assets). Implementing this action requires minimal time and resourcing, although a treatment option will require a better understanding and quantification of the risks, which may require expert help or improve staff capacity. Treatment options for climate risks could include land use planning responses, developer contributions and engineering solutions, to name a few.
Asset Management (#4)	None	In order to achieve a small improvement in this governance score (to 'Basic') Council should include climate change in the introduction of the asset management planning documents and/or policies. An example of the text that would help improve basic consideration is: "Council recognises that climate change is likely to affect asset life and functionality. As such, in future reports and analysis, Council will explore how climate change will affect assets".
Land Use Planning (#5)	None	To increase the score for this indicator (to 'Basic') Council should acknowledge climate change in the context/ introduction in the local provisions of the Development Plan. Given that land use planning is a powerful lever for minimising future risks some consideration of climate change is warranted.
Emergency Management (#6)	None	To increase the score for this indicator (to 'Basic') the Council Emergency Management Plan (or similar instrument) must be amended to ensure that, at a minimum, climate change is referred to in the introduction. Examples of phrases in a Council Emergency Management Plan that will support a 'Basic' score include: "Climate change is likely to exacerbate many of the known disaster risks and affect those already especially vulnerable to natural hazards".
Greenhouse Gas Emissions Reduction (#7)	Basic	The 'Basic' score means that Council is concerned about global greenhouse gas emissions. To increase the score for this indicator (to 'Intermediate') Council should now formally identify a target that is achievable through energy efficiency and minimum outlay (e.g. a 20% -30% reduction on current emissions established to 2030). Council should state how it intends to broadly meet the targets. Ensure that energy savings are captured in financial reporting and inform the public of the return on investment.
Climate Risk Management (#8)	None	To increase the score for this indicator (to 'Basic') requires minimal time and resourcing. Review the risk management policy as soon as possible and include climate change in order to achieve a 'Basic' score for this indicator. Examples of wording for the policy include: "Council recognises that climate change may exacerbate some risks and/or present new risks". Treatment options include undertaking scoping risk studies and improving Council's consideration of climate change in its core governance documents.
Adaptation Planning (#9)	High	This recommendation focusses the need for on a Council climate change adaptation strategy (or similar) as a local instrument (not just regional). A detailed local plan ensures ownership and can better align to internal governance and reporting. Ensure that a comprehensive Council adaptation strategy and/or action plan exists (for Council and the community). As a minimum include all of the following: key performance indicators, identified roles and responsibilities, timing for delivery, linked to governance (mainstreaming), includes information from the community, and other key stakeholders. There will be an initial outlay of resources required to achieve this level of adaptation planning (e.g. Undertake climate change risk assessments. Quantify economic, social, environmental and Council assets exposed to risk. Identify, cost and prioritise adaptation actions. Clearly assign roles and responsibilities).

Indicator Type Tag	Level	Recommendation
Climate Change Policy (#10)	None	A climate change policy will help ensure Council's method for adapting to climate change is consistent and robust. If council is to implement a climate change policy then it should include all of the following: specific IPCC climate change scenarios it is aligning to (preferably RCP 8.5 as a minimum), identified roles and responsibilities, timing for delivery, triggers for review (e.g. within 6 months of each IPCC assessment report), activities for improving governance scores, (mainstreaming), and commitment to community and/or stakeholder engagement. The most cost-effective approach to this would be to glean information from other Councils in South Australia or Australia who have participated in an Informed.City™ climate change adaptation governance assessment and have an advanced climate change policy.

Qualitative assessment

During the face-to-face meetings, The Project Team asked representatives of Adelaide Hills Council a series of questions about climate change. These questions were used in a qualitative analysis to understand the issues, barriers and enablers for considering climate change in decision making for Adelaide Hills Council. The results for the qualitative assessment are categorised into the seven indicators. From these results, the Project Team have devised the following specific recommendations to assist Adelaide Hills Council in improving their climate change adaptation governance.

Indicator 11: Climate Risk Assessments

11.1   Undertake whole of organisation climate risk assessment that enables the identification of priority risks across all functions within Council.

11.2   Agree on a process by which high priority projects, especially large-scale infrastructure projects or new developments, are subject to climate risk assessments prior to approval.

11.3   Identify the process by which climate risk assessment results can feed into the Strategic Risk Register.

Indicator 12: Climate Legal Risk

12.1   Identify priority areas for climate legal risk advice, especially in relation to the relative role of Council versus residents and the State Government.

12.2   Determine how the treatment of Climate Legal Risk needs to be addressed now that Council has declared a climate emergency.

12.3   Establish a service provider relationship for accessing legal advice.

Indicator 13: Staff Capacity and Resource Allocation

13.1   Review opportunities to embed capacity building into existing staff training, such as new employee inductions.

13.2   Develop a capacity building program to continue to raise staff awareness about climate change impacts and how they can be managed within different Council functions. This should be an ongoing program similar to how workplace health and safety (WHS) training is conducted across the organisation.

Indicator 14: Community/ Stakeholder Engagement

14.1 Develop a Climate Change Stakeholder Engagement Strategy, which identifies engagement objectives, target audiences, engagement channels, a schedule of activities, and key performance indicators (KPIs). This should include issue specific engagement (e.g. in relation to coastal risks) as well as general awareness raising.

Indicator 15: Institutional/ Intergovernmental Relationships

15.1 Seek to clarify the role of Council as compared with State Government in relation to managing climate risk.

15.2 Consider joining up with one or more not-for-profit groups who focus on climate change (e.g. Climate Change Innovation Lab, Climate KIC, etc.)

Indicator 16: Climate Change Information

16.1 Develop a register of information requirements needed to inform key decisions that will be impacted on by climate change to identify where information gaps exist. This should be done as part of implementing a monitoring and evaluation plan.

16.2 Consider sponsoring an honours or postgraduate student to gain relevant localised climate change studies/ data.

Indicator 17: Information Systems

17.1 Sponsor GovHacks and local hackathons with the focus being solely on climate change adaptation.

17.2 Provide an annual publication of data collected in Council's accounting system on post extreme event/ disaster clean-up costs/ resource use. This will enable the community to see the changes over time.

Conclusion

It is evident from the results of the governance assessment that Adelaide Hills Council considers climate change as a serious issue. Council has made a considerable commitment to understanding and managing the effects of climate change.

It was noted during the interviews that Council has recently declared a 'climate emergency' and will focus considerable attention to reducing greenhouse gas emissions. It is important that equal attention is also given to adaptation measures under this broad direction.

Adelaide Hills Council is punching well above its weight in regard to managing climate change – with it being above the average of assessed councils (186 councils) for Strategic Planning, Financial Management and Adaptation Planning, and on-par with the average for Public Risk Disclosure and Greenhouse Gas Emissions Reduction. It has at least a 'Basic' score in five of the ten climate change adaptation governance indicators. Importantly, Council has scored 'High' for Financial Management, which is very rare for any council in Australia (compared to the 186 councils who have been assessed using this framework). The fact that Council has achieved a score of 'Intermediate' in their Strategic Management Plans also indicates that it has a positive framework to improve on this current assessment.

The main gaps identified in the governance assessment are that there is no consideration of climate change in Council's asset management documents; land use planning and risk management frameworks. Council also does not have a climate change policy.

These gaps need to be given focussed attention. The most practical way forward would be to implement the following steps.

1. Create a climate change policy and have at least a basic consideration of climate change in council's risk management framework that can then feed into the risk register;

2. Undertake a detailed risk assessment on Council activities and assets; and

3. Implement the findings of the risk assessment and the policy into the asset management system.

At present Council does not have a commitment to net zero emissions by 2050 and it is recommended that the organisation consider doing this. However, it is also important to note that the most pressing risks for Council stem from the direct and indirect climate change risks. Whilst reducing greenhouse gas emissions is a critical long-term goal there are some higher priorities that need attention that more strongly relate to adaptation (e.g. no consideration of climate change in the asset management plan and no understanding of the value of assets at risk).

While this assessment has identified a number of low scores this does not reflect or indicate that there is a deficiency in performance of any relevant staff. In fact, the scores and insights provided in this report show that there has been an exemplary approach by staff in undertaking activities associated with climate change. Any gaps in the scores simply reflect the need to ensure that the exemplary work already undertaken just needs to be reflected into the formal governance arrangements.

The fact that there is a high level of support for climate change from the executive team and elected members as well as good consideration of climate change in the Strategic Plan, means that it is likely that Council will improve its climate change adaptation governance scores over the coming 12-24 months.

On a final note, the Project Team cannot stress enough the importance and value of disclosing these governance scores to the wider community and other local governments. The quantitative assessment is based on publicly available information and there are considerable benefits associated with disclosure. By sharing information at the very least with other local governments the framework for community of practice can be established and benefit all participants.

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1 Introduction

1.1 Responding to Climate Change

Climate change is a pressing issue for local government that is already manifesting as a legal, social, economic and environmental risk. Local governments make decisions that span generations (e.g. roll-out of infrastructure, planning for future settlements) and as such need to be actively assessing and responding to the direct and indirect risks that climate change presents. However, since climate change presents a plethora of direct and indirect challenges that are likely to change over time, it will be impossible to effectively manage the issue in an ad-hoc and reactive manner.

Climate change requires a focus on both mitigation and adaptation activities. Mitigation limits the long-term contribution of greenhouse gas emissions to global environmental change and adaptation responds to the impacts that will already be locked into the climate system. The integration of mitigation and adaptation activities act as drivers for a low carbon economy, accessing economic and social opportunities.

Robust decision-making frameworks minimise future uncertainty as issues and information emerge and become important. In fact, this has been identified as the priority for Australian local governments:

> *Local governments will better respond to the challenges of climate change in an environment where adaptive responsibilities are clear, response and evaluation frameworks are consistent across jurisdictions, approaches to mainstreaming climate change adaptation are implemented, and decisions are made on the basis of the best data and information. (*National Climate Change Adaptation Research Facility (NCCARF), 2013)

1.2 A South Australian Context

South Australia was the first jurisdiction in Australia to introduce climate change-specific legislation – the *Climate Change and Greenhouse Emissions Reduction Act 2007* (the Act). The Act promotes climate change mitigation and adaptation action within South Australia that provides consistency with national and international schemes. In response to the Act, the Local Government Climate Change Adaptation Program was developed with the support of the Local Government Association Mutual Liability Scheme. This led to the first comprehensive assessment of climate risks across councils in South Australia, which were mostly undertaken over the period 2010 to 2011.

This initial experience with climate risk planning was built on following the release in 2012 of South Australia's adaptation framework "Prospering in Changing Climate: A Climate Change Adaptation Framework for South Australia". The framework outlined a consistent approach for the development of regional adaptation plans and delivery of integrated vulnerability assessments for all parts of the State. The resulting integrated vulnerability assessments and regional plans were completed over the period 2014 to 2017 and have been progressively implemented in most regions with the support of region wide or council specific adaptation action plans.

1.3   Assessing Climate Change Adaptation Governance

The extent to which climate change risk and adaptation is considered in a local government's core governance documents may affect the implementation of the organisation's approach to climate change adaptation.

Measuring and monitoring indicators for climate change adaptation and mitigation governance provide a platform for a consistent approach. This allows local governments the ability to monitor and improve their performance over time. Initial focus and emphasis should be on a council's adaptation governance. Unless it can be ensured that a council's internal adaptive capacity is robust, that is its ability to respond to potential climate change impacts, then there is a risk that specific adaptation actions will be ad-hoc and constrained by limited resourcing and political support.

> *[Climate change] governance is not about the specific measure but the system and framework that supports the decision-making process...given the complexities and rapid emergence of regulations, evolving information and market responses, implementing [climate change] governance is the only way an organisation can truly maintain an effective response* (Edwards, Burton, & Baker-Jones, 2017).

Understanding climate change governance may help decision-makers to estimate the vulnerability of a system to stress and address underlying causes of vulnerability over time. It may help to support proactive decision-making by assisting organisations to identify both the risks and possible responses in advance and develop the capacity to implement the required actions.

The need to focus on climate change governance is gaining momentum in academic literature, United Nations publications and approaches, as well as in corporate disclosure frameworks (Clos, 2015). For example, disclosure of governance arrangements around climate-related risks and opportunities is a key component of the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) (see Figure 2).

Governance
The organisation's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning

Risk management
The processes used by the organisation to identify, assess, and manage climate-related risks

Metrics and targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Figure 2: Core Elements of Recommended Climate-Related Financial Disclosures (TCFD, 2016)

2 About This Report

This report presents the methodology and results of an analysis about the extent of climate change adaptation governance for Adelaide Hills Council, which was undertaken as part of a South Australian Pilot Climate Change Adaptation Governance Assessment. It includes the information collected from an online staff survey, results of the governance assessment, and findings from face-to-face meetings with representatives of Adelaide Hills Council. The report also provides a range of recommendations to assist Adelaide Hills Council in improving their climate change adaptation governance.

This assessment predominantly focuses on adaptation governance. Mitigation has been considered only in regard to formal greenhouse gas emissions reduction targets. A detailed greenhouse gas emissions governance assessment requires an audit of baseline emissions data and data recording protocols (e.g. emissions scope, alignment to Australian standards etc.) – which is outside the scope of this project.

3 Methodology

The South Australia Pilot Climate Change Adaptation Governance Assessment project uses Climate Planning's climate change adaptation governance assessment framework to understand how effectively climate change considerations are integrated into the corporate operations and governance of South Australian local governments. The governance assessment for Adelaide Hills Council was undertaken in two stages:

- **Quantitative Assessment** - typology-based review of local government inclusion and influence of climate change in publicly available corporate documents. Also includes a survey of staff members' understanding of climate change impacts, their department's capacity to adapt and their perceived barriers and enablers to improved consideration of climate change in Council decision-making (see Appendix A for survey questions).
- **Qualitative Assessment** - qualitative analysis of local government consideration of climate change adaptation governance based on face-to-face meetings with key council staff members. These meetings were used to glean information about barriers and enablers to mainstreaming consideration of climate change.

3.1 Quantitative Assessment

The aim of the quantitative assessment was to identify publicly available corporate documents for Adelaide Hills Council and undertake a deeper exploration into how climate change is considered in those governance documents. These corporate documents are the key governance documents that either drive the organisational decision-making or report on the effectiveness of those processes. The documents were assessed against ten quantitative indicators for climate change adaptation governance (see Table 2).

Table 2: Justification of climate change adaptation governance indicators for the quantitative assessment

Indicator	Justification
Strategic Plan	The Strategic Management Plans direct how decision-makers in local government must discharge their responsibility under the *Local Government Act 1999*. Including considerations of climate change here will likely result in better likelihood for mainstreaming the issue in the council's operations and financial structures.
Financial Management	If ignored, the effects of climate change are likely to have a considerable impact on a council's financial performance. This includes costs associated with asset management, service delivery, legal risk and insurance. Climate change may also affect rateable property value and therefore have the potential to affect council's primary income stream.
Public Risk Disclosure	There is an increasing demand in the private sector for a transparent approach to addressing climate-related risk. A transparent approach means public disclosure of risks. Over time councils can expect insurers and finance providers, amongst others, to request councils to disclose how they are addressing climate-related risk.
Asset Management	Local governments have hundreds of millions (and in some cases billions) of dollars invested in assets. Some of the assets that councils maintain have a long life expectancy and as such may be exposed to direct and indirect climate change risks. This generates a potentially unexplored or under-quantified financial risk for local governments.
Land Use Planning	Land use planning can play a critical role in climate change adaptation. Strategic and local planning decisions can both increase or decrease the exposure of human settlements to climate change impacts. If done well effective land use planning can support climate-resilient and low energy development.
Emergency Management	There are significant opportunities to drive climate change adaptation decision making through emergency management planning. Adaptation has numerous supporting benefits for emergency management including the implementation of risk planning for disaster mitigation and preparedness, response capacity and minimising exposure to reoccurring situations.
Greenhouse Gas Emissions Reduction	Climate change mitigation actions allow for an exploration and promotion of resilient energy systems and passive solar design that may reduce human health-related issues as well as considerable energy savings. Furthermore, it is very likely that climate change adaptation will need to occur in a carbon-constrained economy.
Climate Risk Management	Climate change is a complex issue that will exacerbate existing risks and present new ones. Often climate change risk management is undertaken in an ad hoc way – resulting in inconsistent approaches within an organisation. Some direction that defines how climate change risk is identified and disclosed will greatly improve council's adaptation planning.
Adaptation Planning	Best practice adaptation plans identify the actions required to mitigate specific risks and have mechanisms in place to respond to physical, transitional and liability risks. Adaptation planning helps to set key performance indicators and establish roles and responsibilities across council and more broadly.
Climate Change Policy	An internal Climate Change Policy (or corporate standard / statement of intent) allows the organisation to place a climate change lens over all of council's activities and use the existing system to drive adaptation, risk minimisation and transition to a lower-carbon economy. It can allow for the agreed use of information sources and specific triggers for change.

The quantitative assessment focusses specifically on an assessment of Council's corporate document which are publicly availably which means they are accessible through an online platform (e.g. Council's website). An analysis of only public documents supports the growing recognition that disclosure of climate risk is an important element in climate change management. This is reinforced by Edwards et al. (2017) who state that "it is not enough to do the right thing, one must also be seen to be doing the right thing." The Paris Agreement recognises transparency as a fundamental principle in climate change management (both in actions and in governance). There is also an increasing call for local government disclosure of risk and governance responses by those who re-

insure local government risk. Proactive disclosure aids market decisions and also increases public trust in the government (Kim & Kim, 2007).

3.1.1 Keyword Analysis

The Project Team has identified 10 publicly available corporate documents from Adelaide Hills Council which align with the ten quantitative indicators of climate change adaptation governance (see Table 3). The team conducted a keyword analysis to identify how many words associated with climate change were present in Council's documents. Some of the words reviewed include 'climate change', 'sea level rise', 'adaptation' and 'greenhouse gas emissions' (a complete list of words can be found in Appendix B). If any of these words were identified, the Project Team undertook a closer analysis of the context to assess the extent of how they were considered in the documents.

Table 3: Adelaide Hills Council's corporate documents identified for the quantitative assessment

Indicator	Document Name

Strategic Plan (#1)	▪ Strategic Management Plans (collection)[1]
	     o Infrastructure Asset Management Plans 2012
	     o Long-Term Financial Plan 2019
	     o Strategic Plan 2016

Financial Management (#2)	▪ Annual Business Plan 2018-2019 ▪ Long-Term Financial Plan 2019
Public Risk Disclosure (#3)	▪ Strategic Risk Register 2019
Asset Management (#4)	▪ Asset Management Policy 2017 ▪ Infrastructure Asset Management Plans 2012
Land Use Planning (#5)	▪ Development Plan 2017
Emergency Management (#6)	▪ Adelaide Hills Zone Emergency Management Plan 2018 (regional)
Greenhouse Gas Emissions Reduction (#7)	
Climate Risk Management (#8)	▪ Risk Management Policy 2017
Adaptation Planning (#9)	▪ Resilient Hills & Coasts Climate Change Adaptation Plan 2016 (regional)
Climate Change Policy (#10)	

3.1.2 Evaluation Matrices

The Project Team assessed the corporate documents for each governance indicator using a scoring system developed by Climate Planning. The method is relatively simplistic as it uses scaled matrices with descriptions on a continuum between no consideration and an advanced consideration of climate change. The Project Team scored the corporate documents using a five-point scale which was tailored to each governance indicator in the quantitative assessment (these evaluation matrices are provided in Section 4.2).

Since the quantitative assessment relies on an analysis of the corporate documents, Council staff were not directly engaged for the quantitative indicators. Although, some findings obtained from

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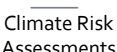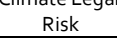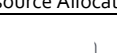[1] identified in Council's Strategic Plan **Invalid source specified.**

the face-to-face meetings may inform and/ or provide context about some of the quantitative indicators and will therefore be presented in the results where relevant. However, they are not given any weight in the final conclusions of this report (other than limitations/ barriers to mainstreaming noted by the staff).

The findings in this report are based on a quantitative assessment of Adelaide Hills Council that was completed on the 29th of May 2019.

3.2   Qualitative Assessment

The purpose of the qualitative assessment was to build a more complete representation of climate change adaptation by focussing on the complex drivers which could not be understood through an assessment of public corporate documents in the quantitative assessment. These drivers are captured in seven qualitative governance indicators (see Table 4).

Table 4: Justification of climate change adaptation governance indicators for qualitative assessment

Indicator	Justification
Climate Risk Assessments	Climate change risk assessments are useful for identifying and quantifying the potential effects of climate change. They provide organisations with the critical information they need to understand the impacts that climate change may present. Risk assessments also help to identify and prioritise issues that require further investigation and/ or adaptation actions.
Climate Legal Risk	Climate change is emerging more and more as a climate legal risk problem that governments, organisations and the community are attempting to understand, avoid and manage. The nature of climate legal risk for local governments is a minefield that can manifest itself in many ways. There is the potential that one lawsuit could erode a council's financial resilience.
Staff Capacity and Resource Allocation	Monitoring councils' resource and staffing commitment to climate change is critical to supporting ongoing climate change adaptation. If a council only relies on external consultants for adaptation research and responses, then it is doing very little to support the improved internal adaptive capacity of its organisation. The overarching goal for adaptation should be to mainstream consideration of climate change across all council activities.
Community/ Stakeholder Engagement	Connecting to the community is a core component for developing a safer, more resilient community. It is a local community who will bear the brunt of climate change impacts as they directly or indirectly contribute towards adaptation efforts (e.g. through increased insurance costs, taxes, and voluntary community actions).
Institutional/ Intergovernmental Relationships	Climate change is a trans-boundary issue. Adaptation action (or inaction) by one stakeholder can both improve and erode the resilience of another. Economies of scale and collectively sharing knowledge can improve adaptation governance. The actions by a range of organisations have the potential to affect councils' resilience.
Climate Change Information	Understanding the impacts of climate change requires access to climate change information. Whilst institutions such as NCCARF, CSIRO, and universities freely provide valuable publications on climate change risk and adaptation, obtaining climate change projections (e.g. from climate change models) is often a time consuming and expensive task, or one that can misalign with councils' timing needs.
Information Systems	As the information technology age continues to shape our society it comes as no surprise to see that information services are playing an increasing role in supporting council operations and providing a new interface with the community it serves. Information communication technology networks such as social media platforms, websites and information portals have the potential to contribute significantly to councils' climate change adaptation ambitions.

The Project Team undertook face-to-face meetings with representatives from Adelaide Hills Council. During the meeting conversations, representatives were asked a series of questions which the Project Team later used in a qualitative analysis to understand the issues, and barriers and enablers for considering climate change in decision making for Adelaide Hills Council. The information was obtained through a set of consistent questions aligned to the relevant themes. The series of core questions are provided at the end of this report (see Appendix C).

The results collected through the qualitative assessment are not directly attributed a 'score'. The findings from this assessment are used to build a better understanding about some areas of this indicator that may not become evident through a reading of the documents in isolation. While findings will not be attributed a score, the outcome will inform any discussion or recommendations. They will also be recorded for comparative review of future assessments.

The face-to-face meetings for Council were conducted on the 1st and 2nd of May 2019.

4 Results and Specific Recommendations

The results focus on interesting findings of the governance assessment as well as possible links drawn from a survey of staff members. This section first provides an overview of the results for the staff governance survey. It then addresses the results and specific recommendations for the quantitative and qualitative assessment separately. Any interesting findings from the face-to-face meetings or the staff governance survey which relate to a specific governance indicator have also been integrated into the results.

4.1 Results for Staff Governance Survey

Of the 28 staff members in Adelaide Hills Council who participated in the staff governance survey, a large proportion work in Customer Service department (7 staff members, 25%). This is closely followed by the Assets department and Other Departments, both of which had five staff members (18%) participate in the online survey (see Figure 3).
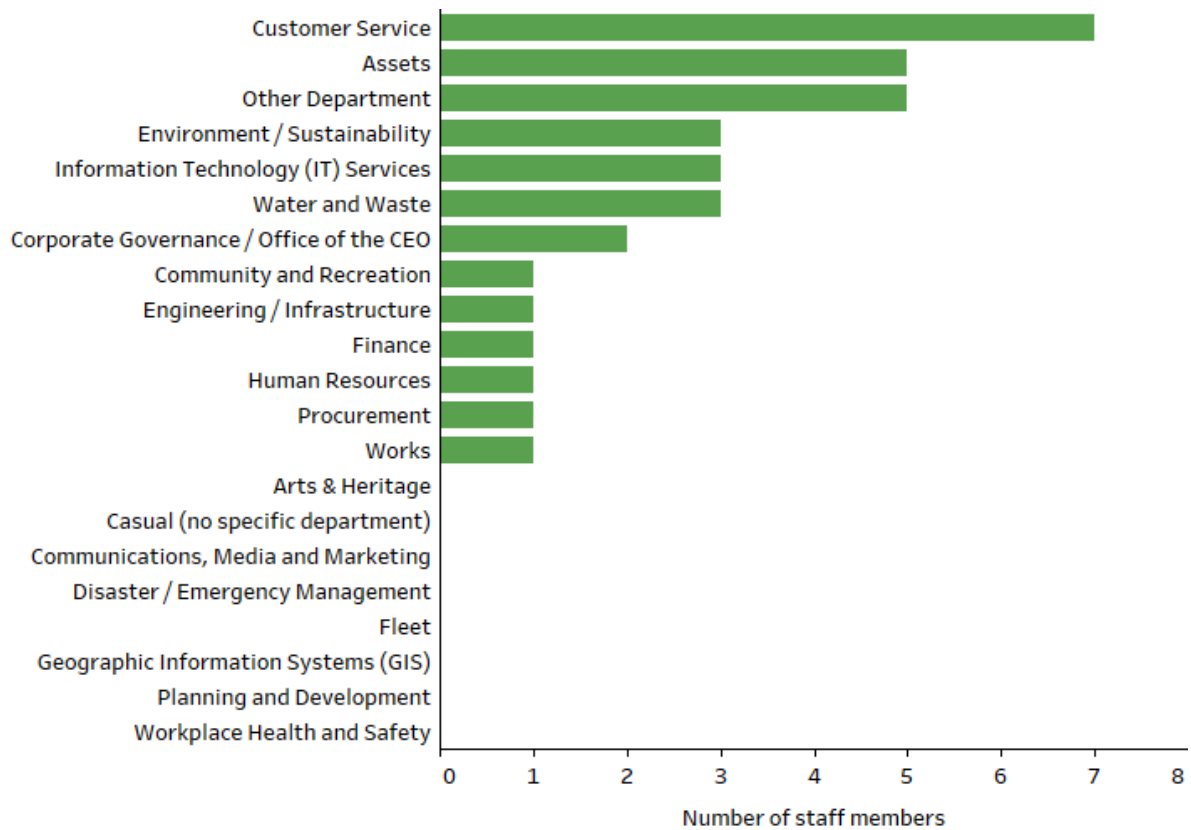
Figure 3: Number of Adelaide Hills Council staff members from each department who participated in the staff governance survey

The online survey found that 93% of respondents have some level of understanding of climate change impacts and adaptation. 15 staff members stated that their understanding is limited, and 11 staff members believed that they could comfortably incorporate/ consider climate change in their job (see Table 5). In addition, 19 respondents (73%) identified a good understanding of climate change as an enabler to Council's ability to plan for climate change.

Table 5: Understanding of climate change impacts and adaptation for Adelaide Hills Council staff members

	Number of staff members	% of staff members
I am not sure of my understanding	1	4%
I have no understanding	1	4%
My understanding is limited	15	54%
I could comfortably incorporate/ consider climate change adaptation	11	39%
Total	**28**	**100%**

4.2 Results and Recommendations for Quantitative Assessment

The specific results of the quantitative assessment have been divided into the ten quantitative indicators of climate change adaptation governance. This section will elaborate on Adelaide Hills Council's results for each governance indicator and provide specific recommendations for how

council can transition to a higher score level. The analysis of each indicator will discuss the importance of the indicator, staff survey results, quantitative assessment results, and specific recommendations. Findings from the face-to face meetings will be provided for relevant indicators.

Please note that only one recommendation has been provided for each indicator as a 'first step' for Council to transition to the next score level. These recommendations are specific to each level which means that completing one recommendation will only improve Council's score by one level. For this reason, there may be a range of recommendations which Council can implement to achieve a desired indicator score. For example, there are three specific recommendations which a council can implement to transition from 'Intermediate' to 'Advanced' for a particular indicator. For more information about how to transition to a higher score level see the collection of recommendations provided for each indicator in Appendices E – N.

4.2.1   Overview of Quantitative Assessment Results

The Project Team conducted a governance assessment of Adelaide Hills Council to explore how climate change was considered in their corporate documents. Adelaide Hills Council was assessed against ten quantitative governance indicators, with Figure 4 displaying Council's performance.

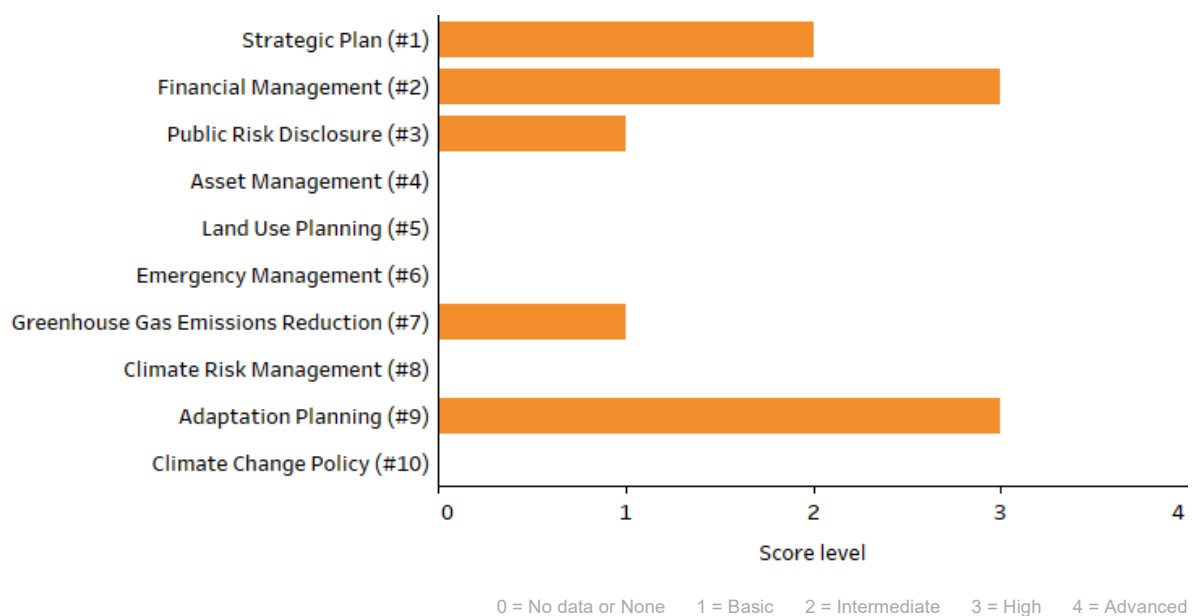0 = No data or None   1 = Basic   2 = Intermediate   3 = High   4 = Advanced

Figure 4: Adelaide Hills Council's quantitative scores for climate change adaptation governance

The evaluation matrix (see Table 6) provides a summary of Adelaide Hills Council's for each governance indicator including descriptions to explain how the indicators were assessed.

Table 6: Adelaide Hills Council's quantitative evaluation for climate change adaptation governance

Indicator	Level	Description
Council Plan (#1)	Intermediate	Prescribed responses/ guidance for one climate change issue (e.g. sea level rise) AND/OR one council function (e.g. land use planning) only.
Financial Management (#2)	High	Climate change adaptation is recognised in financial planning (more than one climate change issue AND/OR council function). But the financial management documents do not guide innovative finance or investment policies.
Public Risk Disclosure (#3)	Basic	General statements about climate change (e.g. in the introduction) OR includes other key words associated with managing climate change in a general context (e.g. greenhouse gas emissions).
Asset Management (#4)	None	No consideration of climate change (or associated key words) in the asset management documents.
Land Use Planning (#5)	None	No consideration of climate change (or associated key words) in the Development Plan.
Emergency Management (#6)	None	No consideration of climate change (or associated key words) in the emergency management plan/s.
Greenhouse Gas Emissions Reduction (#7)	Basic	Climate change target established to 2030 (or one other single date) but minimal information on existing greenhouse gas emissions. No target for carbon neutrality.
Climate Risk Management (#8)	None	No consideration of climate change (or associated key words) in the risk management documents.
Adaptation Planning (#9)	High	Detailed responses for adaptation actions for both the Council and community. Does not have all the attributes listed in the 'Advanced' score level.
Climate Change Policy (#10)	None	No publicly available (council endorsed) climate change policy was found. There may be an environment/ sustainability policy however it does not mention climate change.

4.2.2   Indicator 1: Strategic Plan

Justification for this indicator

The strategic management plans (SMPs) are local government's core guiding documents that combine the community's aspirational vision, together with Council's commitments to actions to achieve these goals. Under Section 122 (1) of the *Local Government Act 1999*, "A council must develop and adopt plans (which may take various forms) for the management of its area, to be called collectively the strategic management plans" (Government of South Australia, 2019). These plans aim to identify the council's objectives for the area over a period of at least 4 years.

SMPs establish the vision, goals and objectives for a local government, as well as help shaped formal management processes. There is no prescribed format for Council SMPs and as such the information contained in them varies from council to council. Given the influence of the SMP, any consideration of climate change in the document/s is likely to assist local government adaptation decision-making.

Staff survey results

The online survey showed that 15 staff members (54%) believe that climate change is impacting Council's operations and procedures now and around 29% of respondents (8 staff members) believe it will be felt within the next 15 years (see Figure 5).
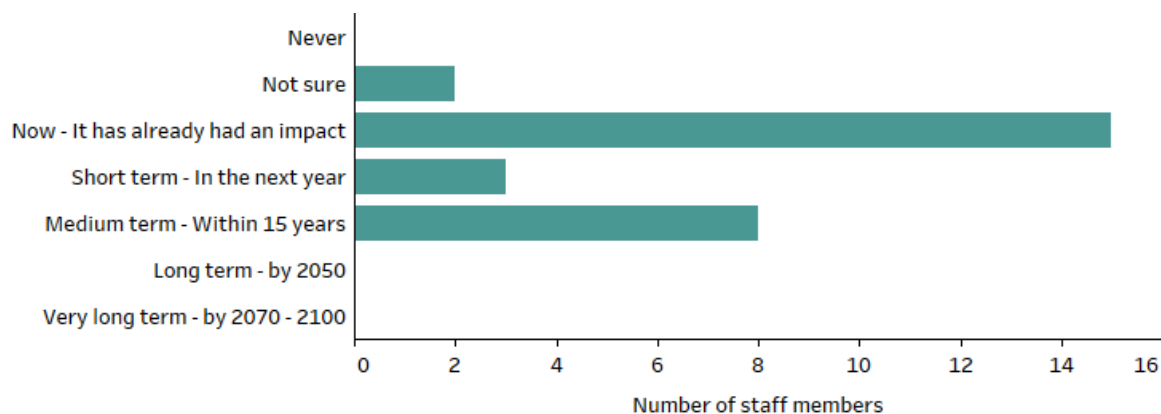
Figure 5: Impact of climate change on Adelaide Hills Council's operations and procedures

Quantitative assessment results

The Project Team reviewed three corporate documents which can be classed as Strategic Management Plans for the purposes of assessing against the Strategic Plan indicator. There was no mention of climate change in the Infrastructure Asset Management Plans 2012 and the Long-Term Financial Plan 2019 included only a few climate change (or associated) words. However, Council have developed a Strategic Plan 2016 which considers carbon emissions in their 'places for people and nature' goal. It states that, "we will strive for carbon neutrality as an organisation and encourage our community to do likewise." (Adelaide Hills Council, 2016). This sees Adelaide Hills Council score 'Intermediate' for the Strategic Plan indicator (see Table 7).

Table 7: Adelaide Hills Council's indicator score for Strategic Plan

Level (Score)	Indicator Description
No data	No publicly available Strategic Management Plan/s were found.
None (0)	No consideration of climate change (or associated key words) in the Strategic Management Plan/s.
Basic (1)	General statements about climate change (e.g. in the introduction) OR includes other key words associated with managing climate change in a general context (e.g. greenhouse gas emissions).
Intermediate (2)	Prescribed responses[1]/ guidance for one climate change issue[1] (e.g. sea level rise) AND/OR one council function[1] (e.g. land use planning) only.
High (3)	Detailed inclusion of climate change, but is limited to two climate change issues (e.g. sea level rise) AND/OR two council functions (e.g. land use planning).
Advanced (4)	Climate change is well considered and includes responses to direct and indirect impacts[1].

1 See Appendix D for definitions of prescribed responses, climate change issues, council functions, and direct and indirect impacts

Specific recommendations for quantitative assessment

The Project Team recommend the following as a first step for Adelaide Hills Council to transition from 'Intermediate' to 'High' in the Strategic Plan indicator:

To increase the score for this indicator (to 'High') the next revision of the Strategic Management Plan requires some examples of specific climate change actions spanning more than one council department. General terminology that will support a 'High' score includes: "Council will explore how climate change adaptation and mitigation can be mainstreamed into decision making. Specifically, Council will be focusing on sea level rise (if it is a coastal Council) or heatwave risk (or bushfire etc.)". Some resources should be allocated to staff capacity (e.g. conferences and training) as well as some specific technical support which may be required for some elements. However, the majority of support able to be gained from State Government guidelines and information reports as well as gleaning information from other councils through peer-to-peer learning.

Findings from the face-to-face meetings

There was awareness amongst meeting participants that climate change was referred to in the Strategic Plan, however, there was limited understanding of specifically how this links with different works areas. There was a suggestion from some staff that responding to climate change needs to be better reflected in the full suite of strategic planning documents.

4.2.3 Indicator 2: Financial Management

Justification for this indicator

Climate change is increasingly seen as a financial management issue. The cost of direct and indirect impacts will cascade through the economy and affect costs associated with a local government's activities and responsibilities. For example, at a local level, changes in the productivity of the wine sector could impact wine and tourism businesses, while homes at risk from flood and fire could lead to reduced property values in some areas. At an international level, increased extreme weather in Asia may disrupt global supply chains and affect the availability of certain goods and services for local governments, or increased litigation may affect local government insurance costs (general insurance and liability cover). The *Local Government Act 1999* requires local governments to prepare a Long-Term Financial Management Plan (s.122)(1a) and an Annual Business Plan (s. 123)(1) as part their system of financial management.

Furthermore, climate change adaptation requires initial and ongoing outlay of resources and commitment of staff time. Resource constraints and/or lack of financial commitment from local governments are often identified as a primary barrier to implementing climate change adaptation. In Climate Planning's experience, it involves minimal resourcing for a council to achieve a 'Basic' or 'Intermediate' score for Financial Management, however, to reach the upper score ranges ('High' and 'Advanced') requires a more formal and strategic commitment.

Staff survey results

In the online survey, 20 staff members (74%) identified limited assigned funding as a barrier hindering Council's ability to plan for climate change, which ranked first in the collection of barriers (see Figure 6). On the other hand, 73% of respondents (19 staff members) acknowledged that understanding the costs/ benefits of climate change adaptation actions is an enabler for climate

change. Other enablers identified were external funding (12 staff members, 46%) and avoiding future unbudgeted costs (5 staff members, 19%).
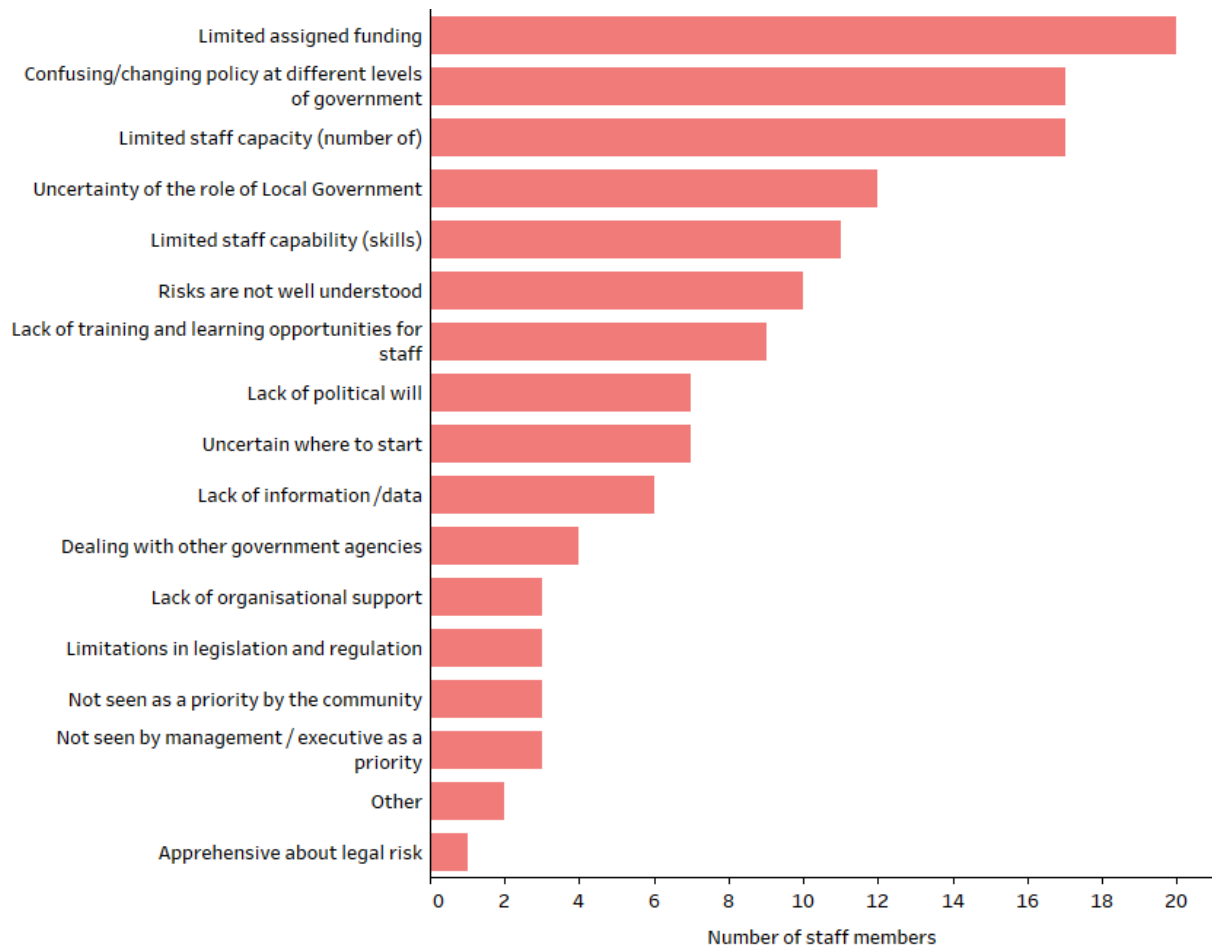
Figure 6: Barriers hindering Adelaide Hills Council's ability to plan for climate change

Quantitative assessment results

The review found only a few of climate change (or associated) words in the Long-Term Financial Plan 2019. However, the Annual Business Plan 2018-2019 considered climate change in their additional funding requirements for 2018-19 as well as the next two financial years. This inclusion was related to both climate change adaptation and mitigation. The plan provides costing estimates for initiatives in the Climate Change Adaptation Plan which include:

- "Investigate into local climate change implications for biodiversity conservation and revegetation;
- Incorporate of climate change adaptation requirements into infrastructure projects to increase resilience; and
- Investigate and improve policy to incorporate climate ready building design and materials for new buildings, renovation and upgrade of existing buildings." (Adelaide Hills Council, 2018)

The budget also allows for the development of a Carbon Neutrality Plan which will include actions, targets, responsibility and resources to help Council strive toward carbon neutrality (Adelaide Hills Council, 2018). This sees Adelaide Hills Council achieve a 'High' for the Financial Management indicator (see Table 8).

Table 8: Adelaide Hills Council's indicator score for Financial Management

Level (Score)	Indicator Description
No data	No publicly available financial management documents[1] were found.
None (0)	No consideration of climate change (or associated words) in the financial management documents[1].
Basic (1)	General statements about climate change (e.g. in the introduction) OR includes other key words associated with managing climate change in a general context (e.g. greenhouse gas emissions).
Intermediate (2)	Prescribed responses[1]/ guidance for one climate change issue[1] (e.g. sea level rise) AND/OR one council function[1] (e.g. land use planning) only.
High (3)	Climate change adaptation is recognised in financial planning (more than one climate change issue AND/OR council function). But the financial management documents do not guide innovative finance or investment policies.
Advanced (4)	Climate change adaptation is well-budgeted for and resources allocated for mainstreaming. Consideration for climate change in investments and/or investment policies etc. is stated. Innovated finance mechanisms may also be encouraged.

1 See Appendix D for definitions of documents, prescribed responses, climate change issues and council functions

Specific recommendations for quantitative assessment

The Project Team recommend the following as a first step for Adelaide Hills Council to transition from 'High' to 'Advanced' in the Financial Management indicator:

To increase the score for this indicator (to 'Advanced') requires some specific focus on the potential supporting policies (e.g. asset management, climate change policy). Council should make statements in its financial planning documents about divestment from fossil fuels, energy transition, and consideration of a price on carbon in adaptation decisions. Council should also consider issues such as insurance, effects on rateable value, asset OPEX and CAPEX issues and other direct and indirect issues associated with climate change. Financial management should also state how financial performance while responding to climate change will be implemented. However, the effect of financial management issues on other council functions (e.g. assets) are important to consider. For example, understanding whether staff capacity, capability and training needs are a barrier to understanding climate change and its financial implications in your council.

Findings from the face-to-face meetings

Meeting participants indicated that strong efforts are being made to ensure that the Long-Term Financial Plan for Council explicitly addresses climate change. It was noted that this will ultimately require ongoing dedication of funds for climate change projects and resourcing of staff for delivery of these projects. Such allocation of funds is understood to have been done for the first time during 2018/19.

Some of the potential financial implications of climate change identified during the meetings were for the cost of:

- bushfire fire reduction activities;
- road repairs following storm damage; and
- increased management of pest plants and animals.

These need to be adequately resourced alongside investment in actions arising from the Carbon Neutrality Plan, such as solar panels and electric vehicle charging stations.

As part of Council's financial management approach, scope was identified to improve the Procurement Policy. It was noted that while sustainability is considered to some extent, climate change risk is not.

4.2.4   Indicator 3: Public Risk Disclosure

Justification for this indicator

There is considerable evidence to suggest that climate change will have a material impact on a local government's operations and as such it would be prudent to assess the consideration of climate change in Council's public risk registers. Currently there is no regulatory requirement to maintain a public risk register however the *Local Government Act 1999* requires councils to manage their risks. However, Section 48 (aa1) of the *Local Government Act 1999* requires each Council to have prudential management "policies, practices and procedures" that must be applied to all Council projects, not just large ones (Government of South Australia, 2019).

There is increasing pressure for organisations to disclose their climate change related risks (e.g. Carbon Disclosure Project programs – which encourage organisations to publicly disclose climate risks). Over time councils can expect insurers and finance providers, amongst others, to request councils to disclose how they are addressing climate-related risk. Furthermore, the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement (which Australia is a signatory to) maintains a strong focus on transparency and disclosure.

This level of transparency helps to inform businesses and the community about the emerging risks and control measures that a council is implementing (or intends to implement). Council should seek advice on which elements of climate change risk can be effectively disclosed.

Quantitative assessment results

The Project Team located an extract of a Strategic Risk Register on Council's website. The risk register identifies "health and economic impacts due to climate change" as a consequence of not providing for the welfare of the community (Adelaide Hills Council, 2019), however it does not specifically recognise climate change as a risk. For this reason, Adelaide Hills Council scored 'Basic' for the Public Risk Disclosure indicator (see Table 9).

Table 9: Adelaide Hills Council's indicator score for Public Risk Disclosure

Level (Score)	Indicator Description
No data	No publicly available risk register OR risk disclosure documents[1] were found.
None (0)	No consideration of climate change (or associated key words) in the public available risk register OR risk disclosure documents.
Basic (1)	General statements about climate change (e.g. in the introduction) OR includes other key words associated with managing climate change in a general context (e.g. greenhouse gas emissions).
Intermediate (2)	Prescribed responses[1]/ guidance for one climate change issue[1] (e.g. sea level rise) AND/OR one climate change risk[1] (e.g. infrastructure risk) only.
High (3)	Detailed inclusion of climate change (more than one climate change issue AND/OR climate change risk), but is limited to responses to direct impacts[1] of climate change.
Advanced (4)	Climate change is well considered and includes responses to direct and indirect impacts[1].

1 See Appendix D for definitions of documents, prescribed responses, climate change issues, climate change risks, and direct and indirect impacts

Specific recommendations for quantitative assessment

The Project Team recommend the following as a first step for Adelaide Hills Council to transition from 'Basic' to 'Intermediate' in the Public Risk Disclosure indicator:

To increase the score for this indicator (to 'Intermediate') Council should recognise climate change as a corporate strategic risk. As well as including general statements about climate change, elements in the risk register that will support an 'Intermediate' score include specific consideration of one specific risk (e.g. increased flooding risks to Council assets). Implementing this action requires minimal time and resourcing, although a treatment option will require a better understanding and quantification of the risks, which may require expert help or improve staff capacity. Treatment options for climate risks could include land use planning responses, developer contributions and engineering solutions, to name a few.

Findings from the face-to-face meetings

Council indicated that the management of the Risk Register was compliant with legislation but that it was not available to the general public. Aside from what is already recorded on the Risk Register, staff were not clear how climate related risks identified at an officer or team level could ultimately progress to being recorded on the Risk Register.

4.2.5   Indicator 4: Asset Management

Justification for this indicator

Local governments have hundreds of millions (and in some cases billions) of dollars invested in assets. Some of the assets that councils maintain, or are likely to install and maintain, have a long life-expectancy and as such may be exposed to direct and indirect climate change risks. A failure of asset management consideration generates a potentially unexplored or under-quantified financial

risk for local governments. The *Local Government Act 1999* requires local governments to prepare an Infrastructure and Asset Management Plan (s.122)(1a).

In 2013, the Australian Standards released the voluntary standard AS5334-2013 Climate Change Adaptation Standard for Settlements and Infrastructure – a Risk-Based Approach. The fact that this standard has recently been developed signals that organisations are anticipating compliance requirements. Over time it is likely that government agencies that provide infrastructure funding or co-funding to councils will require climate change to be considered in the delivery of projects. How a local government manages assets under climate change will be a key determinant in understanding a settlement's limits to adaptation.

Quantitative assessment results

The Project Team reviewed the Asset Management Policy 2017 for this indicator however, there was no mention of climate change found in the policy. This sees, Adelaide Hills Council score 'None' for the Asset Management indicator (see Table 10).

Table 10: Adelaide Hills Council's indicator score for Asset Management

Level (Score)	Indicator Description
No data	No publicly available asset management documents[1] were found.
None (0)	No consideration of climate change (or associated key words) in the asset management documents.
Basic (1)	General statements about climate change (e.g. in the introduction) OR includes other key words associated with managing climate change in a general context (e.g. greenhouse gas emissions).
Intermediate (2)	Prescribed responses[1]/ guidance for one climate change issue[1] (e.g. sea level rise) AND/OR one council function[1] (e.g. land use planning) only.
High (3)	Detailed inclusion of climate change, but is limited to two climate change issues (e.g. sea level rise) AND/OR two council functions (e.g. land use planning).
Advanced (4)	Climate change is well considered and includes responses to direct and indirect impacts[1].

1 See Appendix D for definitions of documents, prescribed responses, climate change issues, council functions, and direct and indirect impacts

Specific recommendations for quantitative assessment

The Project Team recommend the following as a first step for Adelaide Hills Council to transition from 'None' to 'Basic' in the Asset Management indicator:

In order to achieve a small improvement in this governance score (to 'Basic') Council should include climate change in the introduction of the asset management planning documents and/or policies. An example of the text that would help improve basic consideration is: "Council recognises that climate change is likely to affect asset life and functionality. As such, in future reports and analysis, Council will explore how climate change will affect assets".

Findings from the face-to-face meetings

During the face-to-face meetings, staff members with asset management responsibilities commented that there was no formal, mandated consideration of climate change in the Council's asset management planning process. This was partly being driven by a lack of understanding of what Council's responsibility was in relation to managing climate change impacts on assets. Participants said that the need to better understand this responsibility will be heightened as assets approach the end of their design life, although there was a view that most of the Adelaide Hills Council's ageing infrastructure remained in good condition.

Participants could not identify any instances where Council considered climate change in operating expenses (e.g. rent, utilities, salaries, research and development, or business travel), although changing frequency of storm events had been raised following the storm damage to roads following intense rainfall in 2016.

4.2.6   Indicator 5: Land Use Planning

Justification for this indicator

Land use planning can play a critical role in climate change adaptation. Strategic and local planning decisions can both increase or decrease the exposure of human settlements to climate change impacts. Climate change is a risk multiplier for local government. The primary risk extends well beyond just sea level rise (which is conventionally exclusively considered) and can include increased riverine and urban flood risk, increased heatwaves, increased bushfire risks and the potential for increased intensity of extreme storm events to name a few. These risks can be minimised by effective land use planning.

Under South Australian legislation, "a development plan is a statutory policy document which guides the type of development that can occur within a council area" (Government of South Australia, 2018). Part 4 (s.9) of the *Planning Development and Infrastructure Act 2016* states that:

> *Until 1 July 2020, a Development Plan under the repealed Act (as in force at a relevant time) will have effect for the purposes of this Act as if it formed part of the Planning and Design Code (subject to the operation of this clause).* (Government of South Australia)

Whilst councils' influence on a development plan may be constrained by overarching South Australian polices and/or legislation there is still a broad array of responses that local government can implement to manage the challenges associated with climate change.

Staff survey results

In the online survey, 14 staff members (56%) believe that statutory planning support is very helpful in adapting to climate change impacts.

Quantitative assessment results

The Project Team assessed Council's Development Plan 2018 for the Land Use Planning indicator. The plan included a few words regarding 'climate' however they were not specific to climate change. For this reason, Adelaide Hills Council scored 'None' for the Land Use Planning indicator (see Table 11).

Table 11: Adelaide Hills Council's indicator score for Land Use Planning

Level (Score)	Indicator Description
No data	No publicly available Development Plan was found.
None (0)	No consideration of climate change (or associated key words) in the Development Plan.
Basic (1)	General statements about climate change (e.g. in the introduction) OR includes other key words associated with managing climate change in a general context (e.g. greenhouse gas emissions).
Intermediate (2)	Brief inclusion of climate change for one or more climate change issue[1] AND/OR planning theme[1]. Also includes objectives or desired outcomes for specific climate change considerations. May have some general strategies or suggested responses.
High (3)	Detailed inclusion of climate change for one or more climate change issue AND/OR planning theme (including detailed strategies or suggested responses). May need updating to reflect the most recent IPCC assessment report from date of publication. May have also considered other planning instruments (e.g. guidelines).
Advanced (4)	Significant consideration is given to climate change. Importantly, the Development Plan also includes responses to indirect impacts[1] of climate change. Must also reflect the latest science - most recent IPCC assessment report from date of publication.

1 See Appendix D for definitions of prescribed responses, climate change issues, planning theme, and direct and indirect impacts

Specific recommendations for quantitative assessment

The Project Team recommend the following as a first step for Adelaide Hills Council to transition from 'None' to 'Basic' in the Land Use Planning indicator:

To increase the score for this indicator (to 'Basic') Council should acknowledge climate change in the context/ introduction in the local provisions of the Development Plan. Given that land use planning is a powerful lever for minimising future risks some consideration of climate change is warranted.

Findings from the face-to-face meetings

Meeting participants noted that fire and flood risk was already considered to some degree in land use planning decisions, however, it was believed that Council has limited ability to insist on how such risks should be addressed beyond the minimum requirements of the Development Plan and the Building Code.

Concerns were raised about the new State Planning and Design Code, with some participants indicating that they believed Council would have less control than under current conditions to inform decision making that could otherwise lead to better outcomes with respect to siting and design of homes.

There was an expectation amongst staff that fire and flood risk data already include climate change considerations, however, this was not known for certain. As such the extent to which fire risk is being increased by climate change is not being communicated to development application applicants.

4.2.7   Indicator 6: Emergency Management

Justification for this indicator

There are some great opportunities to drive climate change adaptation decision making through local government emergency management planning. Adapting to the effects of climate change has numerous supporting benefits for emergency management including the implementation of risk planning for disaster mitigation and preparedness, building appropriate response capacity and minimising exposure to reoccurring situations. Consideration of the long-term trends of climate change is fundamental for assessing risks, while still maintaining the ability to respond to unanticipated events, and ensuring that emergency management is approached from a planning and mitigation perspective rather than purely as a responsive entity.

In accordance with Section 9 (1e) of the *Emergency Management Act 2004*, the State Emergency Management Plan (SEMP) establishes eleven Zone Emergency Management Committees (ZEMCs) which are responsible for ensure effective emergency risk management at the zone level. A key role of the ZEMCs is to develop a Zone Emergency Management Plan (ZEMP) to address residual risk and evaluate treatment options (Government of South Australia, 2016). As well as having a ZEMP some councils also have local emergency management plans or business interruption plans. In order to achieve the 'Advanced' score in this assessment a council must have a local emergency management plan (or similar) that comprehensively considers climate change.

Staff survey results

The online survey revealed that 36% of respondents (10 staff members) believe that Adelaide Hills Council is prepared for responding to climate change impacts which is less than the 14 staff members (50%) who believe that Council is not prepared (see Figure 7). Interestingly, there are another four staff members (14%) who were unsure of Council's level of preparedness for climate change. It should also be noted that there was only one staff member from the Disaster/ Emergency Management department who participated in the online survey.
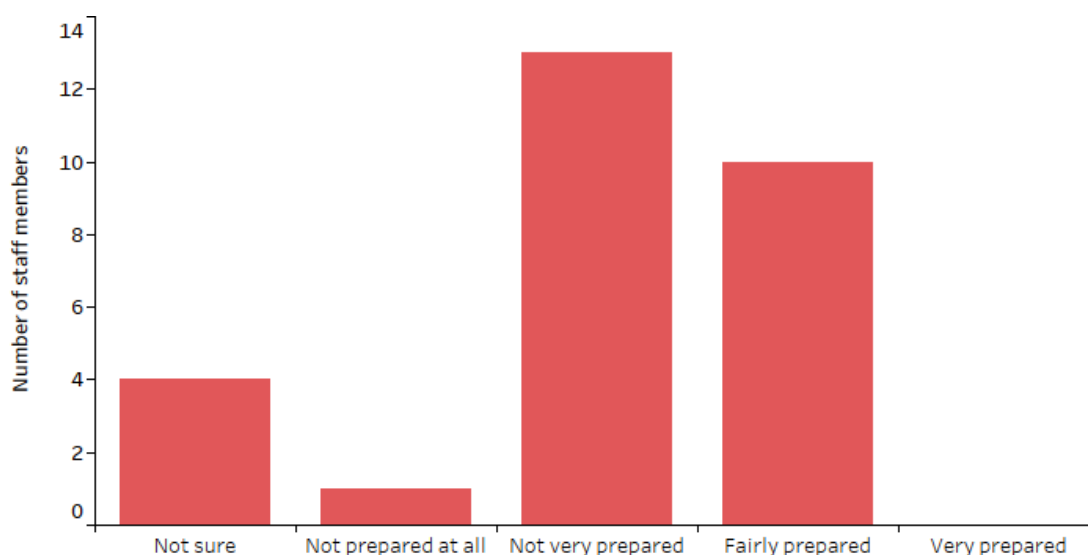

Figure 7: Adelaide Hills Council's level of preparedness for responding to climate change impacts

Quantitative assessment results

The Project Team assessed only the Adelaide Hills Zone Emergency Management Plan 2018 for this indicator as a publicly available council emergency management plan was not found for the Adelaide Hills Council. The review identified only a single reference to 'sea level rise' in the regional emergency management plan. However, since Adelaide Hills Council is an inland council the key words related to coastal hazards (e.g. sea level rise) are not applicable to their score. For this reason, Adelaide Hills Council score 'None' for the Emergency Management indicator (see Table 12).

Table 12: Adelaide Hills Council's indicator score for Emergency Management

Level (Score)	Indicator Description
No data	No publicly available emergency management plan/s was found.
None (0)	No consideration of climate change (or associated key words) in the emergency management plan/s[*].
Basic (1)	General statements about climate change (e.g. in the introduction) OR includes other key words associated with managing climate change in a general context (e.g. greenhouse gas emissions).
Intermediate (2)	Considers climate change issues[1] in at least one element of emergency management (e.g. plan for increased heatwaves) in either a council or regional emergency management plan.
High (3)	Considers climate change issues in two or more elements of emergency management (e.g. plan for increased heatwaves) in a council emergency management plan.
Advanced (4)	A council emergency management plan exists and considers climate change issues in all elements of emergency management (e.g. provides climate scenarios, links to international and national leading standards, includes other council climate studies etc).

1 See Appendix D for definitions of climate change issues

* If a regional document is searched then a localised adjustment is applied for coastal hazards. This may mean that a coastal council may score differently to an inland council for the same regional plan.

Specific recommendations for quantitative assessment

The Project Team recommend the following as a first step for Adelaide Hills Council to transition from 'None' to 'Basic' in the Emergency Management indicator:

To increase the score for this indicator (to 'Basic') the Council Emergency Management Plan (or similar instrument) must be amended to ensure that, at a minimum, climate change is referred to in the introduction. Examples of phrases in a Council Emergency Management Plan that will support a 'Basic' score include: "Climate change is likely to exacerbate many of the known disaster risks and affect those already especially vulnerable to natural hazards".

Findings from the face-to-face meetings

Although participants generally demonstrated a strong general knowledge of potential physical climate risks such as fire and flood risks, face-to-face meetings suggested few emergency management processes or plans that were directly considering climate change. The importance of this is particularly noted for fire risk given the strong awareness of Council staff about the potential

impact of hotter and drier conditions on the length of fire season and changing vegetation communities.

While council staff participate in emergency management exercises, participants did not identify any instances where these have integrated climate change forecasts or scenarios. There is limited emergency management consideration during long-term land use planning or asset management decision-making (i.e. where climate change is more likely to be discussed).

Importantly, there is growing importance being placed on individual and community resilience, meaning that residents are being encouraged to have a much greater understanding of their own resilience, including their homes, in the face of extreme events. This in turn is expected to reduce the reliance on emergency services providers during major fires or floods.

4.2.8   Indicator 7: Greenhouse Gas Emissions Reduction

Justification for this indicator

Climate change mitigation actions are listed as a core governance process for adaptation, as they allow for an exploration and promotion of resilient energy systems and passive solar design that may reduce human health-related issues (e.g. heat stress), as well as considerable energy savings. Furthermore, it is likely that all climate change adaptation will need to occur in a carbon-constrained economy.

Understanding the nexus between the two is an important element of adaptation. Many infrastructure-based adaptation actions (e.g. sea walls) are carbon intensive and as such local governments will need to consider this in any cost-benefit analysis.

Quantitative assessment results

The Project Team searched for a climate change target in Council's greenhouse gas emissions documents, other core governance documents identified in the quantitative assessment, and on Council's website. Council shows a commitment to reduce greenhouse gas emissions in their Annual Business Plan 2018-2019 which states that:

> *We're striving for carbon neutrality and encouraging our community to do likewise, so we're putting more money aside to develop a Carbon Neutrality Plan, and continuing our investment in sustainability incentive grants.* (Adelaide Hills Council, 2018)

Council staff have noted that they have completed a draft Carbon Management Plan which is providing targets to achieve 100% renewable and carbon neutrality. When this Plan is published it is likely that Council will achieve an 'Advanced' rating. However, at this stage Adelaide Hills Council scores 'Basic' for the Greenhouse Gas Emissions Reduction indicator (see Table 13).

Table 13: Adelaide Hills Council's indicator score for Greenhouse Gas Emissions Reduction

Level (Score)	Indicator Description
None (0)	No publicly available greenhouse gas emissions documents were found. Also, climate change target or consideration to reduce greenhouse gas emissions was not found in any of the core governance documents OR displayed on Council's website.
Basic (1)	A commitment or consideration to reduce greenhouse gas emissions is generally mentioned (either in greenhouse gas emissions documents, other core governance documents OR displayed on Council's website). Climate change target established to 2020[*] only.
Intermediate (2)	Climate change target established to 2030 (or one other single date) but minimal information on existing greenhouse gas emissions. No target for carbon neutrality.
High (3)	Climate change target established out 2050 but no target for carbon neutrality. Information on council's current/ historical greenhouse gas emissions is provided.
Advanced (4)	Climate change target and aim for carbon neutrality by or before 2050.

[*] If in a future assessment the year 2020 has past, then the emissions reduction target MUST be established to 2025

Specific recommendations for quantitative assessment

The Project Team recommend the following as a first step for Adelaide Hills Council to transition from 'Basic' to 'Intermediate' in the Greenhouse Gas Emissions Reduction indicator:

The 'Basic' score means that Council is concerned about global greenhouse gas emissions. To increase the score for this indicator (to 'Intermediate') Council should now formally identify a target that is achievable through energy efficiency and minimum outlay (e.g. a 20% -30% reduction on current emissions established to 2030). Council should state how it intends to broadly meet the targets. Ensure that energy savings are captured in financial reporting and inform the public of the return on investment.

Findings from the face-to-face meetings

Adelaide Hills Council is currently developing a Carbon Neutrality Plan, which will explore a target for emissions reduction and actions required to achieve this as part of Council's operations. Some participants suggested that this reflected a stronger focus on mitigation than adaptation in Council. Although this work has only recently begun, it was well understood that Council is already undertaking actions that are reducing overall emissions, such as installation of solar panels on building roofs and energy efficiency measures in buildings and for plant and equipment.

4.2.9   Indicator 8: Climate Risk Management

Justification for this indicator

The Climate Risk Management indicator assesses the extent to which climate change is embedded into Council's traditional risk management policies or strategies. While complementary, it is different from the information captured in Indicator 3: Public Risk Disclosure by taking a more high-level approach to risk management.

Climate change is a complex issue that will exacerbate existing risks and present new ones. Some direction that mandates how climate change risk is identified and disclosed will greatly improve

Council's adaptation planning. If a local government does not know what is at risk and the consequences of those risks, then they are unlikely to implement adaptation actions.

Staff survey results

In the online survey, 10 staff members (37%) believe that misunderstood risks are barriers to Council's ability to plan for climate change. Nevertheless, 31% of respondents (8 staff members) recognised that effective risk management practices would better enable Adelaide Hills Council to plan for climate change.

Quantitative assessment results

The Project Team reviewed the Risk Management Policy 2017 for this indicator however, there was no mention of climate change found in the policy. For this reason, Adelaide Hills Council scored 'None' for the Climate Risk Management indicator (see Table 14).

Table 14: Adelaide Hills Council's indicator score for Climate Risk Management

Level (Score)	Indicator Description
No data	No publicly available risk management documents[1] were found.
None (0)	No consideration of climate change (or associated key words) in the risk management documents.
Basic (1)	General statements about climate change (e.g. in the introduction) OR includes other key words associated with managing climate change in a general context (e.g. greenhouse gas emissions).
Intermediate (2)	Prescribed responses[1]/ guidance for one climate change issue[1] (e.g. sea level rise) AND/OR one climate change risk[1] (e.g. infrastructure risk) only.
High (3)	Detailed inclusion of climate change (more than one climate change issue AND/OR climate change risk), but is limited to responses to direct impacts[1] of climate change.
Advanced (4)	Climate change issues AND/OR climate change risks should be considered in all risk decision-making. Must include responses to indirect impacts[1] of climate change.

1 See Appendix D for definitions of documents, prescribed responses, climate change issues, climate change risks, and direct and indirect impacts

Specific recommendations for quantitative assessment

The Project Team recommend the following as a first step for Adelaide Hills Council to transition from 'None' to 'Basic' in the Climate Risk Management indicator:

To increase the score for this indicator (to 'Basic') requires minimal time and resourcing. Review the risk management policy as soon as possible and include climate change in order to achieve a 'Basic' score for this indicator. Examples of wording for the policy include: "Council recognises that climate change may exacerbate some risks and/or present new risks". Treatment options include undertaking scoping risk studies and improving Council's consideration of climate change in its core governance documents.

Findings from the face-to-face meetings

Awareness of climate risks to assets, services and Council operations were discussed during the meetings. This revealed a variety of insights into the extent to which climate risk is considered to be an issue and how it is currently assessed. Most staff were of the view that more could be done to improve climate risk management and develop a more coordinated and embedded approach across Council functions, however, there was a desire to not 'reinvent the wheel' noting that Council already has a strong risk management culture. There was an aim to ensure that the climate risk management approach aligned with expectations of Council given its recent declaration of a climate emergency.

4.2.10   Indicator 9: Adaptation Planning

Justification for this indicator

A Climate Change Adaptation Plan helps council implement a staged process for adapting to climate change. Good practice adaptation plans also identify the actions required for specific risks and has mechanisms in place to respond to direct and indirect climate change risks. In particular, good practice adaptation planning helps to:

- clarify roles and responsibilities,
- identify prioritised activities and focus areas,
- allocate resourcing,
- identify triggers for action or change/review,
- establish monitoring and evaluation mechanisms, and
- effectively manage any maladaptation risks.

South Australia's Strategic Plan (recently repealed) specifies "the development of regional climate change adaptation plans in all State Government regions by 2016" (Government of South Australia, 2012). This is also supported by South Australia's adaptation framework, 'Prospering in Changing Climate: A Climate Change Adaptation Framework for South Australia' which:

> recognises that climate change and its economic, social and environmental impacts will vary across South Australia and therefore provides for the development of locally relevant adaptation responses across the 12 existing State Government regions. (Government of South Australia, 2012)

Staff survey results

In the online survey, six staff members acknowledged having training for climate change adaptation (24% of respondents surveyed). There was some diversity in where staff members received their adaptation training, with it being from a consultant (4), peak body training package (2), and other training (1). Interestingly, 72% of respondents (18 staff members) believe that case studies in effective adaptation planning, strategies and implementation would be very helpful in adapting to climate change impacts.

Quantitative assessment results

The Project Team assessed only the Resilient Hills and Coasts Climate Change Adaptation Plan 2014 for this indicator as a publicly available council adaptation plan was not found for Adelaide Hills Council. This plan is Council's regional climate change adaptation plan developed for the Adelaide Hills, Fleurieu Peninsula and Kangaroo Island region. The Resilient Hills and Coasts project seeks to build a strong and vibrant region in which "businesses, communities and environments can respond positively to the challenges and opportunities presented by a changing climate" (Resilient Hills and Coasts, 2014). The plan identifies priorities for adaptation across the region which provide the basis for a coordinated and collaborative response to climate change impacts (Resilient Hills and Coasts, 2014). This sees Adelaide Hills Council achieve a 'High' for the Adaptation Planning indicator (see Table 15).

Table 15: Adelaide Hills Council's indicator score for Adaptation Planning

Level (Score)	Indicator Description
None (0)	No publicly available climate change adaptation strategy and/or action plan* (or similar council-wide strategy/ action plan that drives adaptation planning) were found.
Basic (1)	Focussed on one specific climate change issue[1] AND/OR one council function[1] with only summary statements for adaptation provided (not whole of Council).
Intermediate (2)	Summary statements for more than one climate change issue AND/OR council function provided but only for Council activities (not community). Time frames for adaptation actions also allocated.
High (3)	Detailed responses for adaptation actions for both the Council and community. Does not have all the attributes listed in the 'Advanced' score level.
Advanced (4)	A council adaptation strategy and/or action plan exists. It must include ALL of the following: key performance indicators, identified roles and responsibilities, timing for delivery, linked to governance (mainstreaming), includes information from the community, and other key stakeholders.

1 See Appendix D for definitions climate change issues and council functions

* If a regional document is searched then a localised adjustment is applied for coastal hazards. This may mean that a coastal council may score differently to an inland council for the same regional plan.

Specific recommendations for quantitative assessment

The Project Team recommend the following as a first step for Adelaide Hills Council to transition from 'High' to 'Advanced' in the Adaptation Planning indicator:

This recommendation focusses the need for on a Council climate change adaptation strategy (or similar) as a local instrument (not just regional). A detailed local plan ensures ownership and can better align to internal governance and reporting. Ensure that a comprehensive Council adaptation strategy and/or action plan exists (for Council and the community). As a minimum include all of the following: key performance indicators, identified roles and responsibilities, timing for delivery, linked to governance (mainstreaming), includes information from the community, and other key stakeholders. There will be an initial outlay of resources required to achieve this level of adaptation planning (e.g. Undertake climate change risk assessments. Quantify economic, social, environmental and Council assets exposed to risk. Identify, cost and prioritise adaptation actions. Clearly assign roles and responsibilities).

Findings from the face-to-face meetings

There was awareness of the existence of the Resilient Hills and Coasts Climate Change Adaptation Plan and the general content contained in that plan with respect to physical risks for the Council and potential impacts. Participants indicated where Council was working on actions that aligned with the Regional Plan e.g. bushfire risk reduction, managing the spread of pest plants.

In addition to local actions, Council was also involved with adaptation at a regional level through the Resilient Hills and Coasts partnership, with the primary example being the Where We Build, What We Build project

There was limited commentary on key performance indicators, roles and responsibilities, and timing for delivery of priority adaptation actions.

4.2.11   Indicator 10: Climate Change Policy

Justification for this indicator

An internal climate change policy (or corporate standard) allows the organisation to place a climate change lens over all of a council's activities and use the existing system to drive adaptation. It can allow for the consistent application of standards, agreed use of information sources and specific triggers for change. Staff members in local government have a range of viewpoints regarding the existence of climate change. Adopting a formal policy places limitations on the extent that personal viewpoints affect the professional judgments of people who may be sceptical or deny the existence of climate change.

A formal policy can also drive concerted action for staff members who are complacent regarding the effects of climate change. There is evidence to suggest that the creation of a policy has helped other local governments to affect change. This has been an effective trigger for change in other local government' such as Kingborough Council (TAS), Mackay Regional Council (QLD) and Whitsunday Regional Council (QLD).

Staff survey results

Staff members from Adelaide Hills Council identified a good understanding of climate change (19 staff members, 73%) and as a core enabler contributing to Council's ability to plan for climate change - which ranked first the collection of enablers assessed (see Figure 9).
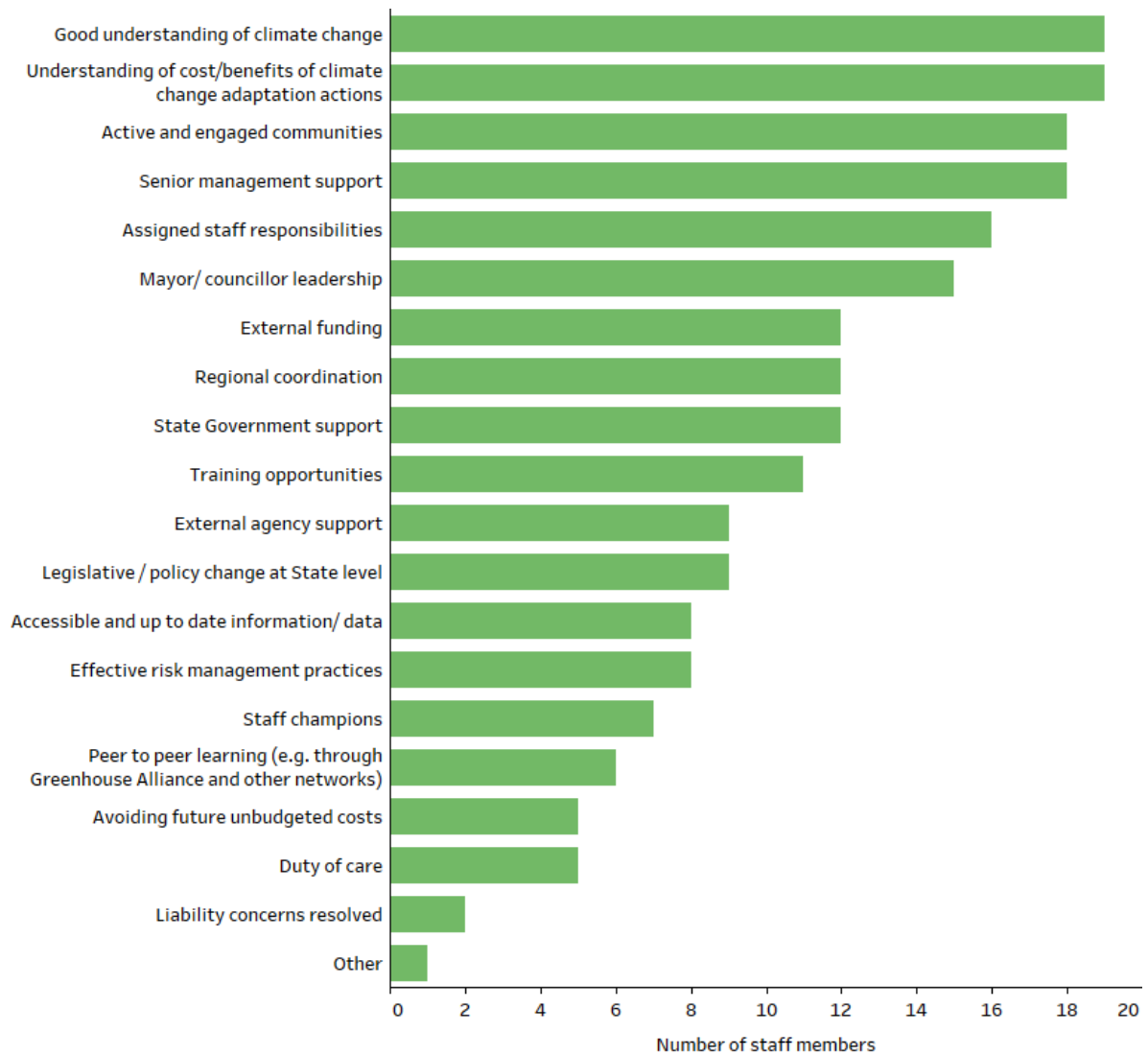
Figure 8: Enablers contributing to Adelaide Hills Council's ability to plan for climate change

Quantitative assessment results

The Project Team searched the Adelaide Hills Council's website for a climate change policy (which includes adaptation) and/or an environment/ sustainability policy, however no relevant policies were found. This sees Adelaide Hills Council score 'None' for the Climate Change Policy indicator (see Table 16).

Table 16: Adelaide Hills Council's indicator score for Climate Change Policy

Level (Score)	Indicator Description
None (0)	No publicly available (council endorsed) climate change policy was found. There may be an environment/ sustainability policy however it does not mention climate change.
Basic (1)	Climate change is considered in either a climate change policy OR environment/ sustainability policy. There are prescribed responses[1]/ guidance for one climate change issue[1] (e.g. sea level rise) AND/OR one council function[1] (e.g. land use planning) only.
Intermediate (2)	Climate change is considered in either a climate change policy OR environment/ sustainability policy. Detailed inclusion of climate change, but is limited to two climate change issues (e.g. sea level rise) AND/OR two council functions (e.g. land use planning).
High (3)	A specific climate change policy exists and considers numerous climate change issues. Must also reflect the latest science - most recent IPCC assessment report from date of publication. Does not have all the attributes listed in the 'Advanced' score level.
Advanced (4)	A comprehensive climate change policy exists. It must include ALL of the following: key performance indicators, identified roles and responsibilities, timing for delivery, linked to governance (mainstreaming), community and/or stakeholder engagement.

1 See Appendix D for definitions of prescribed responses, climate change issues and council functions

Specific recommendations for quantitative assessment

The Project Team recommend the following as a first step for Adelaide Hills Council to transition from 'None' to 'Basic' in the Climate Change Policy indicator:

A climate change policy will help ensure Council's method for adapting to climate change is consistent and robust. If council is to implement a climate change policy then it should include all of the following: specific IPCC climate change scenarios it is aligning to (preferably RCP 8.5 as a minimum), identified roles and responsibilities, timing for delivery, triggers for review (e.g. within 6 months of each IPCC assessment report), activities for improving governance scores, (mainstreaming), and commitment to community and/or stakeholder engagement. The most cost-effective approach to this would be to glean information from other Councils in South Australia or Australia who have participated in an Informed.City™ climate change adaptation governance assessment and have an advanced climate change policy.

Findings from the face-to-face meetings

No corporate climate change policy was referenced during the face-to-face meetings. However, there is an expectation that such a policy will be developed given that Council has declared as climate emergency. Participants indicated that such a Policy will need to cover both adaptation and mitigation principles and be of use in guiding the various functional areas of Council's operations.

4.3   Results and Recommendations for Qualitative Assessment

The results for the qualitative assessment focus on the seven indicators that are identified as key drivers for implementing climate change adaptation governance. The analysis of each indicator will discuss the importance of the indicator, staff survey results, qualitative assessment results, and specific recommendations.

4.3.1   Indicator 11: Climate Risk Assessments

Justification for this indicator

Climate change risk assessments provide organisations with the critical information they need to understand the impacts that climate change may present. Risk assessments take many forms, although in Australia most of them tend to follow the ISO Risk Assessment Framework AS31000.

Understanding specific risks is a complex task, and undertaking detailed risk assessments can be expensive, time consuming and involve numerous experts and stakeholders. Because of these limitations many local governments have opted for scoping or high-level risk assessments. Scoping risk assessments involve a smaller number of climate change scenarios and local governments are usually focussed on Council's corporate risks (as opposed to also understanding environmental, social and economic risks).

Although scoping assessments are always useful for quickly identifying general risks and areas that require further investigation, their ability to accurately reflect the level of risk is limited by the investment in time and resources that goes into them.

Staff survey results

In the online survey, respondents were asked if their department uses climate change risk assessments to inform decision making (see Figure 8). The results indicate more staff members who do not use climate change risk assessments, with 75% responding 'No' (21 staff members). In addition, no staff members stated that their department uses climate change risk assessments regularly, and only three staff members (11%) identified using risk assessments only sometimes. Interestingly, there are 12 staff members (48%) who believe that guidance on risk assessment and reducing risk exposure for councils would be very helpful in adapting to climate change impacts.
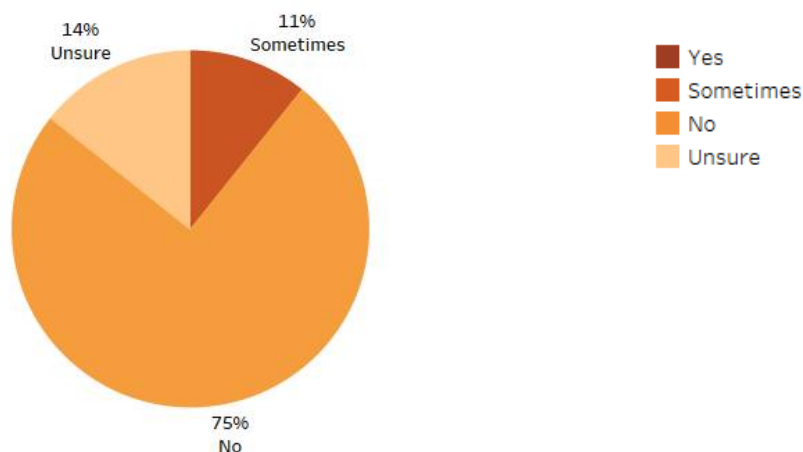
Figure 9: Use of climate change risk assessments in Adelaide Hills Council departments

Qualitative assessment results

During the face-to-face meetings there was a strong general understanding of the potential risk of climate change to Council functions. This was evident from meetings with Council executive through to managers with some comments indicating that Council is getting 'climate change on the radar', assisted by Elected Members having called for a climate emergency. Although participants indicated that climate change risk is being considered in general, it was agreed that there is no single approach to climate risk assessment across Council and there were queries as to whether current hazard mapping was sufficient.

It was noted that some recent events had raised awareness about how climate change could impact Council assets, such as the major storms in 2016 that resulted in major damage to roads and road reserves in the Adelaide Hills Council area.

Despite the absence of a Council wide climate risk assessment process, staff discussed numerous climate change related risks, many of which related to fire including:

- potential bushfire threat to towns and isolated houses in areas with dense vegetation;
- influence of warmer and drier conditions on natural landscapes leading to vegetation change and potentially greater bushfire risk; and
- reduced opportunities for managing some climate dependent risks, such as the reduced opportunities for burn offs outside of the fire season

Specific recommendations of the qualitative assessment

11.1   Undertake whole of organisation climate risk assessment that enables the identification of priority risks across all functions within Council.

11.2   Agree on a process by which high priority projects, especially large-scale infrastructure projects or new developments, are subject to climate risk assessments prior to approval.

11.3   Identify the process by which climate risk assessment results can feed into the Strategic Risk Register.

4.3.2   Indicator 12: Climate Legal Risk

Justification for this indicator

Climate change is emerging more and more as a climate legal risk problem that governments, organisations and the community are attempting to understand, avoid and manage. The nature of climate legal risk for local governments is a minefield that can manifest itself in many ways.

There has been a marked increase in legislation associated with managing climate change, - especially in coastal regions (e.g. sea-level rise and land use planning). How a Council interprets new regulations can become a point of conflict, especially if there is the potential for legislation to affect the value of property or the rights to development.

The climate legal risk facing local governments is not just limited to land use planning decisions. The ramifications of ignoring climate legal risk can include:

- Risk of increased planning challenges and negligence. (Baker-Jones, Burton, Bell, & Chang Seng, 2013)
- Risk of criminal negligence if a person is harmed due to a council's action (or inaction).

- Risk of unplanned financial expenditure defending legal challenges. There is anecdotal evidence of councils in Australia spending millions of dollars on single lawsuits.
- Risks associated with releasing or withholding information about projected climate change risks. (Productivity Commission, 2012)

All the above have the potential to have a considerable negative impact on a council's financial sustainability. There is the very real potential that just one lawsuit could erode a council's financial resilience.

Staff survey results

In the online survey, only one staff member stated that they see apprehension about legal risk as a barrier to implementation of climate change adaptation actions (e.g. legal risk associated with undertaking climate change adaptation). On the other hand, staff members acknowledged that a better understanding of the legal risks would help to incorporate climate change in their work, with respondents identifying 'duty of care responsibilities' (5 staff members, 19%) and 'resolved liability concerns' (2 staff members, 8%) as enablers to climate change adaptation.

Qualitative assessment results

The assessment found that the Adelaide Hills Council has not sought independent legal advice for any climate related risks and that the respective role of Council versus residents in responding to climate risks is unclear. Having declared a climate emergency though, resolving this issue has now become a priority.

There was a strong interest in better understanding what Council's statutory requirements are in relation to risk management and 'where Council's duty of care ends'. This was reflected in queries about the extent to which Council has responsibilities for managing climate risk beyond general community awareness raising.

Council has not been required to attend court or a tribunal for any climate change planning issues (e.g. related to development applications). Furthermore, Council's insurer (the Local Government Association Mutual Liability Scheme) has not requested any specific information about how Council is managing its climate change risk.

Participants could not identify any instances where Council had refused developments based on climate change risks, noting that Council was only required to meet the minimum requirements as set out in the Development Plan and the Building Code.

Specific recommendations of the qualitative assessment
12.1 Identify priority areas for climate legal risk advice, especially in relation to the relative role of Council versus residents and the State Government.
12.2 Determine how the treatment of Climate Legal Risk needs to be addressed now that Council has declared a climate emergency.
12.3 Establish a service provider relationship for accessing legal advice.

4.3.3　Indicator 13: Staff Capacity and Resource Allocation

Justification for this indicator

Monitoring Council's resource and staffing commitment to climate change is critical to supporting ongoing climate change adaptation. If a council only relies on external consultants for adaptation research and responses, then it is doing very little to support the improved internal adaptive capacity of its organisation. Furthermore, without a permanent adequate annual budget a council will only be able to undertake adaptation actions in an ad hoc manner. The overarching goal for adaptation should be to mainstream consideration of climate change across all council activities.

Staff survey results

In the online survey, 17 staff members (63%) identified 'limited staff capacity – number of staff' as a barrier to the implementation of climate change adaptation actions. Other barriers identified include staff capability - skills (11 staff members, 41%), and lack of training and learning opportunities for staff (9 staff members, 33%). On the other hand, assigned staff responsibilities were recognised as an enabler of climate change adaptation actions by 16 staff members (62%). Respondents also identified other enablers including training opportunities (11 staff members, 42%), staff champions (7 staff members, 27%), and peer-to-peer learning (6 staff members, 23%). In addition, 54% of respondents (13 staff members) believe that capacity building is very helpful in adapting to climate change impacts.

Qualitative assessment results

There was broad understanding of the importance of climate change as an issue presenting both risks and opportunities for the Adelaide Hills Council, noting the Council area offered cooler conditions on one hand but greater bushfire risk on the other. Awareness of climate risk was driven by past involvement of staff in the Resilient Hills and Coasts Climate Change Adaptation Plan and the recent declaration of a climate emergency by elected members.

Multiple participants indicated an understanding of climate change adaptation activities related to water management, transport infrastructure, biodiversity conservation and emergency management.

Participants noted that executive and mangers are now working through the implications of declaring a climate emergency. It was evident that Council's senior managers were providing direction and leadership regarding the need to actively manage climate risk. This was illustrated during the meeting with the Executive Team, where there was strong indication of the need for greater climate risk management across various Council functions.

A key question to arise during the meetings was who will be leading the delivery of climate change projects. Suggestions included the requirement for more capacity in general, which could include appointing a business manager to support decision making.

Specific recommendations of the qualitative assessment

13.1　Review opportunities to embed capacity building into existing staff training, such as new employee inductions.

13.2　Develop a capacity building program to continue to raise staff awareness about climate change impacts and how they can be managed within different Council functions. This

should be an ongoing program similar to how workplace health and safety (WHS) training is conducted across the organisation.

4.3.4 Indicator 14: Community/ Stakeholder Engagement

Justification for this indicator

Connecting to the community is a core component for developing a safer, more resilient community. It is the local community who will bear the brunt of climate change impacts as they directly or indirectly contribute towards adaptation efforts (e.g. through increased insurance costs, taxes, and voluntary community actions). Given the fact that climate change is a contentious issue and one that is open to misinterpretation and misinformation, there is a strong imperative for Council to ensure that the community is appropriately informed of the issue.

As well as being informed, it is also essential that the community become active participants in the climate change adaptation process. According to Gardner et al. (2009), there are a number of considerable benefits associated with actively including the wider community in the decision-making process. These include:

- Facilitating clear communication and exchange of information, with all parties involved developing a more thorough understanding of issues, potential solutions and alternative perspectives.
- Improving the effectiveness of decision-making processes, by gaining better insight into potential equitable outcomes, solutions to conflicts and effective planning.
- Strengthening the resources of involved groups, by increasing awareness, confidence, skills and co-operation.
- Improving the sustainability of any initiatives, by increasing the quality of decisions and their acceptance amongst stakeholders. (Gardner, Dowd, Mason, & Ashworth, 2009)

Councils need to commence a dialogue with the private sector and better understand how businesses and local governments can learn from each other's understanding of the risks and approaches to adaptation.

Staff survey results

In the online survey, 11% of respondents (3 staff members) agreed that climate change not being seen as a priority for the community is a barrier to the implementation of climate change adaptation actions. The results also highlighted the importance of the local community – with 69% of respondents (18 staff members) stating that having an active and engaged community is a core enabler for improving Council's ability to plan for climate change. When asked about the helpfulness of adaptation tools, 52% of respondents (13 staff members) believe that education and community engagement tools and strategies would be very helpful in adapting to climate change impacts.

Qualitative assessment results

Community awareness about climate change has become an important driver for action within Council and in part led to elected members declaring a climate emergency. The primary example of

where Council had engaged key stakeholders and the community in relation to climate change was during the development of the Resilient Hills and Coasts Climate Change Adaptation Plan.

There was a strong view amongst participants that past efforts to raise awareness about climate change impacts amongst key stakeholders and the community should continue to be built on. This needs to include raising awareness about current actions being undertaken by Council that are already assisting with adaptation (e.g. bushfire risk reduction strategies).

There was a view that there is a low level of understanding about what constitutes adaptation as opposed to greenhouse gas emissions reduction and that both responses to climate change need to be included in future awareness raising.

Participants could not identify any instances where Council has worked with Indigenous traditional owners of the land regarding climate change issues.

Specific recommendations of the qualitative assessment

14.1   Develop a Climate Change Stakeholder Engagement Strategy, which identifies engagement objectives, target audiences, engagement channels, a schedule of activities, and key performance indicators (KPIs). This should include issue specific engagement (e.g. in relation to coastal risks) as well as general awareness raising.

4.3.5   Indicator 15: Institutional/ Intergovernmental Relationships

Justification for this indicator

Climate change is a trans-boundary issue. Adaptation action (or inaction) by one stakeholder can both improve and erode the resilience of another. Furthermore, economies of scale and collectively sharing knowledge can improve adaptation governance. The actions by a range of organisations have the potential to affect councils' resilience. An important part of the institutional arrangements and engagement with external stakeholders is the clarification of roles and responsibilities that are associated with climate change adaptation.

Staff survey results

In the online survey, 15% of respondents (4 staff members) recognised that dealing with other government agencies is a barrier hindering Council's ability to plan for climate change. Conversely, respondents also identified regional coordination (12 staff members, 46%) and external agency support (9 staff members, 35%) as enablers to the implementation of climate change adaptation actions.

Qualitative assessment results

There was a view among some participants that the relative roles and responsibilities of local government as compared with State Government in relation to responding to climate change was unclear at present. It was suggested that this issue requires clarification as part of the next phase of climate change planning within Council.

Meeting participants noted that the Adelaide Hills Council is part of the Resilient Hills and Coasts partnership along with other councils in the Southern and Hills Local Government Association. Projects cited as areas of collaboration with other councils included the Community Energy project.

Specific recommendations of the qualitative assessment

15.1   Seek to clarify the role of Council as compared with State Government in relation to managing climate risk.

15.2   Consider joining up with one or more not-for-profit groups who focus on climate change (e.g. Climate Change Innovation Lab, Climate KIC, etc.)

4.3.6   Indicator 16: Climate Change Information

Justification for this indicator

Understanding the impacts of climate change requires access to climate change information. While institutions such as NCCARF, Commonwealth Scientific and Industrial Research Organisation (CSIRO) and universities freely provide valuable publications on climate change risk and adaptation, obtaining climate change projections (e.g. from climate change models) is often a time consuming and expensive task, or one that can misalign with Council's timing needs. Council can obtain relevant climate change information from several sources including government databases, university/ institutional relationships, desktop research, consultants and software (SimCLIM).

Understanding the information that goes into climate change models greatly helps the user understand the uncertainty associated with the climate modelling process. The differing greenhouse gas emissions scenarios, models chosen, downscaling and climate sensitivity can all yield differing results. This has the potential to confuse end-users at best and at worst lead to poorly informed decision making.

Staff survey results

The results also show that Adelaide Hills Council staff members recognise the roles information can play as barriers and enablers to implementation of climate change adaptation actions. Around 22% of respondents identified a lack of information/ data (6 staff members) as barrier to climate change adaptation actions and eight staff members (31%) considered access to accessible and up to date information/data as an enabler. This supports respondents' preference of support tools for adapting to climate change impacts, since 76% of respondents (19 staff members) believe that the provision of consistent, high quality information, knowledge and tools about climate change is very helpful in adapting to climate change impacts. Similarly, localised climate data and information was found to be very helpful for 15 staff members (65%).

Respondents of the online survey identified the internet, traditional media, and social media as being the top three information sources commonly used by staff members to understand climate change impacts (see Figure 10). There are also a range of other information sources which Council staff members use including someone in Council, academic papers, State Government and CSIRO. Interestingly, 16% of respondents (4 staff members) acknowledged that they do not look for information about climate change.
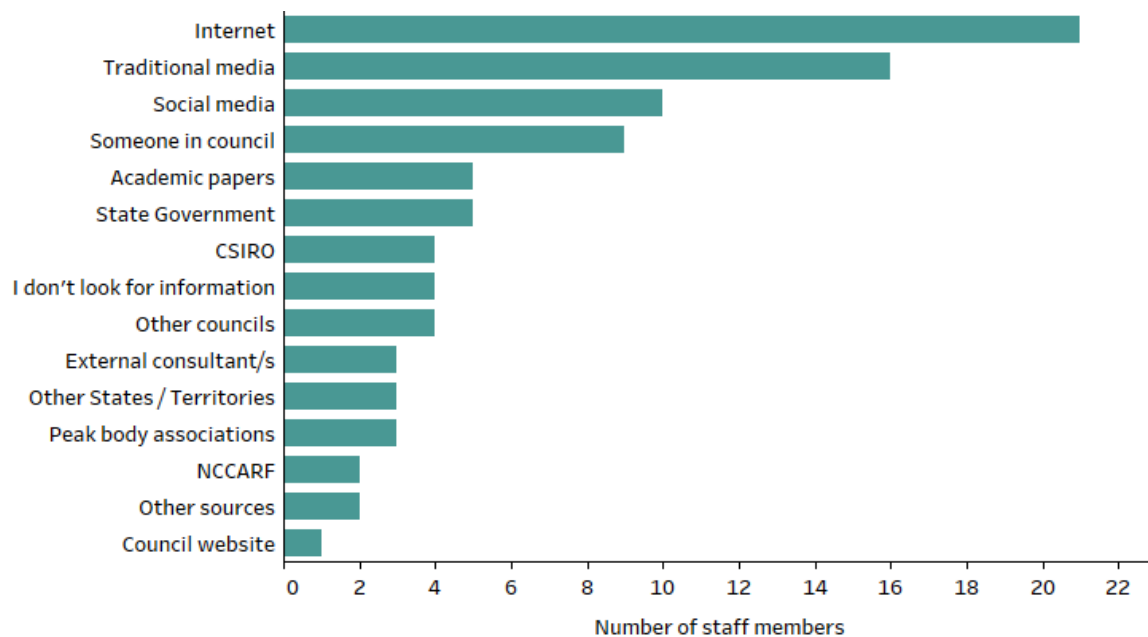
Figure 10: Information sources commonly used by Adelaide Hills Council staff members to understand climate change impacts

Staff members were also asked what types of information would help them to better incorporate climate change into their job. The most popular response was 'knowing what to actually do' (21 staff members, 84%), followed by the 'anticipated impacts for my department' (19 staff members, 76%). There were also 15 staff members (60%) who agreed that local climate projections/ forecasts would help in the implementation of climate change actions (see Table 17).

Table 17: Types of information which would help Adelaide Hills Council staff members incorporate climate change into job

	Number of staff members	% of staff members
Knowing what to actually do	21	84%
The anticipated impacts for my department	19	76%
Understanding what other councils are doing	18	72%
Local climate projections / forecasts	15	60%
Knowing when we should start implementing adaptation actions	14	56%
Knowing who to turn to for help	14	56%
Regional climate projections / forecasts	14	56%
Knowing who should be managing the issue in council	13	52%
Understanding the regulatory requirements	11	44%
Knowing which level of government should be responsible for action	9	36%
Understanding legal implications	8	32%
Understanding potential trade-offs	7	28%
Not sure	1	4%
Knowing what to actually do	21	84%

Qualitative assessment results

Adelaide Hills Council has previously gathered information about climate change from the IPCC, CSIRO, the Bureau of Meteorology, and various other scientific organisations. Much of this is summarised in the Resilient Hills and Coasts Climate Change Adaptation Plan. Despite this, no specific reference was made during any meetings about which future climate projections are being used to inform decision making.

Council has not made a formal whole-of-council decision regarding the sharing of information with the community or business owners regarding areas or assets that may be at higher risk due to climate change hazards. This is especially relevant to future projected changes in fire and flood risk.

Specific recommendations of the qualitative assessment

16.1   Develop a register of information requirements needed to inform key decisions that will be impacted on by climate change to identify where information gaps exist. This should be done as part of implementing a monitoring and evaluation plan.

16.2   Consider sponsoring an honours or postgraduate student to gain relevant localised climate change studies/ data.

4.3.7   Indicator 17: Information Systems

Justification for this indicator

As the information technology age continues to shape our society it comes as no surprise to see that information services are playing an increasing role in supporting council operations and providing a new interface with the community it serves.

Information communication technology (ICT) networks such as social media platforms, websites and information portals have the potential to contribute significantly to Council's climate change adaptation ambitions. For example, ICT systems can be used for the monitoring and control of critical infrastructure and assets. According to a research report by Arup et al. (2013), 'improved monitoring and control capabilities for all infrastructure can enhance resilience by providing detailed and rapid information to utility managers and city leaders regarding operating conditions and performance'.

Furthermore, during extreme events the ICT network are emerging as a natural agglomeration for concerned community members seeking information when disaster strikes. For example, Brisbane City Council maintains a social media hub (based on the social media aggregation site Stackla). This site became a main focal point for community engagement with Brisbane City Council and between residents who were able to upload information about the risks in real time (Stackla, 2013).

Managing social media, however requires constant attention as poor management of social media during extreme events can also cause confusion and do more harm than good.

Qualitative assessment results

Council's website was analysed for climate change and its integration with other information systems. The website includes working connections to three social media platforms including Facebook, Twitter, Instagram. In addition, the website has a dedicated page for climate change which explains the issue and its risks as well as lists the Council's current climate change actions.

Interestingly, Adelaide Hills Council have established a dedicated community consultation website called 'Hills Voice: your say'. This website is a space where you the community can provide Council with feedback, and ideas and opinions about issues.

Adelaide Hills Council have an active Facebook account which has 2,906 'likes' and 3,093 people following the page. Council have also been a member of Twitter for seven years and seven months (joined in October 2011). Social analytics show that Council's Twitter feed has 1,985 tweets, 2,767 followers and 561 likes. Although there are a few posts on both platforms which bring awareness for Earth Hour and climate change emergency management, Adelaide Hills Council are yet to leverage the full potential of social media to communicate climate change issues.

Specific recommendations of the qualitative assessment

17.1 Sponsor GovHacks and local hackathons with the focus being solely on climate change adaptation.

17.2 Provide an annual publication of data collected in Council's accounting system on post extreme event/ disaster clean-up costs/ resource use. This will enable the community to see the changes over time.

5 Conclusions

It is evident from the results of the governance assessment that Adelaide Hills Council considers climate change as a serious issue. Council has made a considerable commitment to understanding and managing the effects of climate change.

It was noted during the interviews that Council has recently declared a 'climate emergency' and will focus considerable attention to reducing greenhouse gas emissions. It is important that equal attention is also given to adaptation measures under this broad direction.

Adelaide Hills Council is punching well above its weight in regard to managing climate change – with it being above the average of assessed councils (186 councils) for Strategic Planning, Financial Management and Adaptation Planning, and on-par with the average for Public Risk Disclosure and Greenhouse Gas Emissions Reduction. It has at least a 'Basic' score in five of the ten climate change adaptation governance indicators. Importantly, Council has scored 'High' for Financial Management, which is very rare for any council in Australia (compared to the 186 councils who have been assessed using this framework). The fact that Council has achieved a score of 'Intermediate' in their Strategic Management Plans also indicates that it has a positive framework to improve on this current assessment.

The main gaps identified in the governance assessment are that there is no consideration of climate change in Council's asset management documents; land use planning and risk management frameworks. Council also does not have a climate change policy.

These gaps need to be given focussed attention. The most practical way forward would be to implement the following steps.

1. Create a climate change policy and have at least a basic consideration of climate change in council's risk management framework that can then feed into the risk register;

2. Undertake a detailed risk assessment on Council activities and assets; and

3. Implement the findings of the risk assessment and the policy into the asset management system.

At present Council does not have a commitment to net zero emissions by 2050 and it is recommended that the organisation consider doing this. However, it is also important to note that the most pressing risks for Council stem from the direct and indirect climate change risks. Whilst reducing greenhouse gas emissions is a critical long-term goal there are some higher priorities that need attention that more strongly relate to adaptation (e.g. no consideration of climate change in the asset management plan and no understanding of the value of assets at risk).

While this assessment has identified a number of low scores this does not reflect or indicate that there is a deficiency in performance of any relevant staff. In fact, the scores and insights provided in this report show that there has been an exemplary approach by staff in undertaking activities associated with climate change. Any gaps in the scores simply reflect the need to ensure that the exemplary work already undertaken just needs to be reflected into the formal governance arrangements.

The fact that there is a high level of support for climate change from the executive team and elected members as well as good consideration of climate change in the Strategic Plan, means that it is likely that Council will improve its climate change adaptation governance scores over the coming 12-24 months.

On a final note, the Project Team cannot stress enough the importance and value of disclosing these governance scores to the wider community and other local governments. The quantitative assessment is based on publicly available information and there are considerable benefits associated with disclosure. By sharing information at the very least with other local governments the framework for community of practice can be established and benefit all participants.

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7 Appendices

Appendix A: Questionnaire from staff governance survey

Introduction

The City of Onkaparinga, Adelaide Hills Council, Mount Barker District Council, and the City of Marion are participating in a climate change governance assessment. This will help councils determine how they best respond to, or adapt, to climate change and manage current and future climate risks.

As part of the project we have prepared a very short (7 minutes max) survey, open to all staff. By agreeing to participate in the survey we will be able to generate more results that are tailored specifically for your Council and your department. The survey is anonymous.

Thanks for your time and if you have any questions please contact me directly on the details below.

Kindest regards,

Donovan Burton

donovan@climateplanning.com.au

Respondent Information

1. **Which of the following best fits with YOUR department / job description? (multiple answers can be checked)**

   ☐ Corporate Governance / Office of the CEO   ☐ Water and Waste

   ☐ Customer Service   ☐ Works

   ☐ Workplace Health and Safety   ☐ Environment / Sustainability

   ☐ Human Resources   ☐ Disaster / Emergency Management

   ☐ Finance   ☐ Community and Recreation

   ☐ Assets   ☐ Arts & Heritage

   ☐ Information Technology (IT) Services   ☐ Fleet

   ☐ Geographic Information Systems (GIS)   ☐ Procurement

   ☐ Communications, Media and Marketing   ☐ Casual (no specific department)

   ☐ Planning and Development   ☐ Other (please specify)

   ☐ Engineering / Infrastructure   _____

2. **Please rate YOUR understanding of climate change impacts and adaptation for your department/ job description (only one answer can be checked)**

   ○ I am not sure of my understanding

   ○ I have no understanding

   ○ My understanding is limited (I would need some support incorporating climate change adaptation into my tasks)

   ○ I could comfortably incorporate/ consider climate change adaptation into any of my tasks

Climate Change Adaptation in your Department

3. **How serious an issue do YOU think climate change is for your department? (only one answer can be checked)**

    ○ Unsure

    ○ No issue

    ○ Minor issue

    ○ Somewhat - but not urgent

    ○ Important issue that needs attention now

4. **Does YOUR department use climate change risk assessments to inform decision making? (only one answer can be checked)**

    ○ Yes   ○ Sometimes   ○ No   ○ Unsure

Climate Change Adaptation in your Council

5. **In YOUR opinion, what is your council's level of preparedness for responding to climate change impacts? (only one answer can be checked)**

    ○ Not sure

    ○ Not prepared at all

    ○ Not very prepared

    ○ Fairly prepared

    ○ Very prepared

6. **When do YOU think climate change will impact your council's operations and procedures? (only one answer can be checked)**

    ○ Now - It has already had an impact

    ○ Short term - In the next year

    ○ Medium term - Within 15 years

    ○ Long term - by 2050

    ○ Very long term - by 2070 - 2100

    ○ Never

    ○ Not sure

Barriers to Council Adaptation

7. **In your opinion, which of these BARRIERS currently hinder your council's ability to plan for climate change? (multiple answers can be checked)**

- ☐ Limited assigned funding
- ☐ Limited staff capacity (number of)
- ☐ Limited staff capability (skills)
- ☐ Confusing/changing policy at different levels of government
- ☐ Lack of political will
- ☐ Not seen as a priority by the community
- ☐ Limitations in legislation and regulation
- ☐ Uncertainty of the role of Local Government
- ☐ Lack of organisational support

- ☐ Lack of information /data
- ☐ Uncertain where to start
- ☐ Dealing with other government agencies
- ☐ Apprehensive about legal risk
- ☐ Lack of training and learning opportunities for staff
- ☐ Not seen by management / executive as a priority
- ☐ Risks are not well understood
- ☐ Other (please specify)

  _____

8. **In your opinion, which of these ENABLERS contribute to your council's ability to plan for climate change? (multiple answers can be checked)**

- ☐ Senior management support
- ☐ Understanding of cost/benefits of climate change adaptation actions
- ☐ Active and engaged communities
- ☐ Mayor/ councillor leadership
- ☐ External funding
- ☐ Assigned staff responsibilities
- ☐ Duty of care
- ☐ Avoiding future unbudgeted costs
- ☐ Regional coordination
- ☐ Liability concerns resolved
- ☐ Staff champions

- ☐ External agency support
- ☐ Peer to peer learning (e.g. through Greenhouse Alliance and other networks)
- ☐ Training opportunities
- ☐ Effective risk management practices
- ☐ Good understanding of climate change
- ☐ Accessible and up to date information/ data
- ☐ Legislative / policy change at State level
- ☐ State Government support
- ☐ Other (please specify)

  _____

Level of Climate Change Adaptation Support

9.   How HELPFUL are the following types of support in adapting to climate change impacts?

	Not helpful	Fairly helpful	Very helpful	Not sure
Provision of consistent, high quality information, knowledge and tools about climate change	O	O	O	O
Guidance on risk assessment and reducing risk exposure for councils	O	O	O	O
Localised climate data and information	O	O	O	O
Internal policies that direct action on climate change (e.g. a climate change policy)	O	O	O	O
Specific ongoing resource allocation for climate change projects	O	O	O	O
State government statutory planning support	O	O	O	O
Capacity building	O	O	O	O
Case studies in effective adaptation planning, strategies and implementation	O	O	O	O
Coordination with the South Australian Government effort to adapt to climate change	O	O	O	O
Non-statutory planning	O	O	O	O
Education and community engagement tools and strategies	O	O	O	O
Public statements of leadership and action from the State Government	O	O	O	O
A climate change bridging organisation (e.g. A coordinating body for research, training, networking, guidelines etc)	O	O	O	O
Other (please specify) _____	O	O	O	O

Sourcing Climate Change Information

10.   Where do YOU get your information about climate change impacts? (multiple answers can be checked)

- ☐ I don't look for information
- ☐ Academic papers
- ☐ Traditional media (e.g. newspapers, news)
- ☐ Social media (e.g. Facebook, Twitter, LinkedIn)
- ☐ Internet
- ☐ Council website
- ☐ Someone in council

- ☐ Other councils
- ☐ External consultant/s
- ☐ Peak body associations
- ☐ NCCARF
- ☐ CSIRO
- ☐ State Government
- ☐ Other States / Territories
- ☐ Other (please specify) _____

11. **What type of information about climate change impacts would help YOU incorporate climate change into your job? (multiple answers can be checked)**

☐ None

☐ Not sure

☐ Local climate projections / forecasts

☐ Regional climate projections / forecasts

☐ The anticipated impacts for my department

☐ Knowing when we should start implementing adaptation actions

☐ Knowing what to actually do

☐ Knowing who should be managing the issue in council

☐ Understanding legal implications

☐ Understanding the regulatory requirements

☐ Knowing which level of government should be responsible for action

☐ Understanding potential trade-offs

☐ Knowing who to turn to for help

☐ Understanding what other councils are doing

☐ Other (please specify)

_____

Climate Change Adaptation Training

12. **Have YOU had any training for climate change adaptation? (multiple answers can be checked)**

☐ None

☐ Yes - a university or TAFE subject

☐ Yes - a university Degree / Masters / PhD in climate adaptation

☐ Yes - a university diploma / certificate in climate adaptation

☐ Yes - from a peak body training package (e.g. Planning Institute of Australia or Engineers Australia)

☐ Yes - from a consultant

☐ Yes - from the Enhanced Local Government Service Delivery Course (Australian Centre for Excellence in Local Government)

☐ Other (please specify)

_____

Questions

13. **Are there any other comments you would like to make about adapting to climate change in your council?**

    _____
    _____
    _____
    _____
    _____
    _____

14. **Would you like to be kept informed about the progress and outcomes of this project?**

    ○ No

    ○ Yes (please type your email address)

    _____

Appendix B: List of keywords used for quantitative assessment

Theme	Definition/ Keywords
Climate change	Council documents were searched for key words associated with climate change. These key words include 'climate change', 'global warming' and 'climate variability'.
Sea level rise*	Council documents were searched for key words associated with sea level rise. These key words include 'sea level rise' and 'sea level change'.
Adaptation	Council documents were searched for key words associated with adaptation. These key words include 'adapt', 'adaptation', 'adaptive' and 'adaptability'.
Greenhouse gas emissions	Council documents were searched for key words associated with greenhouse gas emissions. These key words include 'greenhouse gas', 'GHG', 'carbon emission', 'carbon footprint', 'carbon neutral', 'carbon neutrality', and 'net zero'.

* only relevant for coastal councils

Appendix C: Questions used in the qualitative governance assessment

Consultants asked representatives of Adelaide Hills Council the following questions during face-to-face meetings for the qualitative governance assessment.

Indicator 11: Climate Risk Assessments

1. What do you perceive as council's key climate change risks?
2. Is council undertaking any other climate change risk assessments?
   a. If yes, can you elaborate?
3. Does Council have a risk register, if so can you provide us a copy?
   a. If no, can you please search the document to check if climate change is considered and copy the relevant sections?

Indicator 12: Climate Legal Risk

4. Has council sought independent legal advice regarding specific climate change issues?
   a. If so, for which issues?
5. Have your insurers asked you to provide any specific information about how you manage climate change risks?
6. Has council had any litigation based on climate-related hazards (either direct or indirect impacts)? For example, extreme weather causing damage and death or sea wall causing injury or death.
7. In regard to land use planning, has council refused any developments because of climate change risks?

8. In regard to land use planning, has council had to go to court or a tribunal for any climate change and planning issues (e.g. related to development applications)?

Indicator 13: Staff Capacity and Resource Allocation

9. Does council have somebody specifically responsible for climate change adaptation (e.g. climate change adaptation officer)?
    a. If so, what is their full-time equivalent (FTE)?
10. Does council have any programs/ policies that mandate climate change training for staff?
11. Have staff have had any training in climate change adaptation?
12. Are there any instances where your staff have applied their skills to climate change adaptation activities or projects?
13. Is there a budget allocated for up-skilling staff in climate change adaptation?

Indicator 14: Community/ Stakeholder Engagement

1. Does council have a climate change communication strategy (both internally and externally)?
2. Does council have Community Plan or Strategy?
    a. If so, is climate change considered?
3. Has council engaged the community on climate change issues?
    a. If so, what methods of communication do you use to engage the community (e.g. project specific meetings, face-to-face, social media)?
    b. Were the community receptive?
4. Does council have any active community or business working groups for climate change that council facilitates?

Indicator 15: Institutional/ Intergovernmental Relationships

5. Is council involved in any **local, regional and State working groups** for climate change (e.g. C-CAT, LGAQ project, Regional Organisation of Councils, local working group, utilities working group)?
    a. How often do you meet?
    b. What is the purpose of the working group (e.g. information sharing, political lobbying)?
    c. Do you collaborate on projects?
    d. Do you have MOUs and/or formal agreements?

6. Is council involved in any **federal working groups** for climate change (e.g. NCCARF)?
    a. How often do you meet?
    b. What is the purpose of the working group (e.g. information sharing, political lobbying)?
    c. Do you collaborate on projects?
    d. Do you have MOUs and/or formal agreements?

Indicator 16: Climate Change Information

7. What sources of climate change information does Council use to guide decision making on climate change?
8. What climate data do you base Council decisions on (e.g. IPCC fifth assessment report, BOM)?
9. What systems do you have in place to ensure the data is up-to-date?
10. Do you have an Open Data Strategy?
    a. If so, is climate data considered?

Indicator 17: Information Systems

11. Does Council have an active social media presence (e.g. Facebook, Twitter)?
12. Do Council's social media posts communicate or discuss climate change issues?
13. Does Council share its data with external online databases (e.g. data.gov.au)?
    a. If so, how many datasets are available?
14. Does Council have a formal performance management system?
15. Does Council have any key performance indicators for managing climate change?
16. Does Council measure the number of properties exposed to certain risks?
17. Does Council measure how much each disaster costs for clean up?
18. Are there any other climate-related factors which Council measure in their performance management?
19. Do council undertake any big data analytics for climate change issues (e.g. number of people tweeting about heatwaves, paying third party to analyse accommodation during heatwaves, analysing Facebook likes for climate-related postings)?
20. Has the management of climate change been included in any community projects (e.g. hack-a-thons)?
    a. Please explain the projects and what the outcomes were?

Appendix D: Key terminology used in the quantitative assessment

Terminology	Definition
Climate change adaptation issues	Issues related to climate change adaptation. They include the following: natural disasters, extreme weather, rainfall, heatwaves, sea level rise, bush fire, flooding, cyclones, storms, storm tide, erosion, drought, earthquake and landslide. These are only issues if they are specifically in the context of climate change (e.g. increased extreme rainfall intensity). This list only represents some of the climate change adaptation issues that can arise and is for indicative purposes only.
Climate change mitigation issues	Issues related to climate change mitigation. Examples of these may include emissions reduction, greenhouse gas emissions, carbon footprint, carbon emissions, carbon neutral, carbon neutrality, carbon sequestration, carbon dioxide (CO2), carbon dioxide equivalent (CDE), CO2e, CO2eq, carbon capture and storage (CCS), energy efficiency, net zero, carbon credits, carbon price, carbon tax, Emissions Trading Scheme (ETS), Carbon Pollution Reduction Scheme (CPRS), Renewable Energy Target (RET), Representative Concentration Pathways (RCP), Emissions Reduction Unit (ERU). This list only represents some of the climate change mitigation issues that can arise and is for indicative purposes only.
Climate change risks	Types of risks associated with climate change. Examples of these may include infrastructure risk, policy risk, market and competitiveness risk, climate legal risk, environmental risk, community risk, political risk, economic risk, financial risk, insurance risk. This list only represents some of the climate change risks that can arise and is for indicative purposes only.
Direct impacts (From acute and chronic physical impacts)	Direct impacts are impacts which are directly associated with any of the climate change issues. Examples of direct climate change impacts include damage to assets from storm surge, loss of life as a result of increased heatwaves etc. This list only represents some of the direct impacts that can arise and is for indicative purposes only.
Indirect impacts (From acute and chronic physical impacts)	Indirect impacts are impacts which are an indirect result of a climate change issue. Examples of indirect climate change adaptation impacts include: changes to insurance availability and affordability, increased mortgage risk, supply chain impacts, disease and disease vector changes, food insecurity, market shift, decreased rateable value, regulatory change, decreased credit ratings. This list only represents some of the indirect impacts that can arise and is for indicative purposes only.
Documents	Documents is a collective term used to identify a group of different document types reviewed in the assessment. These documents types include, but are not limited to: policies, strategies, plans, frameworks, guidelines, and procedures. For example, the term 'financial management documents' was used to refer to the following documents which were assessed for the Financial Management indicator: • Financial management policy • Financial management strategy • Financial management plan
Council function	A council function is a key function which Council provides. Examples of specific council functions include: land use planning, emergency management, natural environment, biodiversity, health and wellbeing, asset management, compliance, works, waste management, sewerage, potable water, community engagement. Please note that some councils do not undertake all of these functions.

Terminology	Definition
Planning theme	A planning theme is a topic which represents the policy intent of a Council's regulatory planning document (i.e. Planning Scheme, Development Plan). Examples of planning themes include: sustainability and resilience, natural environment and landscape, strong communities, settlement patterns, natural resources, integrated transport, infrastructure, water management, coastal areas, hazards etc.
Prescribed response	A prescribed response is an authoritative guide, direction or action on a specific issue or topic. For example, a prescribed response may include a template or guideline of how climate change adaptation should be actioned (i.e. analyse, plan, allocate resources, implement and monitor, evaluate and report).

Appendix E: Recommendations for Strategic Plan (#1)

Action	Recommendation
transition from 'No data' to 'None'	No Strategic Management Plan was available for review. Ensure that the relevant reports associated with this indicator are publicly available. A Strategic Management Plan is a legal requirement and as such it is important that this available for public review. Transparency supports community confidence in Council and enables businesses and residents to ascertain the extent of Council decision-making associated with this climate change.
transition from 'None' to 'Basic'	To increase the score for this indicator (to 'Basic') Council should ensure that their Strategic Management Plan includes, at a minimum, general statements about climate change (e.g. in the introduction). An example of phrases in a Strategic Management Plan that will support a 'Basic' score include: "Council will explore how climate change adaptation and mitigation can be mainstreamed into decision making" and/or "Council will develop a suitable climate change adaptation policy that will direct climate decision-making". To implement this consideration Council should focus on improving the scores of all climate change adaptation governance scores. The most cost-effective approach to this would be to glean information from other Councils in South Australia or Australia who have participated in an Informed.City™ climate change adaptation governance assessment. Identify those councils who have reasonable scores (e.g. above 'Intermediate') in the indicators that you need help in improving.
transition from 'Basic' to 'Intermediate'	To increase the score for this indicator (to 'Intermediate') Council should ensure that the Strategic Management Plan includes some examples of specific climate change actions. An example of phrases that will support an 'Intermediate' score include: "Council will explore how climate change adaptation and mitigation can be mainstreamed into decision making. Specifically, Council will be focusing on sea level rise (if it is a coastal Council) or heatwave risk (or bushfire etc.)". This will progress the score to at least 'Intermediate' and ensure that Council does not lose sight of mainstreaming the response to the effects of climate change. A 'Basic' level of consideration in a Strategic Management Plan is unlikely to result in significant resource needs, with the majority of support able to be gained from State Government guidelines and information reports, as well as gleaning information from other councils through peer-to-peer learning.
transition from 'Intermediate' to 'High'	To increase the score for this indicator (to 'High') the next revision of the Strategic Management Plan requires some examples of specific climate change actions spanning more than one council department. General phrases that will support a 'High' score include: "Council will explore how climate change adaptation and mitigation can be mainstreamed into decision making. Specifically, Council will be focusing on sea level rise (if it is a coastal Council) or heatwave risk (or bushfire etc.)". Some resources should be allocated to staff capacity (e.g. conferences and training) as well as some specific technical support which may be required for some elements. However, the majority of support able to be gained from State Government guidelines and information reports as well as gleaning information from other councils through peer-to-peer learning.
transition from 'High' to 'Advanced'	To increase the score for this indicator (to 'Advanced') the Strategic Management Plan needs to have a very strong consideration of climate change. In particular climate change should be specifically mentioned in all Council functions (not just in the environmental and/or sustainable objectives). To support an 'Advanced' score, general terminology in the Strategic Management Plan will need to: acknowledge the need to manage both the direct and indirect effects of climate change, include resilience development in a carbon-constrained economy, and have a range of key performance indicators across all Council functions. To implement an advanced consideration in a Strategic Management Plan, the organisation will need to allocate resourcing for at least one climate change officer and the various studies that will be required to support them in their role. To capture the cost-benefit of these allocated resources Council will need to ensure that the Strategic Management Plan contains key performance indicators that focus on collecting data for monitoring and evaluation over time.
maintain an 'Advanced' score	Council has received an 'Advanced' score for this indicator. Achieving this score sees Council in the top fraction of Australian local governments for this indicator and places it in a position to share the journey with other local governments seeking to improve their consideration of climate change. To ensure that this indicator maintains this level Council will need to monitor any new IPCC reports, government regulations and emerging standards which may affect Councils adaptation actions. Furthermore, ensure that Council maintains sufficient staff capacity and resourcing required to maintain this score.

Appendix F: Recommendations for Financial Management (#2)

Action	Recommendation
transition from 'No data' to 'None'	No publicly available financial management documents were available to assess this score. Climate change will have a material impact on council finances in a number of ways. Financial management is often a political issue and not having publicly available documents may result in community dissatisfaction (and result in political instability). Ensure that the relevant reports associated with this indicator are publicly available. Transparency supports community confidence in Council and enables businesses and residents to ascertain the extent of Council decision-making associated with this climate change.
transition from 'None' to 'Basic'	To increase the score for this indicator (to 'Basic') Council should undertake a review of key financial planning documents as soon as possible. Insert, at a minimum, general statements about climate change (e.g. in the introduction). General phrases in financial management plans and policies that will support a 'Basic' score include: "Council recognises that climate change may affect its financial performance and will seek to identify the most suitable means for identifying how climate change may affect financial management". Implementing this action requires minimal resourcing. The only challenge will be if the elected members are strongly opposed to climate change. If that is the case direct the elected members to the Climate Change Act and also key financial reports such as the latest summary on climate change delivered by APRA or information from the Financial Stability Board Taskforce on Climate Related Financial Disclosures (TCFD).
transition from 'Basic' to 'Intermediate'	To increase the score for this indicator (to 'Intermediate') Council should undertake a review of key financial planning documents as soon as possible. As well as having general statements about climate change (e.g. in the introduction) ensure that some recognition of one specific risk and/or council function is included (e.g. sea level rise and asset depreciation). An example of phrases in financial management plans and/or policies that will support an 'Intermediate' score include: "Council recognises that climate change may affect its financial performance and will seek to identify the most suitable means for identifying how climate change may affect financial management" and "Council will explore the financial ramifications that climate change may present on its asset value, depreciation and exposure to increased extreme events." Implementing this action requires minimal resourcing. However, a focus on financial effects on assets will require an alignment of the consideration of climate change in any asset management planning.
transition from 'Intermediate' to 'High'	To increase the score for this indicator (to 'High') Council should undertake a review of key financial planning documents as soon as possible. As well as having general statements about climate change (e.g. in the introduction) ensure that some recognition of at least two specific risks and/or Council function (e.g. sea level rise and asset depreciation). An example of phrases in financial management plans and/or policies that will support an 'Intermediate' score include: "Council recognises that climate change may affect its financial performance and will seek to identify the most suitable means for identifying how climate change may affect financial management" and "Council will explore the financial ramifications that climate change may present on its asset value, depreciation and exposure to increased extreme events" and "Council will explore how climate change may affect the resourcing needs for operations (e.g. employment of a climate change officer, hiring of consultants, trialling innovative engineering measures, etc.)." Implementing this action requires minimal resourcing. However, the effect of financial management issues on other council functions (e.g. assets) are important to consider. For example, understanding whether staff capacity, capability and training needs are a barrier to understanding climate change and its financial implications in your council.
transition from 'High' to 'Advanced'	To increase the score for this indicator (to 'Advanced') requires some specific focus on the potential supporting policies (e.g. asset management, climate change policy). Council should make statements in its financial planning documents about divestment from fossil fuels, energy transition, and consideration of a price on carbon in adaptation decisions. Council should also consider issues such as insurance, effects on rateable value, asset OPEX and CAPEX issues and other direct and indirect issues associated with climate change. Financial management should also state how financial performance while responding to climate change will be implemented. However, the effect of financial management issues on other council functions (e.g. assets) are important to consider. For example, understanding whether staff capacity, capability and training needs are a barrier to understanding climate change and its financial implications in your council.
maintain an 'Advanced' score	Council has received an 'Advanced' score for this indicator. Achieving this score sees Council in the top fraction of Australian local governments for this indicator and places it in a position to share its journey with other local governments seeking to improve their consideration of climate change. To ensure that this indicator maintains this level it will be necessary to monitor any new IPCC reports, government regulations and emerging standards which may affect adaptation actions. Furthermore, ensure that Council maintains sufficient staff capacity and resourcing to maintain this score.

Appendix G: Recommendations for Public Risk Disclosure (#3)

Action	Recommendation
transition from 'No data' to 'None'	No information was available to assess this score. Risk management is often a contentious issue and not having publicly available documents may result in community dissatisfaction (and result in political instability). Ensure that the relevant reports associated with this indicator are publicly available. Transparency supports community confidence in Council and enables businesses and residents to ascertain the extent of Council decision-making associated with this climate change.
transition from 'None' to 'Basic'	To increase the score for this indicator (to 'Basic') Council is required, at a minimum, to provide some general statements about climate change as a corporate strategic risk in the public version of the risk register. General phrases in a risk register that will support a 'Basic' score include: "Council recognises that climate change may exacerbate some risks and/or present new risks. Treatment options include undertaking scoping risk studies and improving Council's consideration of climate change in its core governance documents". Implementing this action requires minimal time and resourcing.
transition from 'Basic' to 'Intermediate'	To increase the score for this indicator (to 'Intermediate') Council should recognise climate change as a corporate strategic risk. As well as including general statements about climate change, elements in the risk register that will support an 'Intermediate' score include specific consideration of one specific risk (e.g. increased flooding risks to Council assets). Implementing this action requires minimal time and resourcing, although a treatment option will require a better understanding and quantification of the risks, which may require expert help or improve staff capacity. Treatment options for climate risks could include land use planning responses, developer contributions and engineering solutions, to name a few.
transition from 'Intermediate' to 'High'	To increase the score for this indicator (to 'High') Council should recognise climate change as a corporate strategic risk. As well as including general statements about climate change, elements in the risk register that will support a 'High' score require the specific consideration of at least two specific risks (e.g. increased flooding risks to Council assets and risk of increase heatwaves to the outside workforce). Implementing this action requires minimal time and resourcing, although a treatment option will require a better understanding and quantification of the risks, which may require expert help or improve staff capacity. Treatment options for climate risks could include land use planning responses, developer contributions and engineering solutions, to name a few.
transition from 'High' to 'Advanced'	To increase the score for this indicator (to 'Advanced') the risk register should have a very good inclusion of direct and indirect climate change risks to Council and the community it represents. Detailed and well-informed treatment options should be recorded. All the gaps in Council's most recent governance study should be explored and where they are low a quantification of the risks to Council should be expressed. Types of risks that should be recorded include, but are not limited to: insurance availability, service delivery, staff health and wellbeing, rateable income, economic impacts for the community, supply chain risks, OPEX and CAPEX risks for assets, depreciation risks, food and water security, and investment risk. To achieve an 'Advanced' score, Council will require a concerted effort to understand the type of risks and as such some initial resourcing may be required to improve staff capacity and/or fund technical studies.
maintain an 'Advanced' score	Council has received an 'Advanced' score for this indicator. Achieving this score sees the organisation in the top fraction of Australian local governments for this indicator and enables it to share its journey with other local governments seeking to improve their consideration of climate change. To ensure that this indicator is maintained at this level it will be important to monitor any new IPCC reports, government regulations and emerging standards which may affect adaptation actions. Furthermore, ensure that the council maintains sufficient staff capacity and resourcing to maintain this score for this indicator.

Appendix H: Recommendations for Asset Management (#4)

Action	Recommendation
transition from 'No data' to 'None'	No information was available to assess this score. Ensure that the relevant reports associated with this indicator are publicly available. A public asset management plan can support economic development as it informs the market and residents about the extent of Council's awareness of the effects of climate change. A Council that is seen to be responding to climate change is one that is likely to support insurance affordability, mortgage availability and investment in the region.
transition from 'None' to 'Basic'	In order to achieve a small improvement in this governance score (to 'Basic') Council should include climate change in the introduction of the asset management planning documents and/or policies. An example of the text that would help improve basic consideration is: "Council recognises that climate change is likely to affect asset life and functionality. As such, in future reports and analysis, Council will explore how climate change will affect assets".
transition from 'Basic' to 'Intermediate'	In order to achieve an improvement in this governance score (to 'Intermediate') Council should include climate change in the introduction of the asset management planning documents and/or policies as well as give some specific reference to one of the known risks or assets that may be exposed to the effects of climate change. An example of the text that would help improve consideration is: "Council recognises that climate change is likely to affect asset life and functionality. As such in future reports and analysis Council will explore how climate change will affect assets". The asset management plan should also specify a prescribed response to one of the climate change issues. For example, "All council buildings in areas exposed to sea level rise will be retrofitted to handle short term inundation risks, through elevation of 600mm (this height is just an example) above the flood level and to manage the risks Council will undertake studies to identify alternative locations of the building/s to maintain adequate service delivery".
transition from 'Intermediate' to 'High'	In order to achieve an improvement in this governance score (to 'High') Council should include climate change in the introduction of the asset management planning documents and/or policies as well as give some specific reference to at least two known risks or assets that may be exposed to the effects of climate change. An example of the text that would help improve consideration is: "Council recognises that climate change is likely to affect asset life and functionality. As such in future reports and analysis Council will explore how climate change will affect assets". The asset management plan should also specify a prescribed response to one of the climate change issues. For example, "All council buildings in areas exposed to sea level rise will be retrofitted to handle short term inundation risks, through elevation of 600mm (this height is just an example) above the flood level and to manage the risks Council will undertake studies to identify alternative locations of the building/s to maintain adequate service delivery". To upgrade to a 'High' level of response, Council will also need to undertake some spatial analysis of its assets that may be affected by climate change issues (e.g. increase flood risk, sea level rise, coastal erosion, storm tide etc.).
transition from 'High' to 'Advanced'	In order to achieve an improvement in this governance score (to 'Advanced') the asset management plan requires a detailed analysis of the exposure of all Council assets. The exposure should quantify the number or extent of the exposure (e.g. kilometres of road exposed to sea level rise inundation) and the value of that exposure. The asset management plan should include specific responses for managing the risks to those assets and the likely timing and resource requirements to implement the adaptation measures. To incorporate this level of consideration, Council will need to allocate resources to undertake detailed risk assessments and cost benefit analysis of the measures. The asset management plan should align with the level of consideration in financial management planning and vice-versa. An advanced asset management plan is also likely to explore public-private partnership and other collaborative opportunities. It would be extremely beneficial to have a supporting climate change policy that specifies the consistent standards, planning horizons and thresholds in climate change decision making (e.g. what climate change scenario Council will plan to, and what key performance indicators will be used).
maintain an 'Advanced' score	Council has received an 'Advanced' score for this indicator. Achieving this score sees you in the top fraction of Australian local governments for this indicator and you will be in a position to share your journey with other local governments seeking to improve their consideration of climate change. To ensure that this indicator maintains at this level Council will need to monitor any new IPCC reports, government regulations and emerging standards which may affect asset management adaptation actions. Furthermore, it will be necessary to ensure that Council maintains sufficient staff capacity and resourcing to maintain this indicator score.

Appendix I: Recommendations for Land Use Planning (#5)

Action	Recommendation
transition from 'No data' to 'None'	No information was available to assess this score. Ensure that the relevant reports associated with this indicator are publicly available. Transparency supports community confidence in Council and enables businesses and residents to ascertain the extent of Council decision-making associated with climate change.
transition from 'None' to 'Basic'	To increase the score for this indicator (to 'Basic') Council should acknowledge climate change in the context/ introduction in the local provisions of the Development Plan. Given that land use planning is a powerful lever for minimising future risks some consideration of climate change is warranted.
transition from 'Basic' to 'Intermediate'	To increase the score for this indicator (to 'Intermediate') Council should ensure that climate change is mentioned in the introduction/ context and that one element of climate change is listed in the general provisions, zone provisions or assessment section. The elements that are likely to be topical are dependent on the location of Council (e.g. if it is coastal then it may be sea level rise; if it is inland then it may an increased risk of flooding or heatwave due to climate change). The most suitable action is for Council to glean information from a Council with a similar geography or population which has scored a minimum of 'Intermediate' in the Informed.City™ governance analysis. It is possible that Council may be constrained by State policies and legislation to implement the above. If that is the case, then Council should lobby the State to enable it to have greater flexibility to incorporate climate change into its Development Plan.
transition from 'Intermediate' to 'High'	To increase the score for this indicator (to 'High') Council should have a detailed consideration of climate change in the Development Plan. A detailed consideration of climate change would be one that considers multiple physical climate change risks, preferably with a good consideration in the general provisions. The most suitable action is for Council to glean information from a Council with a similar geography or population which has scored a minimum of 'Intermediate' in the Informed.City™ governance analysis. It is possible that Council may be constrained by State policies and legislation to implement the above. If that is the case, then Council should lobby the State to enable it to have greater flexibility to incorporate climate change into its Development Plan.
transition from 'High' to 'Advanced'	To increase the score for this indicator (to 'Advanced') Council will need to expand its consideration of climate change from issues associated with just hazards to broader indirect and environmental issues. These include considerations for water and food security, protection and enhancement of ecosystem services under a changing climate, planning layers that identify and protect renewable energy resource sites, transition to low carbon economy (e.g. requirements for electric vehicles and/or pedestrian and transit-oriented development). To achieve this Council will need to undertake a range of planning studies and engage a broad range of experts (or acquire relevant internal expertise). Importantly adaptation planning should identify adaptation trade-offs and mal-adaptation risks. This may initially be resource intensive but there will be considerable opportunities to collaborate with regional partners or other councils around the state or Australia. It is possible that Council may be constrained by State policies and legislation to implement the above. If that is the case, then Council should lobby the State to enable it to have greater flexibility to incorporate climate change into its Development Plan.
maintain an 'Advanced' score	Council has received an 'Advanced' score for this indicator. Achieving this score sees Council in the top fraction of Australian local governments for this indicator and places it in a position to share its journey with other local governments seeking to improve their consideration of climate change. To ensure that this indicator maintains at this level it will be important to monitor any new IPCC reports, government regulations and emerging standards may affect Councils adaptation actions. Furthermore, ensure that Council maintains sufficient staff capacity and resourcing to maintain this score for this indicator.

Appendix J: Recommendations for Emergency Management (#6)

Action	Recommendation
transition from 'No data' to 'None'	No information was available to assess this score. Ensure that the relevant reports associated with this indicator are publicly available. Transparency supports community confidence in Council and enables businesses and residents to ascertain the extent of Council decision-making associated with emergency management and climate change.
transition from 'None' to 'Basic'	To increase the score for this indicator (to 'Basic') the Council Emergency Management Plan (or similar instrument) must be amended to ensure that, at a minimum, climate change is referred to in the introduction. An example of phrases in a Council Emergency Management Plan that will support a 'Basic' score include: "Climate change is likely to exacerbate many of the known disaster risks and affect those already especially vulnerable to natural hazards".
transition from 'Basic' to 'Intermediate'	To increase the score for this indicator (to 'Intermediate') the Council Emergency Management Plan (or similar instrument) must be amended to ensure that climate change is referred to in the introduction and one element of climate change is considered in the plan. An example of phrases in an Emergency Management Plan that will support an 'Intermediate' score include: "Climate change is likely to exacerbate many of the known disaster risks and affect those already especially vulnerable to natural hazards". Issues that will be relevant are the increased heatwave risk (i.e. present information on the current number of heatwave days for selected locations and then how that may change in 2030 / 2050 etc.). The most cost-effective approach to this would be to glean information from other Councils in South Australia or Australia who have participated in an Informed.City™ climate change adaptation governance assessment and have reasonable scores in the indicators that you need help in improving.
transition from 'Intermediate' to 'High'	To increase the score for this indicator (to 'High') the Council Emergency Management Plan (or similar instrument) must be amended to ensure that climate change is referred to in the introduction and at least two elements of climate change are considered. An example of phrases in an Emergency Management Plan that will support an 'Intermediate' score include: "Climate change is likely to exacerbate many of the known disaster risks and affect those already especially vulnerable to natural hazards". Issues that will be relevant are the increased heatwave risk (i.e. present information on the current number of heatwave days for selected locations and then how that may change in 2030 / 2050 etc.). Other risks associated with climate change include more frequent and extreme floods, more extreme weather events (storms, hail) and increased disruption to emergency egress routes. It is important to link emergency management planning with land use planning and align the considerations of climate change between these two areas. The most cost-effective approach to this would be to glean information from other Councils in South Australia or Australia who have participated in an Informed.City™ climate change adaptation governance assessment and have reasonable scores in the indicators that you need help in improving.
transition from 'High' to 'Advanced'	To increase the score for this indicator (to 'Advanced') the Council Emergency Management Plan (or similar instrument) that needs to have a comprehensive inclusion of climate change (not just a ZEMP). Climate change needs to be considered in all elements of emergency management (e.g. provides climate scenarios, links to international and national leading standards, includes other council climate studies etc). An advanced emergency management plan will identify the changing landscape of risk under a changing climate. It should link to other council activities and policies, in particular land use planning, asset management and community engagement. A supporting climate change policy will greatly assist the implementation of an advanced emergency management plan.
maintain an 'Advanced' score	Council has received an 'Advanced' score for this indicator. Achieving this score sees Council in the top fraction of Australian local governments for this indicator. Council is encouraged to share its journey with other local governments seeking to improve their consideration of climate change. To ensure that this indicator is maintained at this level Council will need to monitor any new IPCC reports, government regulations and emerging standards may affect adaptation actions. Furthermore, ensure that Council maintains sufficient staff capacity and resourcing to maintain this score for this indicator.

Appendix K: Recommendations for Greenhouse Gas Emissions Reduction (#7)

Action	Recommendation
transition from 'None' to 'Basic'	To increase the score for this indicator (to 'Basic') Council is required to commit or consider reducing greenhouse gas emissions. The target should aim for a moderate reduction on greenhouse gas emissions by 2020 (e.g. 10% -20% reduction on baseline). Implementing this action requires minimal resourcing.
transition from 'Basic' to 'Intermediate'	The 'Basic' score means that Council is concerned about global greenhouse gas emissions. To increase the score for this indicator (to 'Intermediate') Council should now formally identify a target that is achievable through energy efficiency and minimum outlay (e.g. a 20% -30% reduction on current emissions established to 2030). Council should state how it intends to broadly meet the targets. Ensure that energy savings are captured in financial reporting and inform the public of the return on investment.
transition from 'Intermediate' to 'High'	The 'Intermediate' score means that Council is concerned about global greenhouse gas emissions and has created short-medium term targets. To increase the score for this indicator (to 'High') Council should now formally identify a target out to 2030 or beyond. Council should state how it intends to broadly meet the targets and consider including a staged pathway of emissions reductions out to 2050. Council should ensure that energy savings are captured in financial reporting and inform the public of the return on investment.
transition from 'High' to 'Advanced'	To increase the score for this indicator (to 'Advanced') Council should commit to carbon neutrality by 2050 or before. Achieving this requires sub-decadal targets and ongoing monitoring and evaluation. Council should inform its community about the method of achieving the goal (e.g. what percentage will be met with offsets).
maintain an 'Advanced' score	Council has received an 'Advanced' score for this indicator. Achieving this score sees Council in the top fraction of Australian local governments for this indicator and places it in a position to share its journey with other local governments seeking to improve their consideration of climate change. To ensure that this indicator maintains this level it will be important to monitor any new national and international targets (e.g. bringing forward carbon neutrality date). It will also be important to ensure that Council maintains sufficient staff capacity and resourcing to maintain the score for this indicator.

Appendix L: Recommendations for Climate Risk Management (#8)

Action	Recommendation
transition from 'No data' to 'None'	No information was available to assess this score. Council should ensure that the relevant reports associated with this indicator are publicly available. Transparency supports community confidence in Council and enables businesses and residents to ascertain the extent of Council decision-making associated with this climate change.
transition from 'None' to 'Basic'	To increase the score for this indicator (to 'Basic') requires minimal time and resourcing. Review the risk management policy as soon as possible and include climate change in order to achieve a 'Basic' score for this indicator. Examples of wording for the policy include: "Council recognises that climate change may exacerbate some risks and/or present new risks". Treatment options include undertaking scoping risk studies and improving Council's consideration of climate change in its core governance documents.
transition from 'Basic' to 'Intermediate'	To increase the score for this indicator (to 'Intermediate') Council must specify a response to at least one risk category. Suggestions of wording include: "Council recognises that climate change may exacerbate some risks and/or present new risks" and specify at least one type of risk and how it should be managed. For example, "Council will follow the ISO standard on climate change and infrastructure in its approach to risks to its assets". Treatment options include undertaking scoping risk studies and improving Council's consideration of climate change in its core governance documents. Implementing this action requires minimal time and resourcing.
transition from 'Intermediate' to 'High'	To increase the score for this indicator (to 'High') Council must specify the risk management protocols for all the main direct climate change hazards. This includes sea level rise and coastal inundation (if applicable), erosion, changes to flood risk and heatwaves. Council must specify any standards that are to be followed (e.g. "Council will follow the ISO standard on climate change and infrastructure in its approach to risks to its assets"). Treatment options include undertaking detailed risk studies and improving Council's consideration of climate change in its core governance documents. Implementing this action requires minimal time and resourcing. The most cost-effective approach to this would be to glean information from other Councils in South Australia or Australia who have participated in an Informed.City™ climate change adaptation governance assessment and have reasonable scores in the indicators that you need help in improving.
transition from 'High' to 'Advanced'	To increase the score for this indicator (to 'Advanced') Council must review the existing risk policy documents and refine the considerations of climate change to include indirect risks. These include issues associated with finance, lending, insurance, regulatory changes and litigation. Council's risk management policy should align and support a climate change policy (and vice-versa) if one exists. If there is no climate change policy then Council is strongly encouraged to implement one.
maintain an 'Advanced' score	Council has received an 'Advanced' score for this indicator. Achieving this score sees you in the top fraction of Australian local governments for this indicator and you will be in a position to share your journey with other councils seeking to improve their consideration of climate change. To ensure that this indicator maintains at this level Council will need to monitor any new IPCC reports, government regulations and emerging standards which may affect adaptation actions. Furthermore, it will be necessary to ensure that Council maintains sufficient staff capacity and resourcing.

Appendix M: Recommendations for Adaptation Planning (#9)

Action	Recommendation
transition from 'None' to 'Basic'	This recommendation focusses the need for on a Council climate change adaptation strategy (or similar) as a local instrument (not just regional). A detailed local plan ensures ownership and can better align to internal governance and reporting. To achieve a 'Basic' score Council just requires a small exploration into adaptation. This can be an analysis of just one type of risk (e.g. increased flood risk) or for a specific location. A specific location is a good way to commence early steps into adaptation planning. For example, Kingborough Council (in Tasmania) has used Kingston Beach as a Pilot to explore adaptation planning. Observations from the Pilot can then be replicated to other locations and also embedded into formal approaches.
transition from 'Basic' to 'Intermediate'	This recommendation focusses the need for on a Council climate change adaptation strategy (or similar) as a local instrument (not just regional). A detailed local plan ensures ownership and can better align to internal governance and reporting. Improve the adaptation planning score by undertaking a scoping analysis of Council risks, and as a minimum summarise the types of adaptation actions that may need to be implemented. The findings of a scoping assessment may act as a catalyst for other departments (e.g. finance, land use planning) to explore the issues in more detail. A scoping assessment is not resource intensive and can be done in-house. There are a range of tools and information sources that can assist Council (e.g. NCCARF). The most cost-effective approach to this would be to glean information from other councils in South Australia or Australia who have participated in an Informed.City™ climate change adaptation governance assessment and have an 'Intermediate' score or above in adaptation planning.
transition from 'Intermediate' to 'High'	This recommendation focusses the need for on a Council climate change adaptation strategy (or similar) as a local instrument (not just regional). A detailed local plan ensures ownership and can better align to internal governance and reporting. Improve the adaptation planning score by undertaking a detailed analysis of Council risks and describe the types of adaptation actions that may need to be implemented. Undertake an assessment of community risks, and as a minimum summarise the types of actions that may be required. The findings of a scoping assessment for community may act as a catalyst for other departments (e.g. finance, land use planning) to explore the issues in more detail and encourage conversations with other stakeholders (e.g. utility providers). There are a range of tools and information sources that can assist Council. The most cost-effective approach to this would be to glean information from other Councils in South Australia or Australia who have participated in an Informed.City™ climate change adaptation governance assessment and have reasonable scores in the indicators that you need help in improving.
transition from 'High' to 'Advanced'	This recommendation focusses the need for on a Council climate change adaptation strategy (or similar) as a local instrument (not just regional). A detailed local plan ensures ownership and can better align to internal governance and reporting. Ensure that a comprehensive Council adaptation strategy and/or action plan exists (for Council and the community). As a minimum include all of the following: key performance indicators, identified roles and responsibilities, timing for delivery, linked to governance (mainstreaming), includes information from the community, and other key stakeholders. There will be an initial outlay of resources required to achieve this level of adaptation planning (e.g. Undertake climate change risk assessments. Quantify economic, social, environmental and Council assets exposed to risk. Identify, cost and prioritise adaptation actions. Clearly assign roles and responsibilities).
maintain an 'Advanced' score	Council has received an 'Advanced' score for this indicator. Achieving this score sees you in the top fraction of Australian local governments for this indicator and you will be in a position to share your journey with other local governments seeking to improve their consideration of climate change. To ensure that this indicator maintains at this level Council will need to monitor any new IPCC reports, government regulations and emerging standards may affect Councils adaptation actions. Furthermore, ensure that Council maintains sufficient staff capacity and resourcing to maintain the score for this indicator.

Appendix N: Recommendations for Climate Change Policy (#10)

Action	Recommendation
transition from 'None' to 'Basic'	A climate change policy will help ensure Council's method for adapting to climate change is consistent and robust. If council is to implement a climate change policy then it should include all of the following: specific IPCC climate change scenarios it is aligning to (preferably RCP 8.5 as a minimum), identified roles and responsibilities, timing for delivery, triggers for review (e.g. within 6 months of each IPCC assessment report), activities for improving governance scores, (mainstreaming), and commitment to community and/or stakeholder engagement. The most cost-effective approach to this would be to glean information from other Councils in South Australia or Australia who have participated in an Informed.City™ climate change adaptation governance assessment and have an advanced climate change policy.
transition from 'Basic' to 'Intermediate'	A climate change policy will help ensure Council's method for adapting to climate change is consistent and robust. If council is to implement a climate change policy then it should include all of the following: specific IPCC climate change scenarios it is aligning to (preferably RCP 8.5 as a minimum), identified roles and responsibilities, timing for delivery, triggers for review (e.g. within 6 months of each IPCC assessment report), activities for improving governance scores, (mainstreaming), and commitment to community and/or stakeholder engagement. The most cost-effective approach to this would be to glean information from other Councils in South Australia or Australia who have participated in an Informed.City™ climate change adaptation governance assessment and have an advanced climate change policy.
transition from 'Intermediate' to 'High'	A climate change policy will help ensure Council's method for adapting to climate change is consistent and robust. If council is to implement a climate change policy then it should include all of the following: specific IPCC climate change scenarios it is aligning to (preferably RCP 8.5 as a minimum), identified roles and responsibilities, timing for delivery, triggers for review (e.g. within 6 months of each IPCC assessment report), activities for improving governance scores, (mainstreaming), and commitment to community and/or stakeholder engagement. The most cost-effective approach to this would be to glean information from other Councils in South Australia or Australia who have participated in an Informed.City™ climate change adaptation governance assessment and have an advanced climate change policy.
transition from 'High' to 'Advanced'	A climate change policy will help ensure Council's method for adapting to climate change is consistent and robust. If council is to implement a climate change policy then it should include all of the following: specific IPCC climate change scenarios it is aligning to (preferably RCP 8.5 as a minimum), identified roles and responsibilities, timing for delivery, triggers for review (e.g. within 6 months of each IPCC assessment report), activities for improving governance scores, (mainstreaming), and commitment to community and/or stakeholder engagement. The most cost-effective approach to this would be to glean information from other Councils in South Australia or Australia who have participated in an Informed.City™ climate change adaptation governance assessment and have an advanced climate change policy.
maintain an 'Advanced' score	Council has received an 'Advanced' score for this indicator. Achieving this score sees you in the top fraction of Australian local governments for this indicator and you will be in a position to share your journey with other local governments seeking to improve their consideration of climate change. To ensure that this indicator maintains this level keep an eye on how any new IPCC reports, government regulations and emerging standards may affect Council's adaptation actions. Furthermore, ensure that Council maintains sufficient staff capacity and resourcing to maintain this score for this indicator.

Please Note

The same steps are recommended for each score level in the Climate Change Policy indicator. This is because if a policy is to be created from scratch then there is no advantage in creating one that does not include all the attributes of an advanced climate change policy. However, we recognise that Council may only be able to create a policy for one specific element (e.g. due to capacity, resource and political constraints). We stress however that without an advanced policy it will be difficult for the organisation to effectively implement the mainstreaming of climate change.

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 17 February 2020
AGENDA BUSINESS ITEM

Item:	**7.3**
Originating Officer:	**David Collins, Manager Sustainable Assets**
Responsible Director:	**Peter Bice, Director Infrastructure & Operations**
Subject:	**Update on Asset Management Planning**
For:	**Information**

SUMMARY

This report provides an update on the progress of Asset Management planning and development of an updated suite of asset management plans.

Council has not formally adopted an Asset Management Plan since 2012. However, significant work has been undertaken within the asset management department including condition assessments, implementing a new enterprise asset management system, rolling capital renewal programs that incorporate or feed into the Asset Management Planning Process.

A high level review of the Transportation assets was undertaken in the second half of 2017 and the findings of that review workshopped with Council Members in January 2018. That review and information subsequently was updated and adopted in the Long Term Financial Plan.

The data cleansing and transition of asset information from various sources into the enterprise asset management system has been complicated and required additional time and resources over the past 3 years to structure and validate the asset base of Council. This process has identified a reasonable number of assets not previously accounted for in the registers to be added. Also as part of the on-going financial requirements to regularly review valuations, a number of the transportation assets were revalued in the 2018/19 financial year. This included road seals, road pavements, unsealed roads and footpaths. This has resulted in a large increase to the replacement value of transportation assets.

Given the large changes in asset base and valuation, Council has recently undertaken a high level external peer review of the asset management planning process, strategies and assumptions to ensure that these projections and impacts are in line with current industry asset management practice.

The high level review found that the overall asset management strategy of Council is sound and provides for a medium to long term financially sustainable position. The high level reviewed highlighted a number of scenarios for detailed reviews of depreciation and valuation inputs associated with different asset strategies. It may be subsequently appropriate to amend future operations; maintenance, renewal and depreciation dollars in the LTFP based on an evidence approach and associated reasonable assumptions. The initial analysis has indicated the existing depreciation as forecast in the LTFP can be retained until the completion of the full review and analysis of asset management strategies and association lifecycle costs of those strategies.

There are a number of scenarios suggestions from the external peer review in relation to renewal asset management strategies. These need consideration and analysis in formulation of a final update to the asset management plans and hence the presentation of a draft Transportation Asset Management Plan will occur later in 2020.

RECOMMENDATION

The Audit Committee resolves that the report be received and noted

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1.   GOVERNANCE

> **Strategic Management Plan/Council Policy**

Goal 3   Places for People and Nature
Strategy 3.5   We will take a proactive approach, and long term view, to
                   infrastructure maintenance and renewal.

The Asset Management Plan and associated process have a direct linkage into providing assets and services to the community by appropriately funding and planning sustainable renewals over the period of the document.

Underpinned by Asset Management Policy – INF-03

> **Legal Implications**

Local Government Act 1999

Part 1 – Strategic Management Plans

Section 122,

(1a)   *A council must, in conjunction with the plans required under subsection (1), develop and adopt—*

(b)   *an infrastructure and asset management plan, relating to the management and development of infrastructure and major assets by the council for a period of at least 10 years*

> ➢ **Risk Management Implications**

The update of the asset management plans and linking to the Long Term Financial Plan will assist in mitigating the risk of:

Insufficient long term funding allocations that may lead to a future reduction of services and/or lack of financial sustainability

Inherent Risk	Residual Risk	Target Risk
Extreme (4B)	Medium (3C)	Medium (3C)

> ➢ **Financial and Resource Implications**

The asset management planning process directly informs the Long Term Financial Plan (LTFP) of Council and must be considered in the development of the LTFP. This report does not directly make changes to the financial or resources implications of Council.

> ➢ **Customer Service and Community/Cultural Implications**

Not Applicable

> ➢ **Environmental Implications**

Not Applicable

> ➢ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Any proposed Asset Management Plan will be subject to community consultation once endorsed by Council. Community feedback would be considered in the final plan recommendations to Council.

Council Committees: Workshops with Council Members
- AMP workshops in July 2017, September 2017 and January 2018.
- AMP Overview and Footpath Process Workshop (New/Upgrade/Renewal & Policy) – August 2019
- Seal & Pavement Workshop – September 2019
- AMP Draft Overview & Planning Process – October 2019
- Valuation Update November 2019

Advisory Groups: Not Applicable

Administration: Director Infrastructure & Operations
Director Corporate Services
Manager Financial Services
Manager Sustainable Assets
Manager Civil Services

Community: Public Consultation will be sought on the Draft Asset Management Plans when endorsed by Council in the future.

2. **BACKGROUND**

Asset Management Plans are a means for documenting management, financial, engineering and technical practices to ensure that the level of service required by the community for a class of infrastructure assets is provided at the lowest long term cost.

The identification of future needs, management options and cash flows provides the ability to even out peak funding demands. In order to allocate resources the Asset Management Plans provides a communication and long term direction that informs the public.

In March 2007 the Local Government and Planning Ministers' Council (LGPMC) agreed to a nationally consistent approach to asset planning and management, financial planning and reporting and assessing financial sustainability. Each State Minister endorsed the National Framework for Financial Sustainability in Local Government for implementation in the context of their relationships with their local government sectors.

The National Frameworks consist of three main components as follows:

- Asset Planning and Management which incorporates:
  o Asset Management Policy
  o Asset Management Strategy
  o Governance and Management
  o Levels of Service
  o Data and Systems
  o Continuous Improvement Program
  o Evaluation of effectiveness

- Financial Planning and Reporting which incorporates:
  o Long-term Strategic Plan
  o Annual Budget
  o Annual Financial Statements and Annual Report

- Criteria for Assessing Financial Sustainability:
  o A council's long-term financial performance and position is defined as unstainable when "planned long term services and infrastructure standards are met without unplanned increases in rates and charges, or disruptive cuts to services"

The key elements of this plan are:

- Levels of service – specifies the types and levels of service the Council provides.
- Future demand – how this will impact on future service delivery and how this is to be met.
- Life cycle management – how Council will manage its existing and future assets to provide the required services.
- Risk management – identification of risks, how these can be defined in a risk register and summarised in a risk management plan.
- Financial summary – what funds are required to provide the required services that meet both Technical standards and Community expectations
- Monitoring – how the plan will be monitored to ensure it is meeting Council's objectives.
- Asset Management Improvement Plan

The *Local Government Act 1999* S122 (1a)(b) requires Council's to develop and adopt Asset Management Plans relating to the management and development of infrastructure and major assets for a period of at least ten years. Asset Management Plans should detail the proposed management, development and required expenditure relating to infrastructure and major assets.

In 2012, as per legislative requirements, Council endorsed its 'Infrastructure Asset Management Plan'. The following assets and infrastructure categories are considered in Council's Infrastructure and Asset Management Plan

- Seal & Pavement
- Unsealed Roads
- Footpaths
- Bridges
- Drainage & Stormwater
- CWMS Infrastructure
- Buildings
- Community Facilities

The Transportation Asset Management Plan incorporates key asset classes including Road Seal & Pavement, Shoulder, Kerb & Water Table, Footpaths and Unsealed Roads into a encompassed document that further builds on the establishment and delivery of the following Asset Management Plans through relevant areas of the business:

- Drainage & Stormwater
- Buildings & Community Facilities
- Plant & Fleet
- Bridges
- CWMS Infrastructure

An Asset Management Plan is a key strategic planning driver to assist Council in considering the long term requirements to maintain, renew dispose, upgrade or acquire infrastructure assets to meet projected community requirements and expectations.
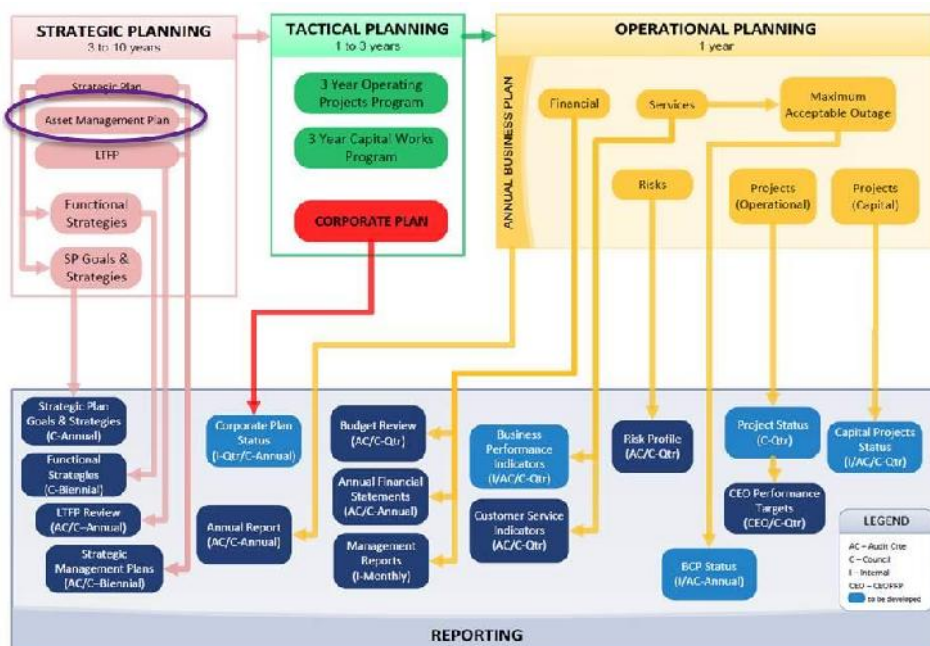
The replacement value is the estimated cost of replacement for each item and is an estimation based on knowledge of current unit rates and useful lives. The rolling renewal capital works program provides a details short term three year program across the transportation asset classes whilst Long Term Financial Plan is a modelled process.

The 'level of service' is the defined service quality for a particular activity or service area against which service performance can be measured. They provide the basis for the life cycle management strategies and works programme identified within the Asset Management Plan. Levels of service support the Organisation's strategic goals and are based on customer expectations and statutory requirements. There are two criteria that dictate Levels of Service; Community Levels of Service; and Technical Levels of Service, a new section has also been incorporated to include Customer Values.

Customer Values

Customer Values are designed to understand what is important to the users of the service, and define the values of the customer and how well the current levels of service match their expectations.

Community Levels of Service

Community Levels of Service relate to the service outcomes that the community wants in terms of safety, quality, quantity, reliability, responsiveness, cost effectiveness and legislative compliance.

Community Levels of Service measures used in this Asset Management Plan are:

- Quality/Condition – How good is the service… what is the condition or quality of the service?
- Function – Is it suitable for its intended purpose… Is it the right service?
- Capacity/Use – Is the service over or under used… do we need more or less of these assets?

Technical Levels of Service

To deliver the customer values, and impact the achieved Customer Levels of Service, are operational or technical measures of performance. These technical measures relate to the activities and allocation of resources to best achieve the desired customer outcomes and demonstrate effective performance.

Technical service measures are linked to the activities and annual budgets covering:

- Acquisition – the activities to provide a higher level of service (e.g. widening a road, sealing an unsealed road, replacing a pipeline with a larger size) or a new service that did not exist previously (e.g. a new library).
- Operation – the regular activities to provide services (e.g. opening hours, cleansing, mowing grass, energy, inspections, etc.
- Maintenance – the activities necessary to retain an asset as near as practicable to an appropriate service condition. Maintenance activities enable an asset to provide service for its planned life (e.g. road patching, unsealed road grading, building and structure repairs),

- Renewal – the activities that return the service capability of an asset up to that which it had originally provided (e.g. road resurfacing and pavement reconstruction, pipeline replacement and building component replacement),

3.   **ANALYSIS**

As part of the update of Council's Transportation Asset Management Plans the following processes and practices have been undertaken.

- Comprehensive High Speed Data Collection across the entire sealed network providing point data for analysis, condition, maintenance and renewal review & modelling into capital works and LTFP provisions.
- Field inspections and validation of technical data across numerous asset classes including the development of a 3 year rolling renewal program synced, introduction of additional treatment types using a hierarchical based policy approach where available.
- Review of hierarchy for unsealed roads, to provide the basis for maintenance planning for patrol grading, re-sheeting and unit rates for appropriate services
- Review of current operation practices and highlighted areas to build improvement plan across the life of the AMP.
- Highlighting of risks across the network and applying measures to mitigate, and develop models to counteract impacts.
- Assess climate change impacts and plan for increased resilience across the network.
- Review of unit rates and useful lives of assets and applied to valuations
- Highlight demands being placed across the transportation network and suggested treatments.
- Reviewed and provided customer values, customer levels of service and technical levels of service within the framework.
- Developed AMP based on the latest NAMS 3+ (National Asset Management Strategy) framework released in August 2019.
- External Peer Review by TechnlogyOne.

External Peer Review

Council commissioned Mr Jeff Roorda of TechnologyOne to undertake a peer review of Councils asset management system, process and assumption in light of the large change in the value of the road assets following a re-valuation process at the end of 2018/19 financial year. This revaluation was undertaken by an external party and met Council's stated obligation and timing as communicated to Council's auditor. The Report; Asset Management and Valuation Review by Jeff Roorda of TechnologyOne January 2019 (Roorda Report) is provided in **Appendix 2**.

The high level review found that the overall asset management strategy of Council is sound and provides for a medium to long term financially sustainable position. The high level reviewed highlighted a number of scenarios for detailed reviews of depreciation and valuation inputs associated with different asset strategies.

It may be subsequently appropriate to amend future operations; maintenance, renewal and depreciation dollars in the LTFP based on an evidence approach and associated reasonable assumptions that can be built from this evidence and professional knowledge.

The initial analysis has indicated the existing depreciation as forecast in the LTFP can be retained until the completion of the full review and analysis of asset management strategies and association lifecycle costs of those strategies.

The external peer review has identified a number of suggestions regarding potential renewal asset management treatments and strategies.   These strategies need to consider the lifecycle interventions, and how Council commits resourcing to maintain and renew its various asset classes to align with asset lives.

Footpath Renewal Example

For example, renewing existing asphalt footpaths with concrete whilst requiring additional up-front capital investment may offer material life cycle savings as the life of a concrete footpath will be substantially longer. This is based the consideration of costs associated with asphalt replacement with say a 30 – 40 year life against a higher cost to install concrete but have a longer life of 80 – 100 years.   This footpath renewal strategy example below of lifecycle capital costs is based on first principle unit rates as supplied by Council external revaluation process.

Table 5: Path Life Cycle Cost (Capital)

AC Footpath - Useful Life = 30 years

Rate Description	Rate		Cost	Proportion of Total
Excavate & dispose existing AC path surface & base	40	m2	53,940	50%
AC Footpath	36	m2	48,546	45%
Reinstate resident SW pipes	57	item	812	1%
Reinstate commercial SW pipes	114	item	86	0%
Construct pram ramps	1300	item	3,900	4%
Total Cost per 1000m of footpath			107,284	100%
Rate per linear metre AC Footpath			**107**	**Depreciation**
Rate per square metre AC Paved Footpath			**89**	**$2.98 / yr.**

Source: Unit Rates AHC First Principles Rates July 2018_V5

Table 6: Road Hierarchy Unit Cost

Concrete Footpath - Useful Life = 100 years with partial renewal

Rate Description	Rate		Cost	
Existing footpath, removal & disposal	45	m2	53,940	36%
Supply & installation of concrete footpath	65	m2	70,980	47%
Supply and installation of concrete to all crossing places	75	m2	19,238	13%
Reinstate resident SW pipes	57	item	812	1%
Reinstate commercial SW pipes	114	item	86	0%
Reconstruct pram ramps	1300	item	5,200	3%
Total Cost per 1000m of footpath			150,255	100%
Rate per lineal metre Concrete Footpath			**150**	**Depreciation**
Rate per square metre Concrete Footpath			**125**	**$1.25 / yr.**

Source: Unit Rates AHC First Principles Rates July 2018_V5

The life cycle cost impact of asphalt for paths and the impact on depreciation is more than double for asphalt than for concrete, assuming that the asphalt cannot be recycled. Changing the renewal strategy of existing AC paths by partial renewal will change both unit costs and life in the immediate term. This enables a review of the longer term renewal strategy of asphalt or concrete.

Source: Roorda Report

In this example above to replace the same section of footpath Council would need to commit an additional $ 40,000 up-front capital to renewal the footpath from Asphalt to Concrete, however given the longer assumed life of the concrete the cost per year of that investment is less than half of the asphalt footpath.

This type of strategy change if validated and adopted, needs to be well communicated as the community may see people with a footpath getting a new upgraded footpath while they do not have a footpath.

Further, when this footpath replacement strategy is considered, it should be assessed to link the renewals of assets.   In this footpath replacement example, Council should further consider the timing of replacement of the kerb and gutter and adjacent road pavement. Under this scenario, there is a need to consider the level of maintenance and partial renewal programs that will be required to maintain all these assets to a suitable level of service until all the assets are renewed at once.

Council currently reviews the kerb and gutter condition as part of its current footpath renewal works and schedules either partial of full renewal of the kerb and gutter when the footpath work occur.

Pavement Useful Life and Renewal

Currently Council assumes that full pavement depth will require renewal and hence the unit rates reflect these valuations. One scenario is to assume that the pavement has two components to it. The pavement is divided into a base layer and sub base layer. For low volume traffic roads it is assumed that the asset strategy is such that the base layer is one required for replacement to maintain service levels and manage risk on this low traffic volume road network. That is, the sub base player is potentially never replaced and is therefore not depreciated or the sub base is only renewed every 2nd or 3rd time that the pavement asset is renewed.

This strategy can only be considered reasonable if the strategy includes the protection of the underlying pavements by ensuring that the surface is treated before it starts to allow water to enter and damage the underlying pavements.   As stated in the Roorda Report; '*This strategy can be difficult for the community to understand since the low-cost treatment must be applied before the surface starts to allow water to enter and the seal deterioration is not visible.*' The level of ongoing maintenance and partial renewal of pavement including major patch works may also be required before resurfacing.

The intention of all these scenarios and asset strategies suggested in the report is to find the best long term value for dollars invested that reduce lifecycle costs but maintain the level of service across the entire network.

Given the number of suggestions to be investigated the draft Transportation Asset Management Plan will be delayed until later in 2020. There will not be any significant changes to the LTFP at this stage, until these have been undertaken.

4.   **OPTIONS**

As this is an information report the option for the Committee is to receive the report.

5.   APPENDICES

(1)   Asset Management Policy
(2)   Asset Management and Valuation review Report 2020

Appendix 1

Asset Management Policy

Council Policy

Asset Management

COUNCIL POLICY

	ASSET MANAGEMENT

Policy Number:	**INF-03**
Responsible Department(s):	**Engineering and Asset Management**
Other Relevant Policies:	**None**
Relevant Procedure(s):	**None**
Relevant Legislation:	**Local Government Act 1999**
Policies and Procedures Superseded by this policy on its Adoption:	**Asset Management, 22 September 2009, Item 3.1, 322**
Adoption Authority:	**Council**
Date of Adoption:	**26 September 2017**
Effective From:	**10 October 2017**
Minute Reference for Adoption:	**Item 12.6, 211/17**
Next Review:	**June 2020 or as required by legislation**

ASSET MANAGEMENT POLICY

1.   INTRODUCTION

The attached policy provides Council and its administration with principles and guidelines for implementing asset management processes throughout the Adelaide Hills Council.

2.   OBJECTIVES

The objectives of this policy are to ensure adequate provision is made for the long-term replacement of major assets by:

- Ensuring that Council's services and infrastructure are provided in a sustainable manner, with the appropriate levels of service to residents, visitors and the environment.
- Safeguarding Council assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets.
- Creating an environment where all Council employees take an integral part in overall management of Council assets by creating and sustaining asset management awareness throughout the Council.
- Meeting legislative requirements for asset management including appropriate capitalisation of assets on an annual basis in line with required accounting standards.
- Ensuring resources and operational capabilities are identified and responsibility for asset management is allocated.
- Demonstrating transparent and responsible asset management processes that align with demonstrated best practice.

3.   DEFINITIONS

"Asset Management System" includes the enterprise wide systems and process that support and deliver the outcomes of the policy setting. This will include but not limited to the identified asset classes, asset register, plans, functions, procedures and processes that support asset management implementation across the organisation.

"Asset Management Plans" means the adopted plans of Council that identify the future works to be undertaken to ensure that the asset classes continue to provide the level of service identified.

4.   POLICY STATEMENT

Background

Council is committed to implementing a systematic asset management methodology in order to apply appropriate asset management best practices across all areas of Council. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's priorities for service delivery.

Council owns and uses approximately $480 million of non-current assets to support its core business of delivery of service to the community.

Asset management practices impact directly on the core business of the organisation and appropriate asset management is required to achieve our strategic service delivery objectives.

Adopting asset management principles will assist Council in achieving its Strategic Plan and Long Term Financial objectives. In particular, Council has identified under Goal Area 3 Places for people and nature – Strategy 3.5 'We will take a proactive approach, and long term view, to infrastructure maintenance and renewal' within its current Strategic Plan adopted in October 2016.

A strategic approach to asset management will ensure that the Council delivers the highest appropriate level of service through its assets. This will provide positive impact on;
•   Members of the public and staff;
•   Council's financial position;
•   The ability of Council to deliver the expected level of service and infrastructure;
•   The political environment in which Council operates; and
•   The legal liabilities of Council.

Principles

1.   A consistent Asset Management Strategy must exist for implementing systematic asset management and appropriate asset management best-practice throughout all Departments of Council.
2.   All relevant legislative requirements together with political, social and economic environments are to be taken into account in asset management.
3.   Asset management principles will be integrated within existing planning and operational processes.
4.   An inspection regime will be used as part of asset management to ensure agreed service levels are maintained and to identify asset renewal priorities.
5.   Asset renewals required to meet agreed service levels and identified in infrastructure and asset management plans and long term financial plans will be fully funded in the annual budget estimates.
6.   Service levels agreed through the budget process and defined in Infrastructure and Asset Management Plans will be fully funded in the annual budget estimates.
7.   Asset renewal plans will be prioritised and implemented progressively based on agreed service levels and the effectiveness of the current assets to provide that level of service.
8.   Systematic and cyclic reviews will be applied to all asset classes and are to ensure that the assets are managed, valued and depreciated in accordance with appropriate best practice and applicable Australian Standards.
9.   Future life cycle costs will be reported and considered in all decisions relating to new services and assets and upgrading of existing services and assets.
10.   Future service levels will be determined in consultation with the community.
11.   Asset capitalisation will occur on a yearly basis to ensure the capture and accounting of all asset classes that have been renewed or added to. The capitalisation of assets will be supported by an internal procedure that ensures compliance with current accounting standards and other legislative requirements.

Responsibility

Councillors are responsible for adopting the policy, allocation of resources, providing high level oversight of the delivery of the organisation's asset management strategy and plan and maintaining accountability mechanisms to ensure that organisational resources are appropriately utilized to address the organisation's strategic plans and priorities.

The Chief Executive Officer has overall responsibility for developing an asset management strategy, plans and procedures and reporting on the status and effectiveness of asset management within Council.

5.   DELEGATION

The Chief Executive Officer has the delegation to:

- Approve, amend and review any procedures that shall be consistent with this Policy; and
- Make any formatting, nomenclature or other minor changes to the Policy during the period of its currency.

6.   AVAILABILITY OF THE POLICY

This Policy will be available for inspection at the Council's Offices during ordinary business hours and via the Council's website www.ahc.sa.gov.au. Copies will also be provided to the public upon request, and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.

Appendix 2

Asset Management and Valuation Review By Jeff Roorda, Technology One January 2020

ASSET MANAGEMENT AND VALUATION REVIEW

technology**one**
Transforming business, making life simple

Prepared by Jeff Roorda BE (Hons) CPEng.

January 2019

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1. Recommendations

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Council wishes to ensure that asset management processes are robust, and the outcomes are appropriate to ensure the long term management of assets, whilst considering appropriate and sustainable approaches (Including any policy strategy) to funding necessary investment, and timeframes over which this may be achieved. Key inputs to asset management planning such as asset values, asset lives, risk and service levels determine outputs such as sustainability reporting, asset valuations and works programs.

There has been identified a significant increase in Road Asset Valuation (Particularly Pavements – from $110m to $170m) and subsequent Depreciation ($1.2m in Road Assets) which has significantly impacted on the LTFP forecasts.

 Recognising the significant financial impact on Councils, the review has assessed whether any opportunities exist to minimise the impact currently being forecast.

A high level review in a few key areas relating to Asset Management has found that the overall asset management strategy is sound and indicates a medium to long term financially sustainable position. A more detailed review of depreciation and valuation inputs is likely to result in a reduction in depreciation in the order of 10% or more as set out in in the report and summarised in appendices 1 and 2. Key observations and recommendations are listed below.

1. **There should be a review of the assumptions behind revaluation inputs.**

- The revaluation inputs should be reviewed in more detail. The road asset revaluation assumes all pavement is at the desired design thickness and this is unlikely based on experience with other Councils and preliminary discussions with Council officers.
- It is assumed that paths and kerb are renewed separately and in total rather than partial renewal resulting in more than 50% of the cost due to disposal and adjustment to ancillary assets and services.
- Useful lives appear to be generally assumed and should be updated in line with section 6 of this report.
- Sporting field surfaces (grass) appear to be depreciated and this should be reviewed and checked.

2. **Components should be reviewed to align with asset management plan renewal strategies**

Align investment strategies with asset service level and risk strategies which includes the following:

- Pavements should be separated into base and sub base with sub base being non depreciable for lightly trafficked pavements with adequate sub base. If no sub base exists, then only a base layer should be valued and depreciated. Under this approach, road resurfacing is done on time to manage the financial risk of damaging underlying pavement.
- Road shoulders should be combined with pavement base.
- Stormwater pits and conduits should be separated into long life and short life components to align with current and expected renewal strategies considering current modern equivalent renewal cost such as pipe relining and pit lid renewal.

3. **Unit costs should be reviewed to align with asset management plan renewal strategies**

- Kerb and path rates are high and duplicate ancillary work such as adjusting stormwater connections. A review of renewal strategy such as renew kerb, path and base at the same time would result in reduced unit rates. Partial renewal strategies should also be reviewed to align unit rate and depreciation assumptions with actual renewal strategies set out in the asset management plan.
- The strategy to renew all Asphalt Paths every 30 years results in an annual depreciation and life cycle cost that is more than double the cost of Concrete. Partial renewal of failed sections near large trees rather than removal and renewal of all path also enables substantial savings. Useful

lives should be reviewed based on age plus remaining life to renewal based on affordable service levels set in the strategic planning documents

- Low risk assets such as kerb can have very long lives and renewal can then align with pavement renewal. Footpaths can be managed by partial renewal until a complete block renewal of road, kerb, stormwater and path is warranted. The increasing cost of disposal of old infrastructure makes it essential to explore a combination of partial renewal strategies and lower overall levels of service, resulting in substantially longer lives for infrastructure.

- Depreciation for long life building asset are likely to be materially overstated and this is shown in section 6 of the report.

4. Data Alignment

- Data alignment is an essential element to ensure there is a single source of valuation inputs. Asset age, condition, unit cost, quantity, risk profile and renewal strategy are all essential elements to asset management and financial reporting. Alignment between Confirm (AMS) and the Finance System will enable Council to refine Capitalisation/Reporting processes.

5. Communication Strategy

- Council needs to develop an ongoing communication strategy to better inform and educate the community on the asset management strategy. AHC, like most councils with large road networks and low populations are continuing to struggle to maintain their networks. When funding is limited protecting the good pavements over reconstructing failed pavements is an essential long-term strategy. This is difficult to communicate to the community that perceived money is being spend on "good" roads while the "bad" roads are ignored. During long dry periods, road networks can appear to be in good condition because the underlying pavement remains dry even if the seal "leaks" or lets water in. When rain comes networks that have not been resealed in time can deteriorate very quickly because the leaking seal allows water into the pavement which then will need high cost reconstruction.

2. Introduction

Management of infrastructure remains a fundamental challenge for the local government sector. Of the three levels of government, local government has the largest relative infrastructure task in terms of asset management and the smallest relative revenue base.[1] A key responsibility of local government in Australia is to provide, develop and maintain infrastructure necessary to provide communities with access to safe and sustainable economic and social services. This task has increased over recent decades with local government not only providing traditional core services such as roads, buildings, stormwater drainage, water supply and wastewater treatment, parks, airports and aerodromes, and waste disposal but also an increasing range of new services in the areas of recreation, health, environment, and welfare services.

The Local Government Act 1999 (the Act) sets the standards for councils' administrative and financial accountability, largely in Chapter 8 of the Act. This framework reflects the broader local government policy that has been in place for South Australia for some time, that is, that councils have a responsibility to abide by the statutory framework, and are accountable to their communities for doing so, without detailed compliance oversight from the State Government.

The council audit process in most interstate jurisdictions has developed in recent years into a mechanism for addressing and improving financial and asset management. This covered in Chapter 8 of the Local Government Act 1999 (The Act) in South Australia. External audits in the South Australian local government sector have traditionally been focused on an independent assurance that a council's annual financial statements present a true and fair view of the financial position of the council and comply with

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1 Australian Local Government Association, Submission to Infrastructure Australia responding to the Infrastructure Australia Audit 2015

prescribed requirements. These audits now also examine and report on the adequacy of a council's internal controls, which are the measures put in place by councils to ensure that a council's resources, operations and risk exposures are effectively managed.[2]

The strategic management plans in The Act require the alignment of long term financial plans, asset management plans and annual reporting. This report recommends improvements that result from this alignment to ensure:

 (i) the sustainability of the council's financial performance and position; and

(ii) the extent or levels of services that will be required to be provided by the council to achieve its objectives; and

(iii) the extent to which any infrastructure will need to be maintained, replaced or developed by the council;[3]

3. Review of Key Input Assumptions

Valuation and depreciation inputs are based on assumptions. Some of the assumptions inherent in the current revaluation methodology should be reviewed. Appendix 2 shows a list of assumptions, their likely impact on depreciation and a recommended improvement plan.   Some examples are discussed below.

Roads

There are 2 key assumptions in current revaluation for roads that should be reviewed.

1. **Pavement Assumption 1.** There is an assumption that pavement in situ aligns with the design requirement. This results in pavement thickness of 280 – 475 mm depending on road hierarchy as shown in table 1. Experience with other councils and telephone interviews with Council staff indicates that this design aspiration is unlikely to exist in the current network. Valuation should be based on actual in situ depth and it is likely that a material quantity of the network is not at the assumed design requirement.

Table 1: Road Hierarchy and Assumed Pavement Depth

Hierarchy	Total Pavement Depth (mm)
Rural Municipal Local (RML)	280
Rural Collector (RC)	330
Rural Distributor (RD)	475
Urban Municipal Local (UML)	280
Urban Collector (UC)	330
Urban Distributor (UD)	475

Source: Unit Rates AHC First Principles Rates July 2018_V5

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[2] *Reforming Local Government in South Australia Discussion Paper, August 2019, Department of Planning, Transport and Infrastructure.*
[3] *Local Government Act South Australia 1999 Section 8*

Table 2: Road Hierarchy Proportions

Road Hierarchy	Replacement Value	Percent of Network
RD - Pavement Distributor	$ 74,823,796,458.90	19%
RD - Pavement Collector	$ 113,262,582,247.80	28%
RD - Pavement Local	$ 211,624,177,668.67	53%
	$ 399,710,556,375.37	100%

Source: Confirm Prod Revaluation 2019

Table 3 shows the impact on road hierarchy on unit cost. Approximately 28% of the network is assumed to have a pavement thickness of 330mm and 19% assumed to have a pavement thickness of 475mm.

Table 3: Road Hierarchy Unit Cost

Pavement Type	Rate $/m2
Rural Collector	$ 48.25
Rural Distributor	$ 66.42
Rural Municipal Local	$ 41.25
Urban Municipal Local	$ 41.25
Urban Distributor	$ 48.25
Urban Collector	$ 66.42

Source: June 2019 Unit Rate Derivations, **Asset Engineering**

2. **Pavement Assumption 2.** There is an assumption that the full assumed design pavement thickness will be renewed.   This is unlikely and more common practice is to only treat the top 100 – 150 mm of the pavement by partial or full renewal. This is the base layer as discussed in the next section. This means that the lower portion of the pavement (if it exists) has a much longer or indefinite life. It should be noted that this is dependent on protecting the pavement by ensuring that no water enters the pavement. Table 2 shows the proportion of local roads is over 50% which means a significant proportion of the road network is likely to be lightly trafficked and have non depreciable sub base or alternatively not have 280mm of pavement.

Stormwater

1. **Stormwater Assumption 1.** There is an assumption that stormwater conduits will be renewed by excavation of the existing pipe and replacement with a new pipe. This is unlikely based on practice at other Councils and initial discussion with Council officers.   Pipe relining is now economically viable for diameters of 375 mm and less and additional investigation may result in splitting the stormwater drainage pipes into the non-depreciable trench and the depreciable conduit.

Table 4: Stormwater Conduit Unit Cost

Stormwater Conduit Diameter	Replacement Value	Network Proportion	Value Quantity	Average Unit Cost (Calculated)
SW Pipe 225mm - Concrete	45,101,976	23%	224,148	201
SW Pipe 300mm - Concrete	103,972,143	53%	569,561	183
SW Pipe 375mm - Concrete	17,556,360	9%	109,849	160
SW Pipe 450mm - Concrete	28,374,439	15%	155,135	183
	195,004,918	100%	1,058,694	

Source: Confirm Prod Revaluation 2019

2. **Stormwater Assumption 2.** There is an assumption that stormwater pits will be renewed as a single component. This is unlikely. Below ground concrete chambers rarely fail. The less expensive lids may fail by structural damage and pits should be split into components.

Kerb and Paths

There is an assumption that kerb and paths will be renewed independently with a total renewal treatment. Partial renewal is both more likely and this will have a lower life cycle cost with both lower unit cost and longer life.

4. Aligning Depreciation Inputs with Actual Current Practice

Roads

Depreciation inputs need to align with actual renewal strategies on site and should be documented in the asset management plan. The alignment of renewal strategy with lowest life cycle cost is likely to reduce the overstatement of depreciation because there are assumptions about renewal treatments that do not align with actual or best practice for reducing life cycle costs.

An example of this for roads is to protect the underlying pavement by treating the surface before it starts to allow water to enter and damage the underlying pavement. At the same time Council strategy is gradually addressing the high cost renewal in poor condition. This strategy can be difficult for the community to understand since the low-cost treatment must be applied before the surface starts to allow water to enter and the seal deterioration is not visible. This example shows the benefits that can be obtained by aligning treatment strategies with depreciation inputs such as useful life and unit costs. This is shown in more detail in the figures on the following page.

The current valuation methodology treats the pavement as a single asset. It is recommended that:

- pavement be separated into the base and sub base and sub base is not depreciable for lightly trafficked pavements.
- If no sub base exists, then there should be no value or depreciation.
- Kerb and path should align with a base renewal generation to reduce the unit cost and duplication of work associated with renewing base, kerb and path independently. Risk can be managed by partial renewal to extend life of kerb and path where needed.
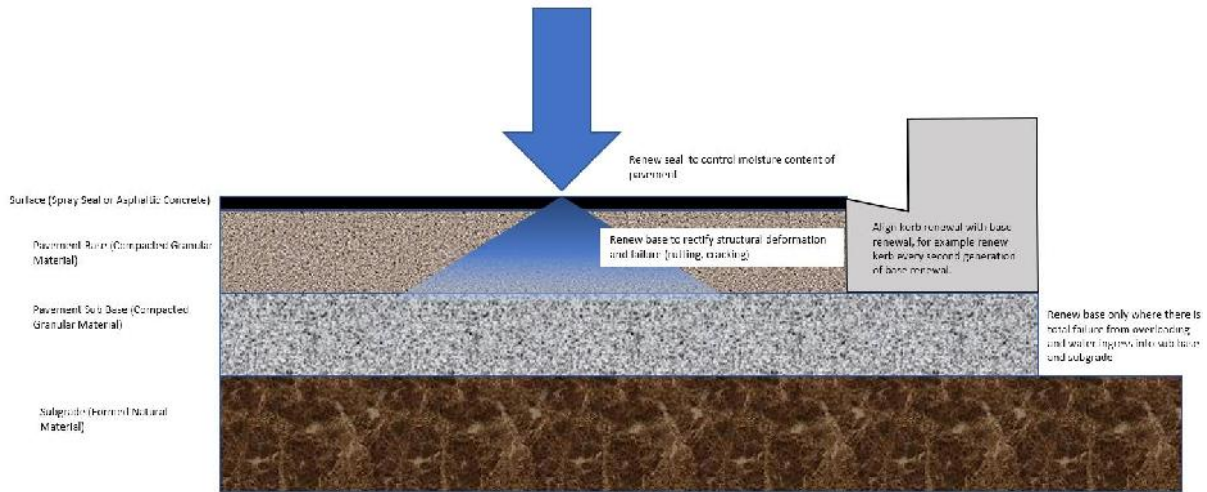
Figure 1: Road Pavement Renewal for Light Traffic Pavements (sub base is never renewed)
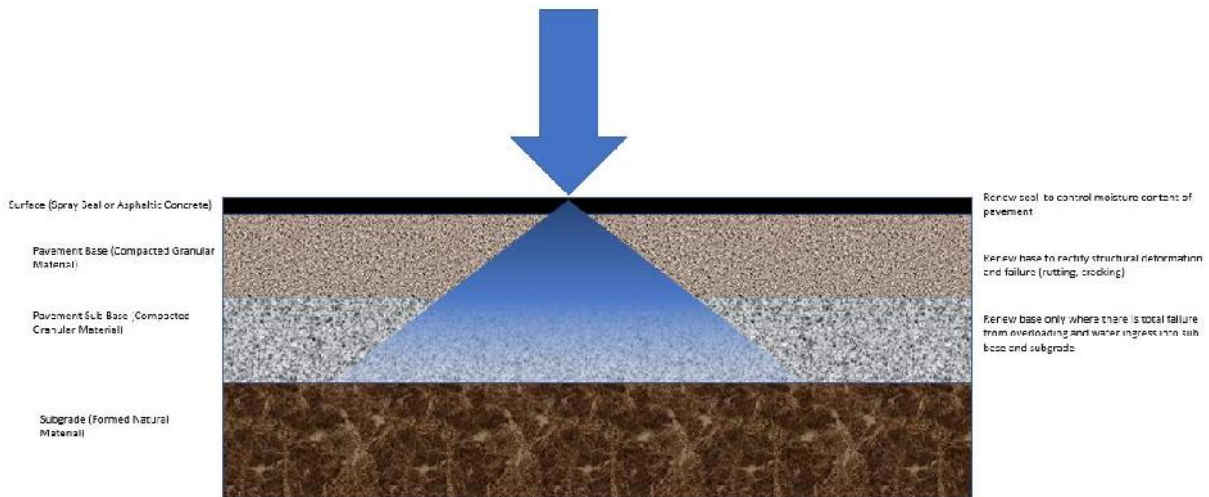
Figure 2: Road Pavement Renewal for Heavy Traffic

Figures 1 and 2 also show the function of the road seal. In figure 2, pavements with weak subgrade and heavy traffic may need sub base renewal. Sub base is renewed every second or third generation of base renewal. If the seal is not renewed in time small cracks will allow water to penetrate the underlying pavement and sub grade resulting in damage requiring more expensive reconstruction. These small cracks are often not visible in the early stages. Once deterioration is visible by defects like potholes it is often too late, and the underlying pavement has already been damaged.

When funding is limited priority should be given to preserving undamaged pavements in the same way that if there are 2 houses, one with a leaking roof and contents damaged and one with the roof about to leak, then undamaged roof should be repaired first before the contents are also damaged.

Buildings

A significant proportion of Council buildings are not able to be sold and there is therefore no active market for these assets. Renewal and useful lives apply to some components like Fitout and services (mechanical, electrical, hydraulic) but not to structure and sub-structure. The replacement of roof sheeting only renews the sheeting and not the underlying sub structure frame. This impacts both the useful life and unit costs and together provide a material impact on depreciation. The useful life impact is shown in more detail in section 5 of this report.

Kerb, Paths and Stormwater

A significant proportion kerb, paths and stormwater have partial renewal as the primary intervention strategy. Kerb and paths have localised failure caused by trees or vehicles rather than deterioration over time. Partial renewal treatments are more expensive and should not be extrapolated to the complete network without supporting evidence and an adopted strategy in the asset management plan. This can be dealt with either by additional componentisation as discussed for stormwater pits and conduits or by using a weighted average technique that considers the proportion of an asset class treated by partial renewal and the long life proportion that may eventually require full renewal at a lower unit cost.

5. Aligning Renewal Strategy with Optimised Life Cycle Cost

The primary objective of asset management is to achieve the lowest possible life cycle cost to achieve affordable service levels within the adopted risk tolerance. The asset management policy, strategy and plans should identify optimised, affordable treatments and align with assumptions about depreciation inputs.

Road Pavement and Shoulders

Optimum life cycle cost is achieved by preventing ingress of water by renewal of seal before failure as discussed in the previous section. The corresponding optimum renewal strategy for lightly trafficked local roads is then to only renew local base failures when resealing. Full base renewal may be needed in some cases for heavy traffic roads or roads with low CBR[4] subgrade. This strategy changes the assumption for the renewal of pavements, making sub base not depreciable for lightly trafficked pavements and very long lives for heavily trafficked pavements. Optimum life cycle cost is for road shoulders is achieved by aligning shoulder treatments with base and surface where the shoulder is sealed.

Paths

Life cycle cost is the annual average maintenance and operating plus annual average capital consumption (depreciation). Maintenance costs are outside the scope of this review, however it can be assumed that the maintenance costs for AC and Concrete are the same for this level of analysis.

Table 1 shows the depreciation per square metre of AC path is $2.98 /year, which is more than double the rate for concrete.

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[4] *The Californian Bearing Ratio (CBR) test is a penetration test used to evaluate the subgrade strength of roads and pavements.*

Table 5: Path Life Cycle Cost (Capital)

AC Footpath - Useful Life = 30 years

Rate Description	Rate		Cost	Proportion of Total
Excavate & dispose existing AC path surface & base	40	m2	53,940	50%
AC Footpath	36	m2	48,546	45%
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Source: Unit Rates AHC First Principles Rates July 2018_V5

Table 6: Road Hierarchy Unit Cost

Concrete Footpath - Useful Life = 100 years with partial renewal

Rate Description	Rate		Cost	
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Supply & installation of concrete footpath	65	m2	70,980	47%
Supply and installation of concrete to all crossing places	75	m2	19,238	13%
Reinstate resident SW pipes	57	item	812	1%
Reinstate commercial SW pipes	114	item	86	0%
Reconstruct pram ramps	1300	item	5,200	3%
Total Cost per 1000m of footpath			150,255	100%
Rate per lineal metre Concrete Footpath			**150**	**Depreciation**
Rate per square metre Concrete Footpath			**125**	**$1.25 / yr.**

Source: Unit Rates AHC First Principles Rates July 2018_V5

The life cycle cost impact of asphalt for paths and the impact on depreciation is more than double for asphalt than for concrete, assuming that the asphalt cannot be recycled. Changing the renewal strategy of existing AC paths by partial renewal will change both unit costs and life in the immediate term. This enables a review of the longer term renewal strategy of asphalt or concrete.

Kerb

Kerb renewal should be based on partial renewal until the next cycle of base renewal. A review of service levels should also be carried out. In most cases, kerb in poor condition has minimal risk impact and very long lives are common for councils with old kerb networks.

6. An Evidence Based Approach to Useful Life

An evidence based approach is recommended for useful live based on adding the age of every asset to the in service remaining life. In service remaining life is the period from now until when the asset will be renewed considering Council's risk tolerance and affordable service level targets set out in the asset management plan. This approach can use samples for assets for confidence level C or a more complete data analysis for confidence levels B or A described in section 6. This approach should be applied to all asset classes together with the confidence level. It should be noted that without supporting evidence the current useful life used for current depreciation is likely to be D or E, particularly for long life assets (greater than 50-100 years).

Roads

Recording or estimating the age of the surface, base and sub base and adding this to remaining useful life will assist with improving the reliability of determining useful life and depreciation.

Buildings

This approach is likely to result in a longer life for assets and a high level estimate is shown in appendix 1 based on an analysis of Adelaide Hills Council data and the experience of other Councils. An example of this approach using Adelaide Hills Council is shown in Figure 3 for Buildings. The graph shown in figure 3 is confidence level B, based on complete data per asset but reliability of age or remaining life not confirmed.

Figure 3 shows that the evidence based useful life for sub structure and structure ranges from 80- 240 years.
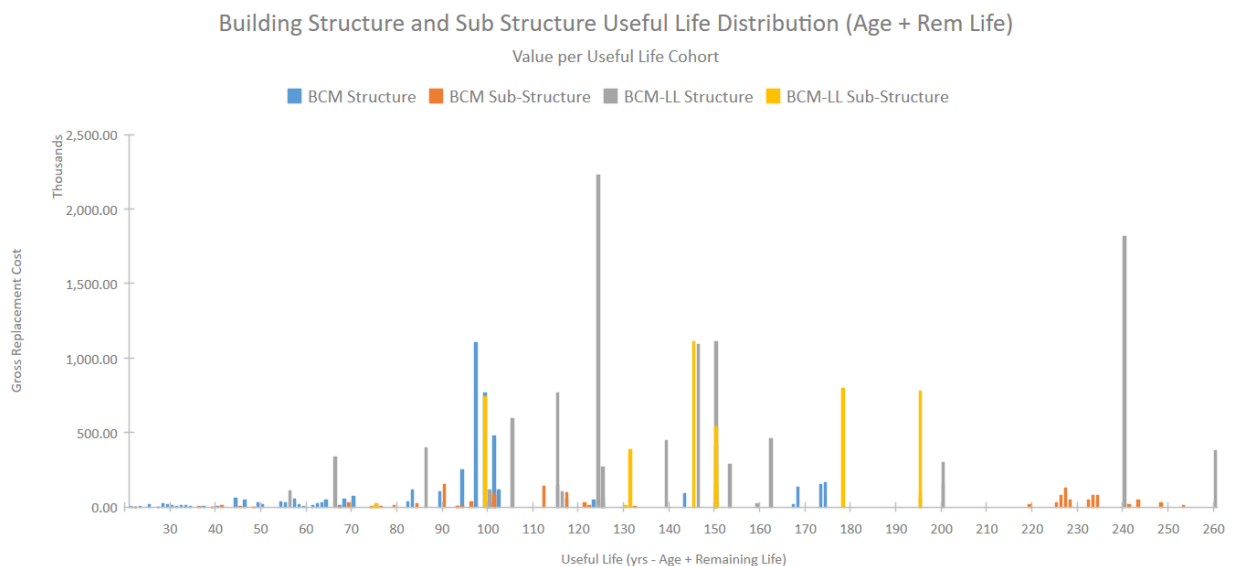
Figure 3: Review Useful Lives based on Age + Actual Remaining Life

Source: Confirm Prod Revaluation 2019

Stormwater Drainage

Concrete generally grows stronger with age provided that there are no chemical attach agents in the soil. There is growing evidence that concrete pipes and pits that are correctly laid and not subject to ground movement have very long lives as shown in figure 4. Estimates of stormwater age can be made and combined with sample estimates for remaining life to provide an evidence based assessment of useful life.
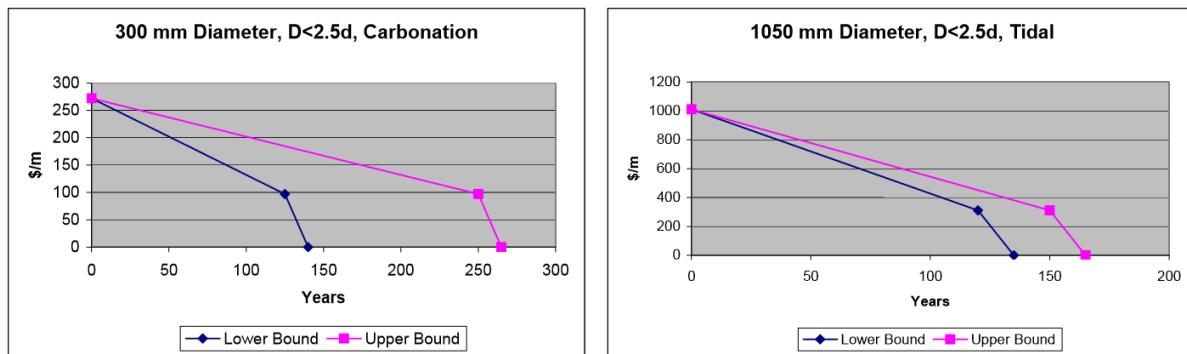
Figure 4: Study Showing Life of Concrete Stormwater Pipes

*Source: Infrastructure Manager, Logan City Council, Rod Kennedy
Manager - Asset Management, GHD, Ross McPherson*

7. Confidence Levels of Inputs

The expenditure and valuations projections are based on best available data. Currency and accuracy of data is critical to effective asset and financial management. Data reliability can be classified on a 5 level in accordance with the following table. Appendix 2 shows the confidence levels of inputs and potential improvement.

Confidence Grade	Description
A	Data based on sound records, procedures, investigations and analysis, documented properly and recognised as the best method of assessment. Dataset is complete and estimated to be accurate ± 2%
B	Data based on sound records, procedures, investigations and analysis, documented properly but has minor shortcomings, for example some of the data is old, some documentation is missing and/or reliance is placed on unconfirmed reports or some extrapolation. Dataset is complete and estimated to be accurate ± 10%
C	Data based on sound records, procedures, investigations and analysis which is incomplete or unsupported, or extrapolated from a limited sample for which grade A or B data are available. Dataset is substantially complete but up to 50% is extrapolated data and accuracy estimated ± 25%
D	Data is based on unconfirmed verbal reports and/or cursory inspections and analysis. Dataset may not be fully complete, and most data is estimated or extrapolated. Accuracy ± 40%
E	None or very little data held.

5

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[5]*IPWEA, 2015, IIMM, Table 2.4.6, p 2|71*

8. Asset Management System

A system should be implemented that can predict the future costs of alternate treatment strategies to help communicate the cumulative consequences of alternate strategies.

IIMM[6] and the ISO 555000 series refer to a "system" as the combination of governance, planning, reporting and risk and service level management. It is not just software and data. Software and data are important tools and need to be appropriate to the risk and complexity of the asset portfolio.

Continuous improvement of the asset management system as defined above will assist Council to:

- Continue to strengthen its strategic asset management capacity;

- Identifies infrastructure future scenarios and report on a consistent basis the condition, function, and capacity of such assets;

- Maintain and implement life cycle asset management plans tied to an affordable service delivery model;

- Effectively engage with its customers on affordable levels of service and optimum treatment strategies such as reseal roads before any failure is evident; and

- Provide adequate funding to plan for, maintain and renew what are in effect the community's greatest financial assets with highest potential risk.

A strategic asset management system should be implemented that can manage the network and clearly show the life cycle costs and future condition profiles of alternate treatment scenarios to demonstrate to the community the cumulative consequences of alternate treatment strategies and funding levels. The system should include the following capability.

Single asset register

- Store and update all asset details in a single enterprise asset register.
- Seamlessly share asset information across the asset lifecycle including works programming, work management, statutory reporting and asset valuations.
- Remove the need to manage multiple asset data sets and external data processing.
- Easily link asset work history, costs and risk to long term planning strategies.

Predict lifecycle costs

- Report on the lifecycle costs of AHC assets including renewal costs, maintenance, upgrades and operating costs.
- Predict long term asset costs based on required service levels and risk management strategies and link this to a range of funding model scenarios.
- Use lifecycle cost predictions to derive the optimum works program for a range of long term financial plan scenarios.

Maintain and Predict level of service

- Report on maintenance costs for AHC assets and treatments required to achieve required level of service.
- Calculate affordable and target service levels for each funding model scenario and the corresponding risk register.
- Easily group service level reporting by condition, function, capacity, utilisation or quality with multivariable parameters.

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[6] IPWEA, 2015, 3rd edn., 'International Infrastructure Management Manual', Institute of Public Works Engineering Australasia, Sydney, www.ipwea.org/IIMM

- Predict service levels for any future period for each funding model scenario.

Asset network level analysis

- Analyse AHC asset network levels to understand the level of service and risk for different levels of funding, to achieve optimum lifecycle cost for the network.
- Set lifecycle profiles for each network group covering risk, asset deterioration, maintenance costs, renewal costs and asset life.
- Lifecycle analysis should be broken down into various component levels for complex assets such as road surface and pavement, with each component following a different degradation path. This allows for more accurate funding scenarios to be modelled and works plans to be produced and communicated to the community.

9. Opportunities for Improvement

There has been a long term and consistent reduction in depreciation for local government infrastructure over the past 20 year in line with improvements to data and asset management maturity. Depreciation as a percentage of gross replacement cost has moved from 1.7- 2.2% 20 years ago to 1.1 – 1.5%. This trend is likely to continue as depreciation inputs align with affordable asset management plans balanced to long term financial plans.   The revaluation review for AHC has identified improvements that are evidence based and would bring the depreciation as a proportion of gross replacement cost to around 1.3-1.4% of gross replacement cost.

Section 1 shows the recommendations.

Appendix 1 shows high level review comments per asset class and indicative impact of applying improvements.

Appendix 2 shows a draft improvement plan and indicative resources.

10. **Appendix 1 – High Level Review of Revaluation Inputs**

Asset Class	Gross Replacement Cost at 30/6/19	Annual Depreciation	Depreciation Rate 18/19	Weighted Average Useful Life	Comments	New Weighted Average Life	New Depr	Likely Impact
Buildings	$ 65,282.00	$ 1,242	1.7%	59	Increase Life especially for structure/substructure - review partial renewal.	65	$1,004.34	-$ 237.66
Infrastructure		$ -						$ -
- Stormwater	$ 39,600.00	$ 482	1.3%	77	Increase Life, separate pits and conduits into long and short life	120	$ 330.00	-$ 152.00
- Community Wastewater Management Systems	$ 20,253.00	$ 398	2.1%	48	Increase life for concrete/structural components	50	$ 405.06	$ 7.06
- Roads	$ 285,788.00	$ 3,803	1.8%	56	Separate Base and Sub Base, Increase Life and sub base not depreciable for light traffic roads	80	$3,572.35	-$ 230.65
- Bridges	$ 18,210.00	$ 284	1.6%	61	Increase life and review partial renewal	80	$ 227.63	-$ 56.38
- Footpaths	$ 14,828.00	$ 403	3.1%	33	Increase Life - review partial renewal. Combined Renewal of Kerb, Path and Road would reduce duplication of ancilliary work	90	$ 164.76	-$ 238.24
- Retaining Walls	$ 11,275.00	$ 146	1.9%	54	Increase life	80	$ 140.94	-$ 5.06
- Guardrails	$ 6,564.00	$ 140	2.2%	45	OK	45	$ -	$ -
- Kerb & Gutter	$ 32,728.00	$ 396	1.3%	79	Increase Life - review partial renewal. Unit Rates are High. Combined Renewal of Kerb, Path and Road would reduce duplication of ancilliary work	90	$ 363.64	-$ 32.36
- Traffic Controls	$ 2,124.00	$ 41	2.0%	51	Increase Life - review partial renewal. Most of depreciation is from Roundabout Pavement, Kerb	70	$ 30.34	-$ 10.66
- Street Furniture	$ 2,446.00	$ 83	2.6%	39	Review treating signs as an operarating expense	39	$ 62.72	-$ 20.28
- Sport & Recreation	$ 17,496.00	$ 337	2.0%	49	Are playing surfaces being depreciated? ($41 K for football grounds)	49	$ 357.06	$ 20.06
- Playgrounds	$ 1,753.00	$ 83	4.8%	21	OK	21	$ -	$ -
- Cemeteries	$ 2,041.00	$ 35	1.8%	55	OK	55	$ -	$ -
		$ -						
Plant & Equipment	$ 2,196.00	$ 870	7.9%	13	Not Reviewed	13	$ -	$ -
Furniture & Fittings	$ 12,543.00	$ 83	2.3%	44	Not Reviewed	44	$ -	$ -
Public Artworks	$ 2,748.00	$ -	0.0%		Not Reviewed			
Total Infrastructure and Buildings	**$ 537,875.00**	**$ 8,826**	**1.7%**	**60**		**71**	**$7,530.25**	**-$ 956.17**
						1.4%		
	At Cost							

11. Appendix 2 – Improvement Plan

Asset Class	Assumption	Impact of Asset Valuation. H=>2.5% total depreciation impact, M=1.5-2.5% , L = <1.5%	Current Confidence Grade of data supporting the valuation inputs	Recommended Confidence Grade	Improvement Plan	Resource Days to Confidence B	Added Resource Days to Confidence A
Roads	All Pavements comply with design standard	High	C	A	This assumption is unlikely and thinner pavements are common in most Council areas. Move to confidence level B by separating base and sub base. Do not apply sub base where there are pavements 150 mm or less. Apply local expert knowledge and test sample areas. Move to confidence A by extended sampling and GPR in the future.	8	15
Kerb	All kerb will be renewed out of alignment with pavement base renewal	Moderate	C	B	Set target service levels aligned with risk. Apply partial renewal to achieve longer lives and lower treatment cost. Sample of age plus remaining life. Factor unit cost to reflect the proportion of partial renewal and proportion of total renewal with base reconstruction.	5	
Paths	All path will be renewed out of alignment with pavement base renewal cycles	High	C	A	Same as kerb	5	Improve data over the next 2-3 years
Paths	Asphalt paths provide the lowest life cycle renewal strategy	High	C	A	Update AMP with lowest life cycle cost strategy and implement communication plan and asset valuation.	2	Improve data over the next 2-3 years
Drainage	All stormwater will be renewed by excavating the existing conduit/pit and relaying a new asset	High	C	B	Review current and target renewal strategy and update AMP. Re-componentise into long and short life or factor unit costs and lives to reflect long and short life	5	
Drainage	All assets achieve the depreciation useful life	Moderate	D	B	Update based on age plus remain life for a sample.	3	
Buildings	All assets achieve the depreciation useful life	High	C	A	Update useful life estimates for structural elements of buildings with no active market based on age plus remaining life	3	5
Sign and furniture	Signs should be capitalised and depreciated	Low	C	B	Review expensing assets based on materiality and manage risk by asset and risk management plans	1	
Parks	Sporting fields are valued depreciated	Moderate	C	A	Check, review and adjust sporting fields	0	1
						32	21

12.   References

IPWEA, 2015, 2nd edn., 'Australian Infrastructure Financial Management Manual', Institute of Public Works Engineering Australasia, Sydney, www.ipwea.org/AIFMM. •

IPWEA, 2015, 3rd edn., 'International Infrastructure Management Manual', Institute of Public Works Engineering Australasia, Sydney, www.ipwea.org/IIMM

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 17 February 2020
AGENDA BUSINESS ITEM

Item:	**7.4**
Originating Officer:	**Kira-Marie Laverty, Corporate Planning & Performance Coordinator**
Responsible Director:	**Andrew Aitken, Chief Executive Officer**
Subject:	**Quarterly Council Performance Report – Q2**
For:	**Information**

SUMMARY

As a local government entity, Council has a number of legislative obligations regarding the preparation and distribution of corporate planning and reporting information to the elected body and the community. In addition, to these mandated requirements, Council has over time created a number of additional elements to improve the integration, transparency and accountability of its activities.

In June 2018 Council adopted the *Corporate Planning & Performance Framework*, of which a key element was the establishment of a suite of Corporate Business Performance Indicators which are aligned with Adelaide Hills Council's Strategic Plan goals and will enable the tracking of performance over time.

A suite of corporate performance indicators were developed in consultation with Council Members, the Strategic Leadership Team and relevant officers. Targets for each indicator were set as part of the Annual Business Planning process.

The purpose of this report is to provide the Quarterly Council Performance Report, for Quarter 2 of 2019-20, for information only.

RECOMMENDATION

Audit committee resolves that the report be received and noted.

1.   **GOVERNANCE**

➢   **Strategic Management Plan/Council Policy**

Goal	Organisational Sustainability
Strategy	Our Organisation
Strategy	Financial Sustainability
Strategy	Customer Services Commitment
Strategy	Risk & Responsibility

Quarterly Council Performance Reporting promotes Council's ability to monitor performance against strategic goals and track performance over time.

➢ **Legal Implications**

Chapter 8 - Administrative and financial accountability of the *Local Government Act 1999* sets out the key legislative obligations regarding corporate planning and reporting obligations, as follows:

- S122 – Strategic management plans – development, content requirements, consultation, review and availability of strategic plan, asset management plan and long-term financial plan;
- S123 – Annual business plans and budgets - development, content requirements, consultation, review and availability of annual business plan and budget
- S127 – Financial statements – preparation, content, auditing and availability of the financial statements;
- S131 – Annual reports – preparation, content, distribution and availability of the annual report

Additional requirements are contained in the *Local Government (General) Regulations 2013* and the *Local Government (Financial Management) Regulations 2011*.

➢ **Risk Management Implications**

Quarterly Council Performance Reporting will assist in mitigating the risk of:

Ineffective performance management and reporting processes leading to poor performance and/or loss of stakeholder confidence

Inherent Risk	Residual Risk	Target Risk
Extreme (4B)	Low (2D)	Low (2D)

Note that there are many other controls that assist in mitigating this risk.

➢ **Financial and Resource Implications**

The Corporate Planning & Performance Coordinator role, which coordinates the performance reporting function, is funded in the Governance & Performance Department budget.

➢ **Customer Service and Community/Cultural Implications**

Providing integrated, consultative corporate planning and effective and transparent performance reporting to the Council and community has the potential to increase the level of trust and confidence in Council.

➢ **Environmental Implications**

Not applicable.

> ➤ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Consultation on the development of this report was as follows:

Council Committees: Nil. Quarterly reports to be considered by the Audit Committee if timing permits.

Council Workshops: Not applicable

Advisory Groups: Not applicable

Administration: Consultation on the quarterly performance report has occurred with both Executive Leadership Team and the Senior Leadership Team.

Community: Not applicable

2. BACKGROUND

Over the years, the legislative obligations under the Act (as identified above) for corporate planning and performance reporting have been undertaken by a number of different functional areas within the Council's Administration.

While all legislative obligations have been met, this fragmentation has hampered the realisation of the potential synergies available from a more holistic and integrated approach to corporate planning and reporting.

In early 2017, the Administration conducted a review and benchmarking project on the provision of services and resources of the governance, risk, internal audit, procurement, emergency management and performance reporting (GRIAPEMPR) functions. The result was the realisations of the under-resourcing of these functions in light or rapid legislative change and community and management expectations. As a result the 2018-19 budget included the creation of a permanent full-time Corporate Planning & Performance Coordinator (Coordinator) role.

The overall purpose of the Coordinator role is:

> *..to coordinate the development and maintenance of Council's corporate planning framework including, but not limited to, the strategic management plans, the corporate plan, rolling 3-year operating and capital plans and the annual business plan. Additionally the role will develop and implement the corporate performance reporting framework that includes, but is not limited to, the suite of corporate plans and business performance indicators.*

At its 19 June 2018 meeting, Council resolved to adopt the Corporate Planning & Performance Framework as follows:
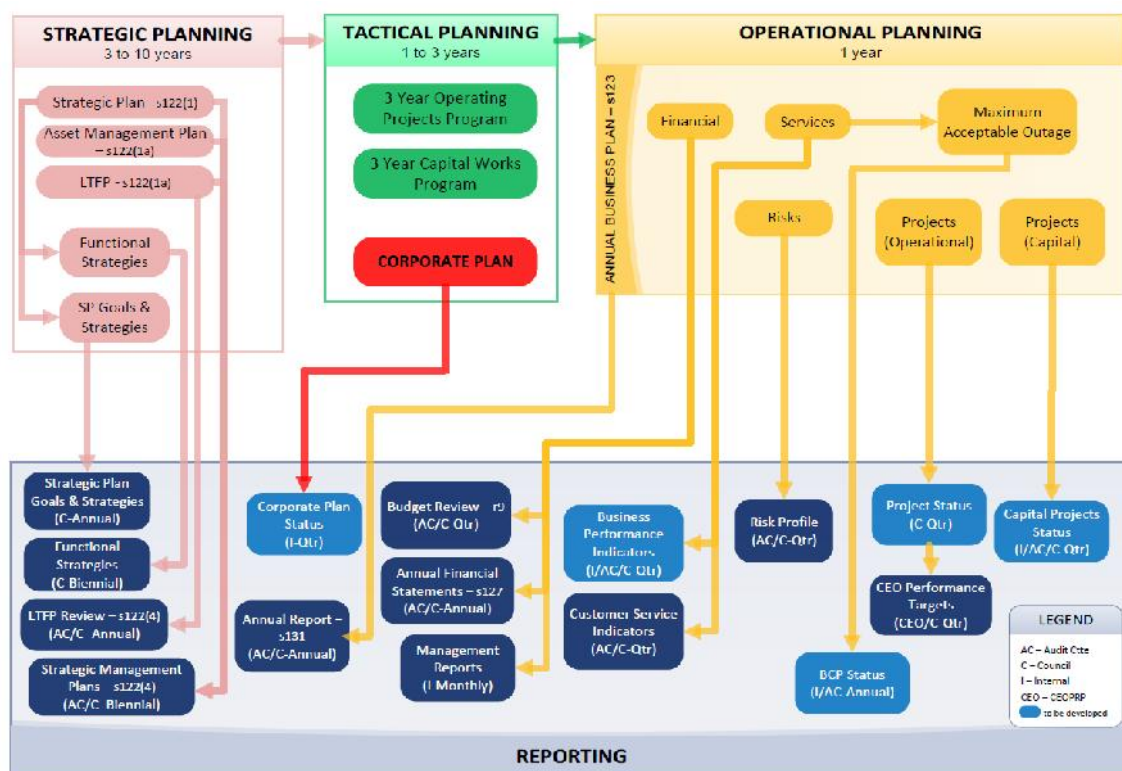
5.2. Corporate Planning & Reporting Framework

Moved Cr Linda Green   **128/18**
S/- Cr Nathan Daniell

Council resolves:

1. That the report be received and noted
2. With an effective date of 1 July 2018, to adopt the draft Corporate Planning & Performance Framework contained in Appendix 1.

	Carried Unanimously

A key element of this framework was the establishment of a suite of Corporate Business Performance Indicators which are aligned with Adelaide Hills Council's strategic goals and will enable the tracking of performance over time.

A suite of corporate performance indicators were developed in consultation with Council Members, the Strategic Leadership Team and relevant officers.

33 Corporate Performance Indicators were developed and captured in Council's 2019-20 Annual Business Plan, for periodic performance reporting to Council.

Targets for each indicator were set as part of the Annual Business Planning process.

An internal pilot report based on Q4 2018-19 data identified that some targets were not able to be measured due to unavailable data and/or data collection methods along with data inconsistencies. These Corporate Performance Indicators have been modified or replaced with similar indicators.

The first (production) version of the Quarterly Performance Report was based on Q1 2019-20 data and provided to Council at its 26 November 2019 meeting. Unfortunately the timing of the report production did not allow for it to be included in the November 2019 Audit Committee agenda.

The performance indicators and their strategic alignment to Council's Strategic Plan are outlined in the Quarterly Council Performance Report **(Appendix 1).**

3.   **ANALYSIS**

Following the Q1 report, a review was conducted and the report streamlined to show all related updates and metrics in the same sections. The structure of the Q2 report is as follows:

1.   Executive summary
2.   Performance by service area
5.   Customer Service Standards
6.   Capital Works Program Performance
7.   Quarterly Financial Performance

The following paragraphs provide information on what has been included within each section.

3.1   Executive Summary

This is a high level summary showing are overall achievement against strategic plan goals and corporate performance indicators. It also includes the main highlights and risks and challenges for the quarter.

3.2   Performance by service area

This section has been separated by directorate then by service area. For each directorate, it provides an update under the topics "Highlights", "What's next" and "Issues".

Under each service area, it displays the following elements categorised under corresponding strategic plan goal:

- Corporate Performance indicators reported against their target.
- A trend line showing the last two quarter results against target,
- Related services measures, and
- Commentary on the performance of Key Initiatives from the 2019-20 Annual Business Plan, where there has been activity during the quarter. This includes an icon representing if the initiative is on track, completed, not commenced or behind schedule.

Most Corporate Performance Indicators are reported quarterly, however there are a number that are reported biannually, annually or biennially. Therefore, the indicators that appear in this section are only those requiring quarterly reporting.

3.3 Customer Service Standards

The quarterly customer service standards were previously reported to Council in a separate report. This report has now been included in this quarterly report. This section provides an overview of the performance results for each of the service standards within the reporting period.

3.4 Capital Works Program Performance

Performance against the Capital Works program is highlighted in this section, including key achievements for the quarter, performance by asset class, issues and plans for the next quarter. Capital Financial Performance also features in this section.

3.5 Quarterly Financial Performance

This section includes operating financial performance, by directorate and function, and financial performance for additional operating initiates (as identified in the 2019-20 Annual Business Plan).

4. OPTIONS

As this is an information report, the Audit Committee is limited to receiving and noting the report but may choose to provide commentary to the Administration for consideration to enhance the reports into the future.

5. APPENDICES

(1) Quarterly Council Performance Report – Quarter 2, 2019-20

Appendix 1

Quarterly Council Performance Report
Quarter 2, 2019-20

Quarterly Council Performance Report

Quarter 2 – 1 September to 31 December 2019

Adelaide Hills
COUNCIL

Table of Contents

1. Executive Summary

In Quarter 2 of 2019-20 we have made the following progress and are **on track** to deliver our goals for the financial year.

Strategic Goals	Performance measures	Annual Business Plan Key Initiatives
People & Business **Prosper**	✅ Targets met or exceeded	On Track (26) Not Started (2) Behind schedule (1)
Activities & Opportunities to **Connect**	✅ Targets met or exceeded	On Track (21) Completed (2) Ahead of schedule (1) Not Started (2) Behind schedule (1)
Places for People & Nature	✅ 1 of 5 targets not met	On Track (29) Completed (7) Not Started (8) Behind schedule (4)
Explore Ideas & Work with Others	✅ Targets met or exceeded	On Track (6) Completed (2)
Organisational Sustainability	✅ 1 of 4 targets not met	On Track (21) Completed (5) Not Started (5) Behind schedule (2)

Financial Performance

On Track

YTD Net Operating Surplus (Income – expenditure)
Budget $23,216m
Actual $23,788m
Variance $572m

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Capital Performance

- **$3.1m** of infrastructure delivered
- **$1.7m** of works ordered

Not Started (27)
Completed (23)
Deferred (4)
Cancelled (2)
Project Summary
Scheduled or Construction (49)
Designed or Tendered (55)

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Customer Service Standards

😊	**13**	Targets met or exceeded
😐	**2**	N/A: No Incidents reported
☹️	**2**	Target not met

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Highlights

- In support of efforts to respond to the 20 December Cudlee Creek Fire, the Council's Incident Management Team was activated.

- Council assisted the establishment of a Local Recovery Centre at Fabrik in Lobethal, supported the Local Recovery Coordinator in becoming established and identified immediate stage recovery activities to support the community such as waste disposal initiatives and a planned approach to roadside hazardous tree assessment and management.

- The Council Boundary Change Proposal Survey of residents and ratepayers in Rostrevor (AHC) and Woodforde was completed in December 2019.

- We completed the connection of the Amy Gillett Bike track in Woodside prior to Christmas 2019, providing walkers and cyclists with a safer journey. The new track runs between Onkaparinga Valley Rd and Tiers Rd in Woodside along the old rail corridor.

Risks & Challenges

- The Cudlee Creek Bushfire which commenced on 20 December has had a significant impact within the Adelaide Hills community and on our organisation. Whilst a Recovery Plan is currently being developed and implemented, it is clearly evident the fire will also have an impact on the delivery of a number of projects and initiatives within our current Annual Business Plan. In addition to this the financial impact of the fires will not be fully understood for a reasonable period of time, however it is likely to be substantial. Updates will be provided as impacts are fully assessed.

- With regard to the implementation of the Planning Reforms, there are some potential risks and challenges including resourcing impacts which will be assessed by staff and presented to Council for consideration if there are budgetary impacts

Legend: ✅ = On track   ⊖ = Not on track   ❌ = Attention Required

2. Performance by Service Area

2. 1   Community Capacity

Highlights

- The Council's inaugural Youth Leadership Program was completed.
- Fabrik's inaugural Music Festival was held in December
- Consultation on a new Public Consultation Policy

What's next

- Focus on social recovery following the Cudlee Creek fire.
- Developing the Library Services Strategy
- Developing a new Community Engagement Framework
- Preparing for May Business Month

Issues	Action Taken	Service area
Disruption to community and Council events in late December	Gathered Market rescheduled for February. Working with Lights of Lobethal Inc on arrangements for an alternative event in 2020.	

2.1.1   Economic Development

Performance measures - Prosper

Open and click rates Hills Voice: Your Business e-newsletter subscriptions

Open Rate 28.9% *Target 30%*

Click Through Rate 9.8% *Target 10%*
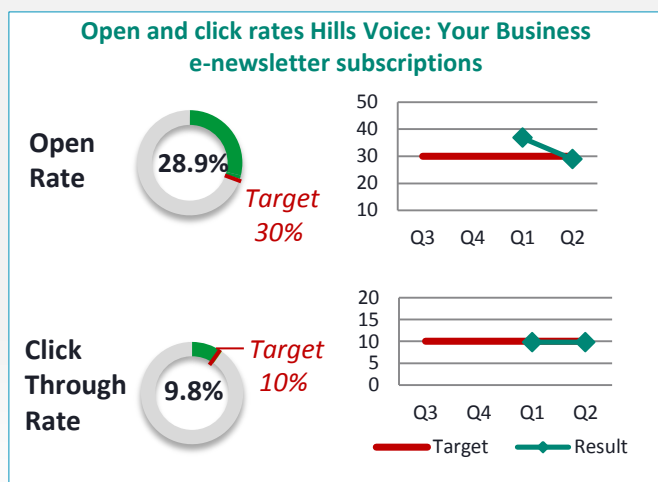
Our Initiatives - Prosper

✅ **Regional Development Australia**
- $7.3 million in commonwealth funding support for netting of apples, pears and cherries in the region announced.
- Engagement and drafting of a Regional Strategy for Horticulture

✅ **Adelaide Hills Tourism**
- 86 tourism industry representatives attended the Game Changer: Is your story worth telling? panel discussion and networking event

✅ **UNESCO World Heritage Bid**

✅ **Business Month in May**
- Planning to commence in Feb 2020
- Contributed to the State Government's consultation roundtable workshops to develop a work plan to promote industry growth for both Food, Wine and Agribusiness and the Creative Industries sectors.
- The region's cherry growers shared ideas at a workshop to promote and develop the Cherry Trail

2.1.2 Positive Ageing

Performance measures - Prosper

Positive ageing wellbeing score

Average level of self-determined wellbeing of program participants reviewed in the quarter.

7

Target 7

Chart axis: 10, 8, 6, 4 — Q3, Q4, Q1, Q2
— Target — Result

Related services measures - Prosper

1,543 Hours of **in home support** delivered

2,996 Hours of **social support** delivered

434 **Transport trips** provided

Our Initiatives - Prosper

✔ **Dementia Friendly Communities Project**

✔ **Wellbeing and re-ablement training**
- Events this quarter ranged from an engagement event for over 65s at risk of homelessness to training for organisations in our area in relation to the new Aged Care Quality Standards

✔ **The Brain Hub**

✔ **High Tea Dance**

✔ **Cross agency collaboration (Hills Connected Communities Project)**

✔ **Increasing online presence and access**

✔ **Building wellbeing and wellness**

General Updates
- Approx. 160 people attended the *Hills Treasures* event to celebrate the contribution that older generations make in our communities. 94 "Hills Treasures" were acknowledged.
- Social opportunities included a nature lovers mystery trip, Police Band Christmas Concert and a River Murray Cruise.
- We received 192 new referrals and transitioned another 414 clients from the previous aged care system to the new one.

2.2.3 Youth Development

Related services measures - Connect

1,111 **Attendees** in youth development workshop/activities.

Our Initiatives - Connect

✔ **Youth leadership program**
- Youth Leadership participants were involved in the organisation and running of various events, including Gumeracha Skate Park event, Woodside BMX event and 2019 Youth Leadership Graduation event
- Participants also volunteered at 2019 Fabrik Music festival and ran Council's Youth Development activities stall at the Oakbank Area School Wellbeing Fair.

➖ **Implement Youth Action Plan**
- Youth and Elected Member engagement activities have been undertaken to support the development of the Youth Action Plan.

2.2.4 Creativity and Arts & Heritage Hub

Related services measures - Connect

42 **Artists and creative businesses supported**
Two events held: Gathered Masterclass and Changing Places artists-in-communities forum

Our Initiatives - Connect

✔ **Establish an Arts & Heritage Hub**
- The Gathered Market, which was set for 20-22 December was cancelled due to extreme weather and fire risk.

Legend: ✔ = On track/ahead of schedule 😊 = Complete ➖ = Not commenced ❌ = Behind schedule

2.1.5   Community Development

Performance measures - Prosper

Percent of community centre participants with increased social connections

Target 80%   **98%**

Participants who agree the programs/events have increased their feeling of connection

Target 80%   **90%**

Community centre participants who would use the knowledge/skills gained in future

Target 80%   **83%**
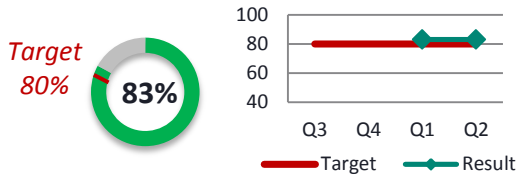
Performance measures - Connect

No of attendees at Adelaide Hills Community Programs

Annual Target 8,000   **5,770**

Related services measures - Prosper

201 YTD Registered **AHC Volunteers**

Nil **Community leader workshop's.** Workshops cancelled due to low levels of interest.

No of volunteer hours by service type

- Community Centres (2,637)
- Library Service (443)
- Positive Ageing Centre (735)
- Volunteer Management (72)
- Youth Development (326)

4,213

No of attendees at community programs by service type

- Community Centres (2,912)
- Positive Ageing (994)
- Library (3,761)
- Other (1,864)

9,572
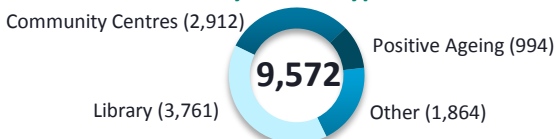
Our Initiatives - Prosper

✅ **Regional health planning**
- We are chairing the *Community Wellbeing Indicators Steering Group*. The group is made up of experts across the industry who will guide the development of a useful set of wellbeing indicators for use by local government. This project will also feed into the development of our next Regional Health Plan which has a focus on Community Wellbeing.

✅ **Disability access and inclusion**

✅ **The Hut partnership**

✅ **Increase availability of home maintenance services**

✅ **Community development**
- Council received 29 Community Development Grant applications . At the November Council meeting 21 were awarded Grants, to a total amount of $44,109.90.

✅ **Outreach programs**
- The first regional *Skate, Scooter and BMX Series* was held throughout November. 80 people attended the Gumeracha Skate Park Sunday Session and 150 attended the Woody Trails BMX Jam.
- All Community centre programs were fully booked for term 4 (Q2) with many programs focussed on ways to be more sustainable this Christmas. Some other programs included shed sessions, virtual reality, kokedama making, bee keeping, tea blending, plus all the regular programs.

✅ **Volunteer movie day**

✅ **Culture of volunteering**

✅ **Volunteer Connect**
- The *Volunteer Leaders Connect Network Group*, which is run in partnership with Mount Barker District Council, held its quarterly meeting in November. The meeting focused on International Volunteer Managers Day with a presentation from guest speaker Rebekha Sharkie.
- We provided First Aid and Emergency Preparedness training to volunteers during October and November.

Our Initiatives - Organisation

✅ **Volunteer management capacity and capability**

Our Initiatives - Connect

✅ **The Uraidla Shed**

✅ **The Gumeracha Greed Shed and Op Shop**

☺ **Community External volunteering support**

✅ **Volunteer engagement**
- Volunteers were recognised for their contribution in delivering Council services at a celebration held at FABRIK in December. 150 volunteers, Council Members and staff attended.

Legend: ✅ = On track/ahead of schedule   ☺ = Complete   ➖ = Not commenced   ❌ = Behind schedule

2.1.6   Cultural Development

Related services measures - Connect

60 Staff attended **Cultural awareness staff training**.

Arts activities and events

800 People attended the Fabrik Music Festival over the 2 days of the event

Our Initiatives - Connect

✅ **Multicultural Action Plan**
- The internal Reconciliation Working Group delivered a presentation on Reconciliation to the October staff meetings. We established a dedicated work hub on share point on Reconciliation & Aboriginal Culture to provide ongoing information, resources and support to staff in this area.

✅ **Reconciliation Action Plan**
- The Adelaide Hills Reconciliation Working Group in partnership with Mount Barker District Council met in November.

✅ **Arts Action Plan**
- On the 14 and 15 December the Fabrik Music Festival was held at Mill Square at Fabrik . An estimated 300 people attended on the Saturday while on the Sunday an estimated 500 people attended the showcase of music students from throughout the area.

2.1.7   Library Services

Related services measures - Connect

62,800 **Physical visitors** to all Library branches

109,793 **Website visitors**

101,837 Total print and audio-visual **loans**

No of electronic loans by type

E audio (4,939)

38,487 E magazine (25,971)

E books (7,537)
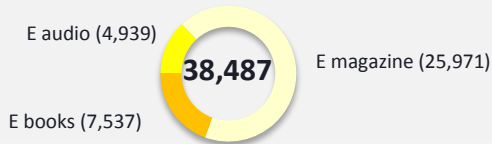
No of library program participants

Adults (1,153) **3,365** Children (2,212)

Our Initiatives - Connect

✅ **Digital learning**

✅ **Mobile library project**
- Specifications for a replacement Mobile Library were developed

✅ **Library strategic plan**

✅ **Social inclusion project**

➖ **Local history online**

2.1.8   Community Engagement, Communications and Events

Performance measures - Explore

Growth of Adelaide Hills Council's social media community (followers)

Annual Target 20%

22%

Target —— Result ——
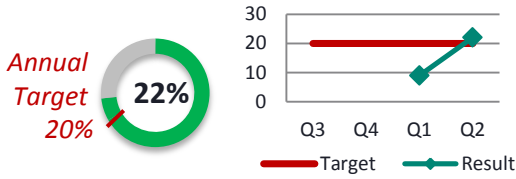
Growth in social channels attributed to jump in followers during bushfire crisis.

Related services measures - Explore

Community Engagement Opportunities

1 — **Community forum** held in Norton Summit in October

60 — People attended the 4 State Planning Reform **information sessions**

2 — **Information sessions** were held to gather ideas for new play spaces.

11 — **Consultation projects** ran on the Your Say Platform with **1,600 visits**

Our Initiatives - Explore

✔ **Digital and social media**

✔ **Marketing & Communication Plan**

✔ **Review Community Consultation Policy and Community Engagement Framework**
- Engagement on a new Community Consultation Policy commenced.

✔ **Video**

Our Initiatives - Connect

✔ **Events**

Our Initiatives - Organisation

✔ **Crisis communication plan**
- Late December, the communications, engagement and events team were heavily involved in the Council's Incident Management Team for the Cudlee Creek Fire.

2.1.9   Customer Service

Related services measures - Organisation

86.67% — **Service standards achieved** – 13 of 15 service standards met their targets. 2 measures had no reportable incidents.

Our Initiatives - Organisation

☺ **Front line customer service delivery**
- Customer Service Officers are continuing the transition to taking on responsibility for triaging incoming email and web requests/enquiries, and responding to those which can be dealt with routinely.

2.1.10   Organisational Innovation

Our Initiatives - Organisation

✔ **Customer satisfaction measurement**
- Customer satisfaction and experience surveys have commenced. These involve inviting people who have contacted us by phone or web/email to complete an online survey.

✔ **CRM integration**

✔ **Knowledge management**

7

Legend: ✔ = On track/ahead of schedule   ☺ = Complete   ⊖ = Not commenced   ✖ = Behind schedule

2. 2 Corporate Services

Highlights

- The Council Boundary Change Proposal Survey of residents and ratepayers in Rostrevor (AHC) and Woodforde was completed in December 2019.

What's next

- Finalise the annual review of the Long Term Financial Plan (LTFP)
- Commencement of the Annual Business Planning & Budgeting process
- Finalisation of the Strategic Plan (Phase 3: Decide)
- Procurement of Delegations Management System
- Strategic Boundary Reform Report to Council in February 2020

Issues	Action Taken	Service Area
Contract delay in Delegations Management System	the system was procured in the 3rd quarter with implementation scheduled to occur in Q4.	Governance
3 month delay to Multifunction device renewal project	We are currently filling vacancies for staff who will be responsible for delivery of this project	ICT & Information Systems
Timing of Service Review Framework Development	Due to resource priorities in relation to the implementation of the Corporate Planning & Performance Framework, the Service Review Framework development will be deferred until 2020/21.	Governance & Performance
Cemetery review	On hold until Cemetery Management System implemented	Cemeteries
Stirling Masterplan	On hold pending further investigations into options for the cemetery including closure, expansion and grave re-use	Cemeteries
Unmade road review	On hold pending delivery of Trails Strategy	Property Services
Public toilet review	Progressing with broad community consultation and data sensor capture of facility use	Property Services
Community & Recreation facility framework	Progressing with internal working group however the framework is complex with significant financial implications	Property Services

2.2.1   Organisational Development and Workplace Health & Safety

Performance measures - Organisation

Employee Turnover

Annual Target 7-15% **5.3%**

10
8
6
4
2
0

Q3   Q4   Q1   Q2

Target   Result

Number of lost time injuries

Annual Target   Actual
0   **0**   ✓
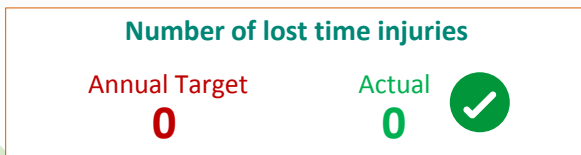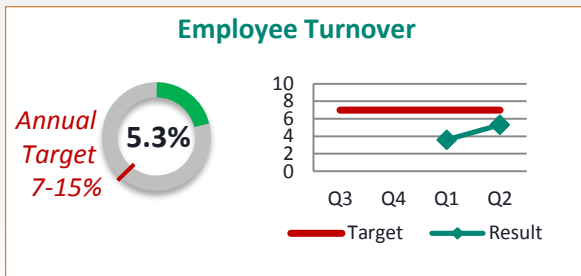
Our Initiatives - Organisation

✓ **Work Health and Safety (WHS) People Leader Development**
- The second People Leader (PL) session covering WHS Roles and Responsibilities was undertaken in December. Preparation on PL induction process improvements have begun.

✓ **Develop training for employees in Public Officer responsibilities**

✓ **Review 4x8 Performance Process**
- People Leader and employee feedback has been received. External advice and process improvement support is being sourced

Legend: ✓ = On track/ahead of schedule   😊 = Complete   ➖ = Not commenced   ✗ = Behind schedule

2.2.2 Governance

Performance measures - Organisation

Decisions (Council resolutions) considered in open session

Target 95%

95.6%

Q3 Q4 Q1 Q2
(100, 90, 80, 70, 60)
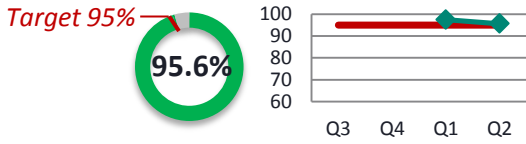
Council member attendance at ordinary meetings for the period

Target 95%

87%

Q3 Q4 Q1 Q2
(100, 90, 80, 70, 60)
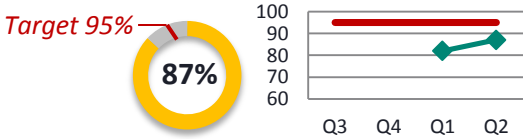
- 4 approved Leave of Absence and 3 apologies

Related services measures - Organisation

Governance requests	
Section 7 search requests	336
Percent of Section 7 completed within legislative timeframe	99.4%
Freedom of information (FOI) requests	4
Percent of FOI requests completed within legislative timeframe	100%
Percent of Ombudsman investigations upholding Council's decisions	Still pending

Our Initiatives - Organisation

❌ **Delegations management system**
- After some initial contract delays, the system was procured in the 3rd quarter with implementation scheduled to occur in Q4.

✅ **Strategic Plan review**
- Community consultation on Phase 2 (Discuss) of the Strategic Plan conducted in December 2019 and January 2020.

➖ **Service Review Framework**

Our Initiatives - Explore

✅ **Boundary reform provision**
- Council Boundary Change Proposal Survey undertaken in November/December 2019 with a report scheduled for January 2020.
- Strategic Boundary Reform consultancy commenced in December 2019 with a draft report scheduled for February 2020.

2.2.3 ICT & Information Systems Services

Related services measures - Explore

99.99% **System availability** (Server uptime)

91.5% **Serviceability rating** – 37 Service Level Agreement breaches vs 432 closed tickets

ICT Helpdesk	
Number of requests logged	432
Number of requests resolved	422
Number of requests closed within 1 day	318 73.6%

Our Initiatives - Organisation

❌ **Multifunction Device Renewal**
- We are currently filling vacancies for staff who will be responsible for delivery of this project

😊 **Tablets/Laptops and Computers**

✅ **Server storage and switching**
- Tendering of Server, Storage and Switching has been completed and an agreed provider engaged on the next phase of the project.

✅ **Internet of things**

✅ **Implementation of organisational information management system**

✅ **Destruction of hard copy records**

✅ **Hard copy records digitisation**

✅ **Information management system integration**

Legend: ✅ = On track/ahead of schedule   😊 = Complete   ➖ = Not commenced   ❌ = Behind schedule

2.2.4 Cemeteries

Related services measures - Place

Number of issued interment rights and burials/interments

Total	29
Interment rights	12
Burials	11
Interment of ashes	6

Our Initiatives - Place

❌ **Cemetery review**
- Reviews, mapping and masterplans will be progressed once the Cemetery Management System is implemented

❌ **Stirling Masterplan**
- Options for the Stirling Cemetery are still being investigated which include closure, expansion and grave re-use.

✅ **Survey and aerial mapping of cemeteries**

Our Initiatives - Organisation

✅ **Cemetery management system**
- Council has purchased a cloud based Cemetery Management System and are currently working with the provider to implement the system by the end of the 2019-20 financial year.

2.2.5 Property Services

Related services measures - Place

61 **Community facility leases/licenses**

32 Leases/licenses that are **expired** and in holding over

Our Initiatives - Place

✅ **Crown land review**
- The Crown Land review is progressing with a further formal round of consultation to occur in March/April

❌ **Unmade road review**
- On hold pending Trails strategy delivery

❌ **Public toilet review**
- The public toilet review is progressing with broad community consultation and data sensors to be used to obtain data about use of facilities

✅ **Accommodation review**
- To be considered at a budget workshop of Council in late March.

Our Initiatives - Connect

❌ **Community & Recreation facility framework**
- The Community & Recreation Facility Framework is being worked through with the internal working group

Our Initiatives - Organisation

✅ **Community land register and management plans**
- The Community Land Register and Management Plans have been updated and adopted

Legend: ✅ = On track/ahead of schedule 😊 = Complete ➖ = Not commenced ❌ = Behind schedule

3.5.6   Financial Services

Annual financial statements
- Annual Financial Statements signed in November 2019 after being presented to Audit Committee on 18 November 2019 and Council on 26 November 2019

Budget development including rating strategy and fees and charges consideration
- 29 Properties relating to either deceased estates or where rate notices had been unable to be delivered for many years are being progressed with alternative actions being considered to address rates outstanding

Development of 2020-21 Long Term Financial Plan
- Long Term Financial Plan for consultation currently being developed to be presented to the Audit Committee on 17 February 20120 and Council on 25 February 2020. This will be used to develop the Draft 2020-21 Budget to be adopted by Council for consultation together with the 2020-21 Annual Business Plan in April 2020.

Sale of land

Procurement framework
- Procurement Framework adopted in 2019 and now being rolled out to stakeholders signed in November 2019

Legend: ✔ = On track/ahead of schedule   ☺ = Complete   ➖ = Not commenced   ✖ = Behind schedule

2. 3 Infrastructure & Operations

Highlights

- Continued delivery of the 2019-20 capital works program. Key successes include the completion of the Amy Gillett Bikeway – Onkaparinga Valley Rd to Tiers Rd connection, roundabout landscaping upgrades at Verdun and Crafers, and playground upgrades at Birdwood and Paracombe.

- A significant effort in Q2 has been made responding to Tour Down Under preparations in terms of streetscapes and tree maintenance, following which the focus towards the end of December has been heavily related to fire response.

- In support of efforts to respond to the 20 December Cudlee Creek Fire, the Council's Incident Management Team was activated.

What's next

- Lower Hermitage Road Project will be completed early 2020

- Project Management Framework is now being developed, with an Internal Project Team formed.

Issues	Action Taken	Service area
Cudlee Creek Fire Response	Incident management team activated. Other works have been impacted	All

2.3.1 Sustainability

Performance measures - Place

Decrease Council's Kilowatt hour use and increase solar PV generation
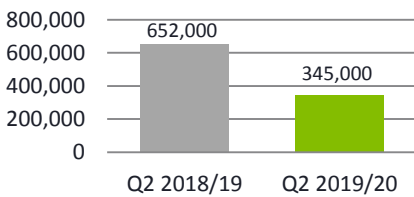
Target is "5% below the 2010 baseline", however kWh for 2010 is unknown therefore a quarterly target cant be assigned. We can compare our usage to Q2 2018-19, which shows a usage reduction of **47%.**

Our Initiatives - Place

😊 **Community energy program**
  - Council resolved not to proceed further with the Community Energy Program, however to make all of the materials gathered available to the public.

✅ **Investigate water reuse for Woodside Recreation Ground irrigation**

➖ **Design and implement Water Sensitive Urban Design (WSUD) initiatives at the Woodside Recreation Ground**

➖ **Investigation into circular economy products for inclusion in Council's capital and operational works**
  - Circular Economy considerations have been part of the review of key contract requirements, including materials for use in Council's resealing program. As a result, revised contracts are currently being negotiated

Legend: ✅ = On track/ahead of schedule   😊 = Complete   ➖ = Not commenced   ❌ = Behind schedule

2.3.2 Waste & Resource Recovery

Performance measures - Place

Diversion rate of recyclable material away from landfill

50.7%

Target 48%
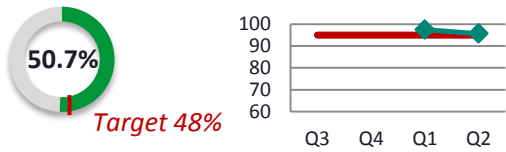
Related services measures - Place

No of waste community education sessions

General Public (5)

6

Schools (1)
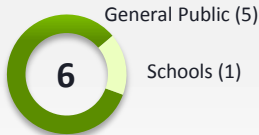
214 Attendees at community education sessions

Tonnes of green organics collected

Gumeracha (29.6)

6

Woodside (66.6)

Heathfield (243)
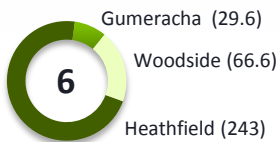
Our Initiatives - Place

✅ **Kerbside bin audits**

✅ **Domestic kerbside collection**
- Alternative waste collection arrangements were put in place for properties affected by the Cudlee Creek fire and replacement bins were delivered.

✅ **Household chemical and paint drop off**

✅ **Solar/smart bins pilot**

✅ **Waste management and recycling**
- Waste management staff undertook a visit to Brinkley Landfill to visualise the volume of green organics contained within the general waste stream from Adelaide Hills Council residents.
- Council was advised its application for joint funding to introduce expanded polystyrene recycling at the Heathfield Recovery Centre was successful.

Our Initiatives - Prosper

✅ **Green organic drop off days**
- Six green organic drop off days were provided at Heathfield, Woodside and Gumeracha.

2.3.3 Open Space Operations

Performance measures - Place

Delivery of Arboriculture (Tree) Zone Maintenance Program

Southern Program

Target 90% N/A

Northern Program

Target 90% N/A
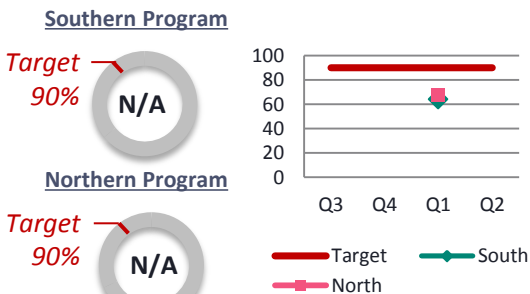
Data unavailable in Q2 due to bushfire

Legend: — Target — South — North

Related services measures - Place

Number of customer requests

Parks, Gardens and ovals	**59**
Gardens	10
Ovals	8
Parks & reserves	24
Parks, gardens & ovals	17
Playgrounds	**9**
Maintenance	8
Upgrades & general enquiries	1

Our Initiatives - Place

✅ **Elm leaf beetle treatment**

✅ **Veteran tree management**

✅ **Asset protection zones**

Our Initiatives - Explore

✅ **Fleet & plant management**

General Updates
- A significant effort in Q2 has been made responding to Tour Down Under preparations in terms of streetscapes and tree maintenance.
- The focus towards the end of December has been heavily related to fire response.

13

Legend: ✅ = On track/ahead of schedule 😊 = Complete ➖ = Not commenced ❌ = Behind schedule

2.3.4 Civil Services

Performance measures - Place

Delivery of capital works program

Target 90%

90%

Q3   Q4   Q1   Q2

(chart values: 100, 80, 60, 40)
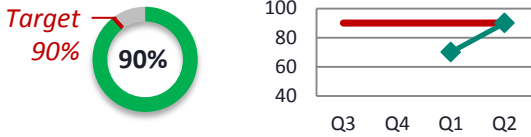
Delivery of the civil capital program is generally occurring to plan with actual expenditure closely aligning to forecast YTD budget.

Operational tasks completed within the Civil Zone Maintenance Program

Target 80%

50%

Q3   Q4   Q1   Q2

(chart values: 100, 80, 60, 40, 20)
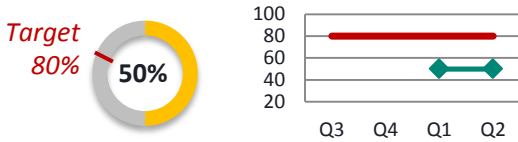
Increasing rollout of in field devices for scheduling works will improve this ration overtime.

Related services measures - Place

Number of civil maintenance requests

Roads & Footpaths	
Driveway crossover	11
Footpaths	34
Roads	156
Safety concerns	32
Signs	60
Street lighting	6
Stormwater & Sewerage	
Flooding & blocked drains	9
Septic & community waste waster	5
Stormwater & drainage	34
Trees & Environment	
Creek/water catchment	3
Mulch request	12
Road verges	13
Trees	296
Vegetation	6
Weeds	54
Environment	15
Overgrown grass	130

Our Initiatives - Place

✅ **Project management manual**
- Currently developing a project management manual with a civil projects focus. This will be refined, and developed into an organisational wide document.

Our Initiatives - Explore

☺ **Online maintenance program**
- Ongoing delivery and refinement of the online maintenance program, including ongoing rollout of infield devices.

Our Initiatives - Organisation

✅ **Capital project delivery**
- Continued delivery of the 2019-20 capital works program, with key successes being the completion of the Amy Gillett Bikeway – Onkaparinga Valley Rd to Tiers Rd connection, roundabout landscaping upgrades at Verdun and Crafers, and playground upgrades at Birdwood and Paracombe.

Legend: ✅ = On track/ahead of schedule   ☺ = Complete   ⊖ = Not commenced   ❌ = Behind schedule

2.3.5 Biodiversity and Habitat Conservation

Related services measures - Place

No of Native Vegetation Marker System (NVMS) sites assessed

Annual Target 75 — **19**

Target not reached due to greater overall length of sites in the northern sections of the council area.

17 **BushRAT assessments** completed at NVMS sites

No of Woody Weed Control Program sites completed

Annual Target 17 — **3**

Very few sites are managed over the winter and spring months.

Nil **prescribed burns** completed in Q2. Additional site added to the Spring program

3 Sites had **weed management** undertaken. 5 sites remaining.

Our Initiatives - Place

✅ **Biodiversity monitoring and management**
- 15 of our reserves were monitored in spring 2019. 5 of these are 'baseline' surveys (new sites)
- Spring Bird surveys and reporting completed October 2019.

😊 **Community capacity building**

✅ **Native vegetation marker system (NVMS) program**
- 17 Bushrat assessments over 10 NVMS sites (Baseline Bushrat surveys completed at 335 sites, of 466 total sites)
- 198 NVMS sites managed as part of 2019-20 AHC National Resource Management Roadside Work Plan

✅ **Management and monitoring of prescribed burn sites**
- 7 prescribed burn sites completed prior to June 30 2019. 1 undertaken in spring 2019.

😊 **Implement the 2019-2024 Biodiversity Strategy**

2.3.6 Emergency Management

Our Initiatives

✅ **Emergency management planning**
- An Incident Operations Manual was developed and implemented in Quarter two.
- Training provided to Incident Management Team Members and an introductory exercise undertaken. This proved invaluable in the Cudlee Creek Fire event.

Legend: ✅ = On track/ahead of schedule   😊 = Complete   ➖ = Not commenced   ❌ = Behind schedule

2.3.7   Community Wastewater Management System (CWMS)

Our Initiatives

✅ **Asset management**

✅ **Legislative and regulatory compliance**
- Council's Safety Reliability Maintenance Technical Management Plan was reviewed, updated and submitted to the Office of the Technical Regulator for approval.

✅ **Septic tank de-sludge program**

✅ **Community Wastewater Management System (CWMS) review**
- We continued to work with the City of Onkaparinga and the Rural City of Murray Bridge to review future management options for the CWMS including potential divestment.

✅ **Supply of recycled water**

2.3.8   Sport & Recreation Management

Our Initiatives - Place

✅ **Community & recreation facility grants**
- Community and Recreation Facilities grants were endorsed on 26 November 2019, and transfer of funds is being finalised.

✅ **Sport & recreation master planning projects**
- Heathfield Oval Project Memorandum of Understanding has been drafted and is being reviewed by all parties.

Our Initiatives - Prosper

✅ **Club development workshops**

✅ **Play space upgrades**
- Paracombe and Birdwood Play spaces have been completed.

2.3.9   Asset Management

Our Initiatives - Place

✅ **Confirm asset management**
- New Information Layers have been developed in the Confirm Asset Management System which directly assist in tracking Tree Assessment priorities by road segment, which directly aids in Bushfire response Scenarios.

😊 **GIS integration**

Our Initiatives - Organisation

✅ **Asset management plan review**
- Asset Management Revaluation and Depreciation internal and external review has been undertaken, which will inform Long term and Asset Management Planning.

Legend: ✅ = On track/ahead of schedule   😊 = Complete   ➖ = Not commenced   ❌ = Behind schedule

2. 4　Development & Regulatory Services

Highlights

- The new World Heritage project website launched on 20 December 2019 which included an update about the project, the recent Expert Review and Annual Report.

- Four Council organised community information sessions regarding the State's Planning Reforms were held this quarter to educate the community about the forthcoming changes to the zoning of their properties and the mechanics of the new system.

What's next

- Meetings to be held with the Adelaide City Council and the Minister for Environment & Water in order to progress the UNESCO World Heritage Bids

- Submission of Council's comments on the State's Draft Planning & Design Code to the State Planning Commission in February 2020

- A community education and awareness program will be implemented in the lead up to the commencement of the cat confinement requirements on 1 January 2021.

Issues	Action Taken	Service area
Software issues with the Fee Payment Portal	Meeting with Open Office Management to be undertaken in early 2020	Planning and development services

2.4.1　Planning & Development Services

Performance measures (Prosper)

Applicant satisfaction with the development application process

Target 85% **100%**

Minimal response being received, but those received are 100% positive

Related services measures

There has been a reduction in development applications, values and daily average for Q2.

$31.8m　Aggregated estimated value of applications lodged

91　Day average for approval of applications.

No of development applications lodged

279
Residential (223)
Rural (20)
Commercial (25)
Other (11)
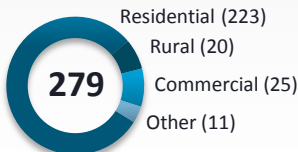
No of development applications approved

217
Residential (158)
Rural (25)
Commercial (22)
Other (12)
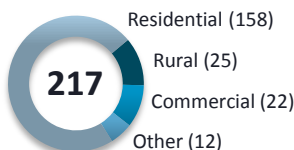
Our Initiatives - Prosper

❌ **Electronic development application assessment**
- Full electronic assessment of development application process implemented. Due to complexity, the final phase implementing a payment portal on Council website is still being worked on. Revised completion date to be advised.

✅ **United Nations Educational, Scientific and Cultural Organisation (UNESCO) World Heritage Bid**
- World Heritage project website launched 20 December 2019. Adelaide City Council announced its Bid to pursue World Heritage listing in November 2019. Collaboration between our bid and Adelaide City's bid to be pursued in early 2020. A meeting to obtain support for both bids from Minister for Environment & Water to be scheduled.

✅ **State's planning reform agenda**
- Four community information sessions were held in November and December. Draft comments on Phase 3 of the Planning & Design Code (which affects our Council area) will be considered by the Strategic Planning and Development Policy Committee (SPDPC) in February 2020.

✅ **Conversion of Council's Development Plan**
- Council's Development Plan will be converted into the new Planning & Design Code by 1 July 2020. We have reviewed proposed changes for our area and will prepare a submission to SPDPC in February 2020.

✅ **Review of development application assessment process**
- Review of the planning assessment process was completed by 31 December 2019 and procedures have been documented.

Legend: ✅ = On track/ahead of schedule　😊 = Complete　➖ = Not commenced　❌ = Behind schedule

2.4.2　Public Health Services

Related services measures - Prosper

Wastewater Applications

46 Applications **lodged**

33 Applications **Assessed and Approved** within 2-4 weeks of receiving all information

13 Applications **awaiting further information** to be finalised.

Compliance rate of Food Premises at time of inspection

86% 59 of the 68 Food Premises Inspections conducted were compliant.

Non-compliant premises had minor issues. 6 premises had follow up inspections and were found compliant.

Our Initiatives - Prosper

➖ **Process waste water system applications electronically**
- It is proposed that by January 2020 all new wastewater applications will be maintained as electronic files only.

Our Initiatives - Place

➖ **Investigate impact of wastewater system on catchment**
- Mount Lofty Ranges Project officer will be undertaking a survey of high risk areas as determined by the project steering committee.

Our Initiatives - Connect

✅ **Food safety training**
- Up to 4 Food Safety training sessions will be offered to local food businesses to improve food safety standard within the community.

Our Initiatives - Organisation

✅ **Conversion of files to electronic files**
- We have continued to convert old wastewater & food premises inspection files to electronic files.

2.4.3　Regulatory Services

Related services measures - Place

7,390 **Private properties inspected** as part of fire prevention activities

Number of customer requests

Dog management activities	85
Dog pick up	21
Dog return to owner (non-impounded)	20
Wandering	15
Dog attack & harassment	14
Barking dogs	15
Other	0
Non-dog animal management	**2**

Nuisance & litter queries

Total reported	23
Noise	13
Air pollution	0
Littering	3
Nuisance	4
Vandalism/damage	3
Percent resolved	**98.36%**

Our Initiatives - Place

➖ **Dog and Cat Animal Management Plan (DCAMP) implementation**
- This project will commence with a community education and awareness program in 2020 in the lead up to the commencement of the cat confinement requirements on 1 January 2021.
- We are looking into the establishment of cat holding cages at Council's Pound at the Heathfield Depot.

➖ **Cats By-law review**
- This project will only commence when the cat confinement requirements come into effect on 1 January 2021.

➖ **Community education on local nuisance and litter control matters**
- This project will commence shortly now that the Environment Protection Authority (EPA) has undertaken a minor review of the Local Nuisance & Litter Control Act. Council submitted its comments to the EPA on 4 October 2019 and will now await the outcome of the Review.

Our Initiatives - Prosper

✅ **Review of Council fire prevention & mitigation activities**
- We are reviewing the fire prevention and mitigation activities in regards to road side management and adjacent properties.

Legend: ✅ = On track/ahead of schedule   😊 = Complete   ➖ = Not commenced   ❌ = Behind schedule

3. Customer Service Standards

5.1 General Customer Standards

Answering Incoming Phone Calls

Volume of calls = **10,481**

Contact centre calls answered within 30 sec

Target 75% **69%**

Trend over time

Target — Result — Volume
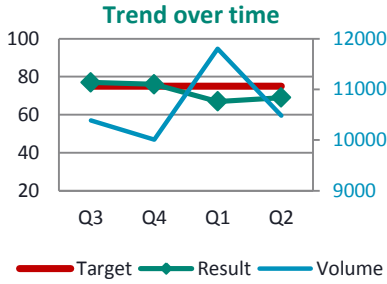
Updating Customer Details

Volume of updates = **88**

Details updated within 5 days

Target 80% **100%**

Trend over time

Target — Result — Volume
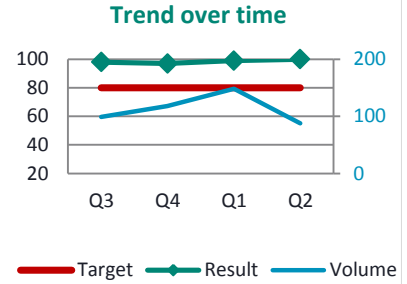
5.2 Service Specific Standards – Time Based Indicators

New Event Applications

Volume of applications = **2**

Acknowledgement of receipt within 5 days

Target 80% **100%**

Trend over time

Target — Result — Volume
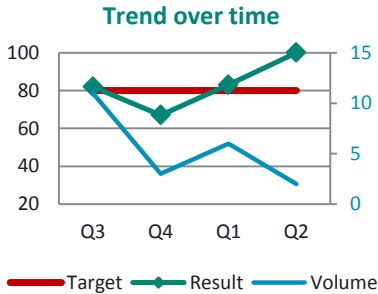
Illegal Burning Complaints

Volume of complaints = **12**

Investigated within 24 hours

Target 80% **100%**

Trend over time

Target — Result — Volume
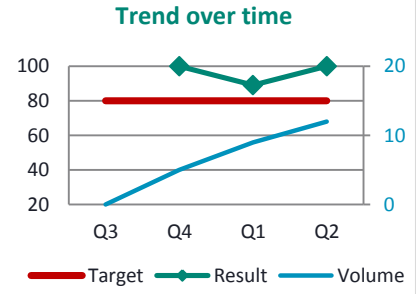
Health Complaints

Volume of complaints = **1**

Contact centre calls answered within 30 sec

Target 80% **100%**

Trend over time

Target — Result — Volume
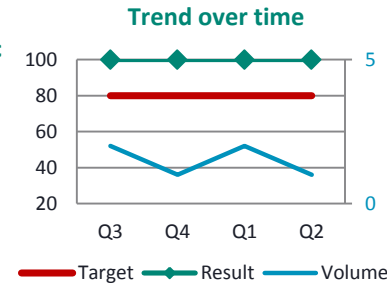
Illegally Dumped Rubbish

Volume of reports = **80**

Rubbish removed within 3 days

Target 80% **98%**

Trend over time

Target — Result — Volume
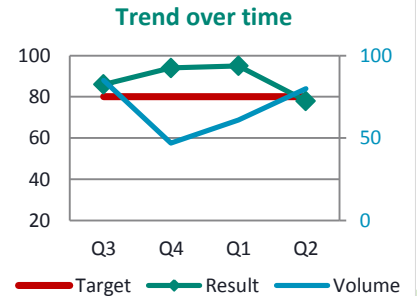
Library Services

Volume of requests = **19**

Response to requests to purchase materials within 10 days

Target 80% **100%**

Trend over time

Target — Result — Volume
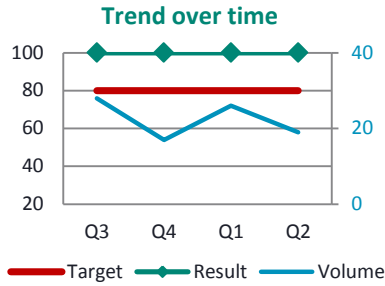
Dog Attacks

Volume of attack reports = **10**

Response within 24 hours

Target 80% **90%**

Trend over time

Target — Result — Volume
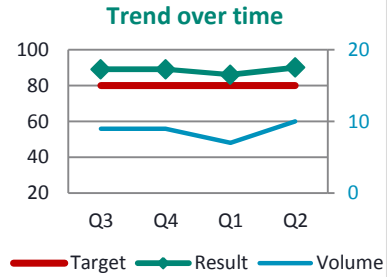
Wasps

Volume of reports = **7**

Investigate and action within 7 days

Target 80% **86%**

Trend over time

Target — Result — Volume
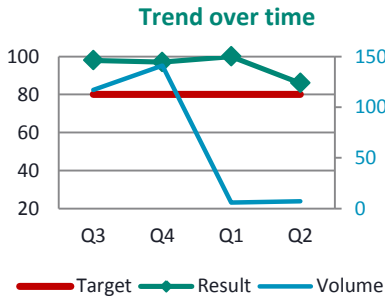
Development Applications

Volume of applications = **7**

Approval of fast track development applications within 28 days

Target 80% **100%**

Trend over time

Target — Result — Volume
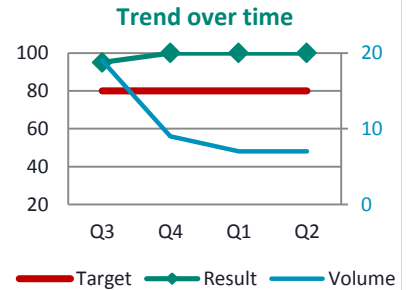
Missed Bins

Volume of requests = **1**

Missed bins collected within 2 days

Target 80% **100%**

Trend over time

Target — Result — Volume
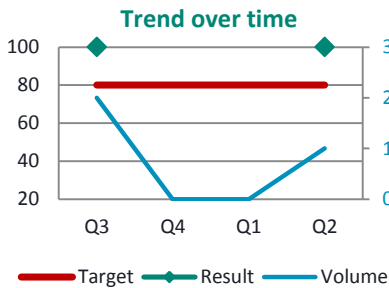
Request for Bin Repair or Replacement

Volume of requests = **662**

Requests actioned within 7 days

Target 80% **95%**

Trend over time

Target — Result — Volume
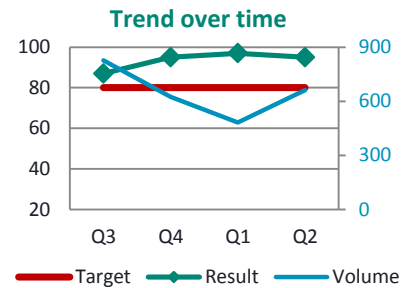
Footpath Repairs - Hazardous

Volume of repairs = **0**

Responded and made safe within 24 hours

Target 80% **No Incidents**

Trend over time

Target — Result — Volume
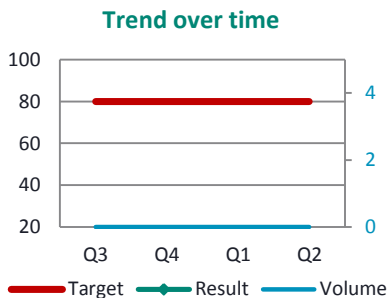
Road Repairs - Hazardous

Volume of repairs = **1**

Responded and made safe within 24 hours

Target 80% **100%**

Trend over time

Target — Result — Volume
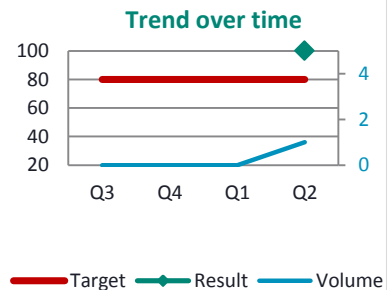
Stormwater Repairs - Hazardous

Volume of reports = **0**

Responded and made safe within 24 hours

Target 80%

No Incidents

Trend over time

Legend: Target — Result — Volume
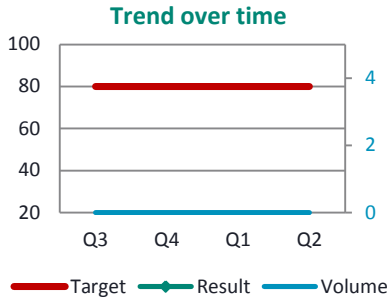
Trees - Hazardous

Volume of reports = **48**

Responded and made safe within 24 hours

Target 80% **100%**

Trend over time

Legend: Target — Result — Volume
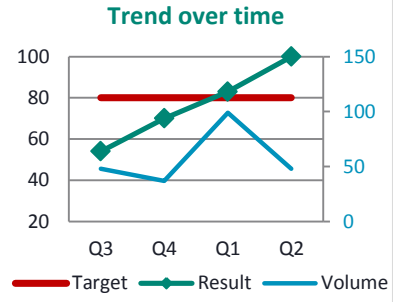
5.3 Service Specific Standards – Other Indicators

Development Applications

Volume of applications = **227**

Average consent time from date of receipt

15 weeks

Target 12 week

Median Consent Time 8 week

Trend over time

Legend: Target — Average — Median — Volume
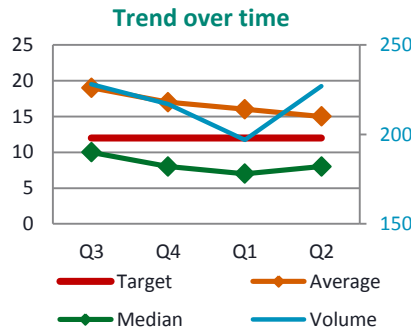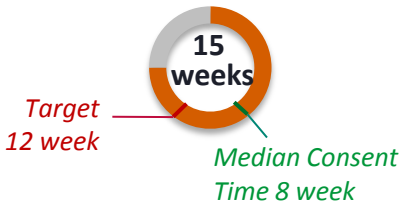
Low Risk Infrastructure Requests – Number of New Requests

Volume of new requests = **513**

Trend over time

Legend: Volume
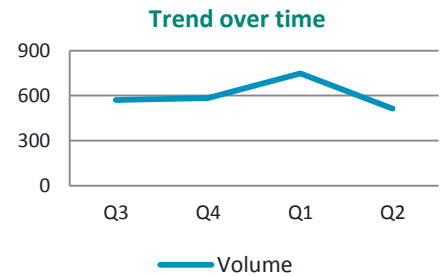
Low Risk Infrastructure Requests – Average Time to Resolve

Volume of Requests = **413**

Resolution time of requests

Average = 133 **days**

Median = **24 days**

80th Percentile = **143 days**

Trend over time

Legend: Average — Median — 80th % — Volume
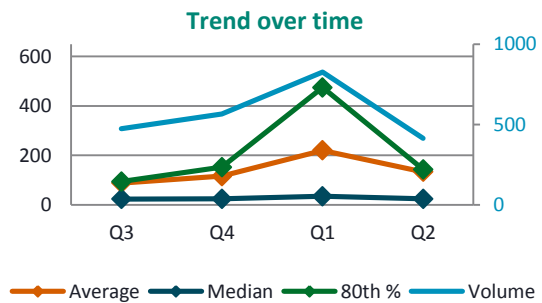
Overall Volume of Requests

Trend in volume of requests/customer cases for which there is an adopted service standard, excluding the volume of phone calls

	Q3 17/18	Q4 17/18	Q1 18/19	Q2 18/19	Q3 18/19	Q4 18/19	Q1 19/20	Q2 19/20
Volume	2337	2031	2062	1933	1720	1577	1680	1351
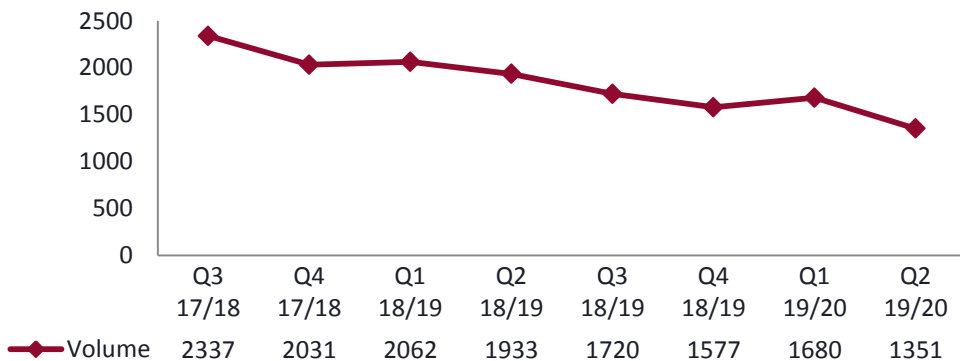
4. Capital Works Program Performance

4.1 Capital Performance

Quarter 2 of 2019-20 FY represents the continuation of the 2019/20 Capital Works Program, with $3.1M of infrastructure delivered during this period and another $1.7M of works ordered. The primary focus of this quarter has been on tendering and construction of early works.

Highlights

- Beautified the roundabouts at Verdun and Crafers off ramp, increasing amenity at these two key gateways to the Adelaide Hills.
- Completed the 'missing link' in the Amy Gillet Bikeway, by connecting the two disparate sections through Woodside.
- Provided for all ability access to nature play at Birdwood Oval and Paracombe Hall play spaces, utilising wheel chair friendly designs.
- Adopted a new specification for asphalt for use in reseals, which incorporates recycled materials such as rubber, plastic and glass.

What's next

- Continued delivery of the 2019-20 Capital Works Program across all asset classes,
- Complete the Lower Hermitage Rd widening project.
- Complete the road shoulder renewal program.
- Complete the Milan Tce pedestrian Crossing.
- Establish a new minor works panel contract

Issues (if any)	Action Taken	Owner
Tree roots from an adjacent significant tree at Milan Tce, Stirling, have prevented excavation associated with the proposed pedestrian crossing.	Modify design to reduce extent of excavation required, noting a resultant delay in the start of construction	Peter Bice
Cudlee Creek Fires	Audit of Council assets impacted by the fire	Peter Bice

Performance by Asset Class		
Bridges	17%	Guardrail renewal at Forreston Rd bridge has been completed.
Buildings	11%	Works associated with the Adelaide Hills Business & Tourism Centre (AHBTC) divestment continued.
CWMS	3%	Design works have commenced for the renewal of the Woodside gravity main.
Footpaths	27%	The extension of Amy Gillet Bikeway from Onkaparinga Valley Rd to tiers Rd was completed.
Kerb	15%	Kerb renewal works were completed along Onkaparinga Valley Rd in Woodside.
Other[1]	14%	Retaining wall renewal was completed in Paratoo Ave, Stirling.
Road Pavement	34%	Works continued on the Lower Hermitage Rd widening project.
Road Seal	22%	Extensive preparatory work, such as heavy patching, was undertaken ready for resealing in quarter 3.
Shoulders	0%	No shoulder renewal have commenced as of this report.
Sport & Recreation[2]	21%	Play space works were completed at Birdwood Oval and Paracombe Hall.
Stormwater	40%	Detailed design was progressed for Gumeracha main street and Newman Rd Charleston.
Unsealed roads	32%	Works have been completed on a number of unsealed roads, including the resheeting of Magarey Rd, Mt Torrens, and Mattners Rd, Balhannah.
Plant & Fleet	42%	Council's fleet renewal program continued, including the delivery of two 8t Isuzu tipper trucks.
ICT	16%	Continued implementation of the Record Hub system.
Minor Plant & Equipment[3]	28%	Two selfChek library units were purchased for the Woodside library.

1 'Guardrails, Retaining Walls, Cemeteries, Street Furniture, Traffic Control
2 including Playgrounds
3 including library fittings

4.2 Capital Financial Performance *(as at 21/1/20)*

Capital Program Summary	
Projects not started	27
Projects cancelled	2
Projects deferred	4
Projects being designed or tendered	55
Projects scheduled or under construction	49
Projects completed	23
TOTAL Projects	**160**

Capital Expenditure against Budget	$'000s
Budget	18,762
Actual Expenditure	4,501
(including Capitalised Salary Costs)	-
Project Savings/(overspend) across projects	525
Projected Carry Forward	257
PROJECTED CAPITAL EXPENDITURE	**17,980**

Projects Summary	
Programs Completed	NIL
Major Projects Completed	• Amy Gillet Bikeway – Onkaparinga Valley Rd to Tiers Rd connection • Paracombe Hall and Birdwood Oval Play spaces • Crafers and Verdun Roundabouts Landscaping Upgrade
Major Carry Forwards	Crafers to Stirling Bikeway is likely to be carried forward.
Major Savings	NIL
Major Overruns	NIL
Significant Unfunded Projects	NIL

Projects of Interest: Council's road reseal program has been able to utilise recycled material. Stage 2 PLEC has been approved for the Gumeracha Main street project.

4.3 Capital Financial Performance by Asset Category

Asset Category	YTD Actuals $'000	YTD Budget $'000	YTD Var Fav / (unfav) $'000	Annual Budget $'000
Bridges	40	15	(25)	252
Buildings	267	439	172	2,530
CWMS	15	136	121	624
Footpaths	353	385	32	1,402
Kerbing	42	60	18	301
Other – Ret Walls, Str Furniture & Bus Stops	302	583	290	2,190
Roads – Pavements	663	583	(81)	2,072
Roads – Seals	265	500	235	1,318
Roads – Shoulders	-	-	-	429
Roads – Unsealed	468	390	(78)	1,547
Sport & Recreation	375	385	10	1,889
Stormwater	438	463	25	1,227
Fleet	938	871	(67)	2,386
ICT	77	261	185	519
Library	8	17	9	47
Plant & Equipment	12	14	2	30
	4,264	**5,101**	**848**	**18,762**

5. Quarterly Financial Performance

5.1 Operating Performance

	YTD Actual $'000	YTD Budget $'000	YTD Variance $'000		Annual Budget $'000
Total Operating Income	41,861	41,657	🟢	204	44,888
Total Operating Expenditure	18,072	18,440	🟢	368	44,477
Funding surplus before Capital	23,788	23,216	🟢	572	411
Capital Expenditure	4,264	5,101	🟢	838	18,762
Capital Income	2,554	2,494	🟢	60	5,974
Net expenditure - Capital projects	1,710	2,608	🟢	898	12,789
Depreciation and amortisation	-	-		-	8,945
Net Lending / (Borrowing) for Year	22,078	20,609	🟢	1,469	(3,432)

Adelaide Hills Council Operating Summary
By Directorate
as at December 2019

	YTD Actuals $'000s	YTD Budget $'000s	YTD Var fav / (unfav) $'000s		Adopted Budget $'000s
Income					
Community Capacity	1,269	1,216	🟢	53	1,754
Corporate Services	37,633	37,471	🟢	161	38,703
Development & Regulatory Services	765	787	🔴	(22)	1,229
Infrastructure & Operations	2,194	2,182	🟢	12	3,202
Income Total	41,861	41,657	🟢	204	44,888
Expenditure					
Community Capacity	3,429	3,494	🟢	66	6,940
Corporate Services	4,790	4,750	🔴	(40)	9,235
Development & Regulatory Services	1,749	1,741	🔴	(7)	3,645
Infrastructure & Operations	8,105	8,454	🟢	349	24,657
Expenditure Total	18,072	18,440	🟢	368	44,477
Operating Surplus (Deficit)	23,788	23,217	🟢	572	411

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Adelaide Hills Council Quarterly Financial Performance

as at December 2019	Income by Function				Expenditure by Function				Net Position
	YTD Actuals $'000s	YTD Budget $'000s	YTD Var fav / (unfav) $'000s	Annual Revised Budget $'000s	YTD Actuals $'000s	YTD Budget $'000s	YTD Var fav / (unfav) $'000s	Annual Revised Budget $'000s	Variance $'000s
CC Director's Office	-	-		-	133	144	12	294	12
Communications, Engagement & Events	-	-		5	336	327	(9)	611	(9)
Community Dev (Management & P/Ships)	-	-		-	129	148	19	317	19
Cultural Development	-	-		-	61	74	12	146	12
Customer Service	-	-		-	401	379	(22)	781	(22)
Economic Development	95	95		95	254	267	13	429	13
FABRIK Arts and Heritage Hub	16	16		51	168	142	(26)	291	(26)
Grants & Partnerships	-	-		-	128	128	1	232	1
Hills Connected Communities Projects	67	62	5	93	44	36	(9)	96	(3)
Library Services	215	217	(1)	344	843	929	86	1,835	84
Positive Ageing (Home and Social Support)	771	743	28	1,016	522	515	(6)	1,063	22
Positive Ageing Project (Collaborative)	79	51	28	92	47	46	(1)	94	27
Service Strategy & Innovation	-	-		-	71	86	15	182	15
The Summit Community Centre	7	14	(7)	22	89	83	(6)	172	(13)
Torrens Valley Community Centre	18	19	()	35	89	80	(9)	164	(10)
Volunteering	-	-		-	42	40	(2)	81	(2)
Youth Development	1	1	()	2	72	70	(2)	154	(2)
Community Capacity	**1,269**	**1,216**	**53**	**1,754**	**3,429**	**3,494**	**66**	**6,940**	**119**
AHBTC	174	150	25	300	169	96	(73)	250	(48)
Cemeteries	127	105	23	210	104	109	5	253	27
CS Director's Office	1	2	(1)	3	145	153	8	311	7
Financial Services	37,270	37,173	97	38,110	743	815	72	74	168
Governance & CEO Office	-	-		-	1,005	1,021	17	1,999	17
ICT	-	-		-	617	541	(77)	1,409	(77)
Information Management	-	-		-	746	732	(13)	1,205	(13)
OD & WHS	-	-		-	231	278	47	531	47
Property Management	42	30	11	56	1,013	987	(26)	3,163	(15)
Retirement Villages	19	12	7	24	17	18	1	40	9
Corporate Services	**37,633**	**37,471**	**161**	**38,703**	**4,790**	**4,750**	**(40)**	**9,235**	**122**
Animal Management	383	383	(1)	402	221	199	(22)	399	(23)
DRS Director's Office	-	-		-	155	158	3	321	3
Fire Prevention	-	-		13	45	37	(9)	116	(8)
Mt Lofty Waste Control Project	50	50		50	26	25	(2)	50	(2)
Parking and By-Laws	20	46	(27)	91	88	87	(1)	179	(28)
Planning & Development	262	253	9	512	923	942	19	1,905	27
Policy Planning	-	-		-	69	65	(4)	175	(4)
Public Health	51	55	(4)	162	221	230	9	499	5
Development & Regulatory Services	**765**	**787**	**(22)**	**1,229**	**1,749**	**1,741**	**(7)**	**3,645**	**(30)**
Civil Services	374	368	6	1,288	2,499	2,705	207	11,258	212
Community Wastewater Management System	1,810	1,805	5	1,805	278	348	70	1,136	75
Cudlee Creek Bushfire	-	-		-		()	(1)	-	(1)
Emergency Management	-	-		-	26	35	10	71	10
IO Director's Office	-	-		-	154	157	2	315	2
Open Space Biodiversity	1	-	1	-	248	235	(13)	538	(12)
Open Space Operations	-	-		28	2,202	2,166	(35)	5,014	(35)
Open Space - Sport & Rec Planning	-	-		10	292	335	43	937	43
Sustainability	-	-		-	81	97	16	242	16
Sustainable Assets	-	-		-	221	256	36	529	36
Waste	10	9	1	70	2,105	2,119	15	4,617	15
Infrastructure & Operations	**2,194**	**2,182**	**12**	**3,202**	**8,105**	**8,454**	**349**	**24,657**	**361**
Total	**41,861**	**41,657**	**204**	**44,888**	**18,072**	**18,440**	**368**	**44,477**	**572**

5.2 Additional Operating Initiatives

			Adelaide Hills Council Quarterly Financial Performance				
			2019/2020 Operating Initiatives - December 2019				
#	Description	Department	YTD Actuals $'000s	YTD Budget $'000s	YTD Var fav / (unfav) $'000s		2019/20 Revised Budget $'000s
735	Performance Benchmarking	Governance	8	4	🟡	(3)	9
753	Boundary Reform Provision	Governance	0	10	🟢	10	20
754	Strategic Plan Review	Governance	-	13	🟢	13	25
726	Sky Trust Implementation	OD & WHS	14	17	🟢	3	33
705	Women's TDU	Comms, Engagement & Events	1	-	🟡	(1)	10
706	Small Events Additional Resources	Comms, Engagement & Events	2	3	🟡	1	5
727	Customer Experience Survey	CC Director's Office	13	13	🟡	(0)	13
760	Community Perception Survey	CC Director's Office	-	-	🟡	-	5
120	FABRIK	FABRIK	153	129	🔴	(24)	241
702	Disability Planning Materials	Community Development	-	5	🟢	5	10
709	Gumeracha 20Yr Event	Community Development	-	3	🟢	3	3
710	Youth Leadership Workshop	Community Development	5	6	🟡	1	11
723	Community Arts Projects	Community Development	1	4	🟢	2	5
744	Public Art Acquisition	Community Development	-	1	🟡	1	3
747	Reconciliation Funding	Community Development	1	2	🟡	1	5
748	Multicult Action Plan	Community Development	1	2	🟡	1	10
751	Regional Health Planning	Community Development	0	10	🟢	9	38
704	Digital Literacy Services	Libraries and Customer Services	19	19	🟡	0	39
719	Stirling District Masterplan	DRS Director's Office	8	8	🟡	0	8
720	Crafers Masterplan	DRS Director's Office	2	-	🟡	(2)	20
759	Local Heritage Fund: Contract	DRS Director's Office	-	-	🟡	-	20
725	Compliance	Health and Regulatory Services	14	18	🟢	3	35
740	Heritage Agreements	Open Space	-	-	🟡	-	5
746	Roadside Marker System	Open Space	-	-	🟡	-	45
763	Bush Regenerator Officer	Open Space	14	34	🟢	20	83
713	Smart living workshops	Sustainable Assets	1	1	🟡	(0)	3
741	Landscape conservation	Sustainable Assets	-	-	🟡	-	10
742	Bore water use areas-Management Plans	Sustainable Assets	11	20	🟢	9	20
752	Promotion Plan & Website Update	Sustainable Assets	-	-	🟡	-	10
755	WSUD Training	Sustainable Assets	-	-	🟡	-	2
718	Kerbside Waste Audits	Waste & Emergency Management	-	-	🟡	-	10
737	Preparedness Consultancy	Waste & Emergency Management	4	5	🟡	1	10
757	Green Waste Scoping Study	Waste & Emergency Management	-	-	🟡	-	15
758	Solar Bins	Waste & Emergency Management	-	7	🟢	7	7
	Total		273	331	🟡	58	786

Adelaide Hills
COUNCIL

MORE INFORMATION

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ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 17 February 2020
AGENDA BUSINESS ITEM

Item:	**7.5**
Originating Officer:	**Mike Carey, Manager Financial Services**
Responsible Director:	**Terry Crackett, Director Corporate Services**
Subject:	**2019-20 Budget Review 2**
For:	**Information**

SUMMARY

The *Local Government (Financial Management) Regulations 2011* (the Regulations) requires Council to formally consider its budget three times per year. This statutory requirement recognises the likelihood that events will occur that require, or offer opportunities for changes to the budget during the year.

This report presents the second Budget Review (BR2) of the 2019-20 financial year to the Audit Committee for review. BR2 will be submitted to Council for consideration on 26 February 2020.

Due to the timing of BR2, this Budget Review has only addressed a $1 million payment received to assist with disaster recovery costs and an equivalent expenditure amount to cover bushfire emergency maintenance and recovery works to date.

The impact of the Cudlee Creek Bushfire from both an expenditure and funding perspective will be more fully addressed in Budget Review 3 (BR3), currently proposed for May 2020, once a greater understanding of anticipated costs and potential grants is assessed.

The proposed budget changes do not change Council's Operating Surplus and the proposed net deferral in capital income of $1m and capital expenditure of $496k result in an increase in Council's Net Borrowing Position from $3.433m to $3.938m.

RECOMMENDATION

The Audit Committee:

1.   **Resolves that the report be received and noted.**
2.   **Notes:**
    a.   **that the Operating Budget variations presented in Budget Review 2 result in no change to the Operating Surplus of $411k for the 2019-20 financial year.**
    b.   **the proposed deferral of capital project income of $1m and expenditure of $496k to the 2020-21 financial year.**
    c.   **that the proposed operating and capital adjustments result in Council's current Net Borrowing Result of $3.433m increasing to $3.938m for the 2019-20 financial year.**

1.   **GOVERNANCE**

➢   **Strategic Management Plan/Council Policy**

Goal 5   Organisational Sustainability
Strategy   Financial Sustainability

A key aspect of Council's formal budget reviews is to review and monitor Council's Annual Budget with reference to its overall financial position and its Long Term Financial Plan (LTFP) to ensure Council continues to be financially sustainable.

➢   **Legal Implications**

The undertaking of formal budget reviews is a requirement of the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.

➢   **Risk Management Implications**

Conducting the budget review process as required by Regulations will assist in mitigating the risk of:

Failure to conduct the budget review process as required by Regulations results in inaccurate budgets and unforecasted deficits leading to inadequate resourcing for current and future activities.

Inherent Risk	Residual Risk	Target Risk
Medium (4D)	Low (2E)	Low (2E)

It ensures that financial resources are deployed in areas that align with Council's Strategic Management Plans, are affordable and support Council's Long Term Financial Plan.

➢   **Financial and Resource Implications**

The proposed operating variations do not impact on Council's budgeted Operating Surplus of $411k.

In terms of capital, the proposed net deferral to 2020-21 of capital income of $1m and capital expenditure of $496k result in an increase in Council's Net Borrowing Position from $3.433m to $3.938m.

It should be noted that the figures in this report and supporting appendices have been rounded and consequently individual sub-totals, whilst being correct, may differ slightly from the sum of the rounded amounts.

Impact of the Cudlee Creek Bushfire

As highlighted in the Council Report on the Cudlee Creek Fire to the Council Meeting on 28 January 2020, Council will incur significant direct costs in the current financial year as a result of the Cudlee Creek Fire. Every attempt will be made to recover as much as possible through government disaster funding arrangements, other relief funding and insurance.

However, any expenditure not recovered will ultimately be borne by the Adelaide Hills Council.

The Council Report tabled on 28 January 2020, also sought and received authorisation for the CEO to commit expenditure up to an amount of $2m to support bushfire emergency maintenance and recovery works, noting potential opportunities to offset a large proportion of these costs through various funding sources. It should be noted that at this time expenditure of nearly $1 million has already been incurred, and that indirect costs will also arise in the form of diverted resources and in previously planned projects being delayed or cancelled.

Costs in future years have also yet to be estimated, but are likely to be substantial given the scale of the bushfire event and the long term nature of recovery initiatives.

The Council has access to the South Australian Government Disaster Assistance Arrangements to help manage costs associated with "eligible expenses" following a natural disaster. In simple terms, financial assistance becomes available at a rate of 50% for Council expenditure (over and above normal operating costs) exceeding a threshold of 2% of rate income. Assistance increases to 75% for expenditure exceeding 3.5% of rate income.

In turn, the State Government has access to similar Commonwealth Government arrangements.

Council was also advised at the 28 January 2020 Council Meeting of the Prime Minister's announcement on 9 January 2020 that specified councils suffering severe impacts from bushfires will receive an immediate $1million payment to assist with disaster recovery costs. This payment was made via the State Governments under the federal disaster recovery funding arrangements and was received by Adelaide Hills Council the next day after the announcement.

Due to the timing of BR2, this Budget Review has only addressed the $1 million payment received to assist with disaster recovery costs and an equivalent expenditure amount to cover bushfire emergency maintenance and recovery works to date.

It is considered appropriate that the full impact of the Cudlee Creek Bushfire from both an expenditure and funding perspective will be addressed in Budget Review 3 (BR3), currently proposed for May 2020.

➢ **Customer Service and Community/Cultural Implications**

Not applicable.

➢ **Environmental Implications**

Not applicable.

> ➤ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Council Committees: Not Applicable
Advisory Groups: Not Applicable
Administration: The budget review was prepared in consultation with Directors and Managers to obtain detailed information for each budget area
Community: Not Applicable

2.   BACKGROUND

The Regulations require Council to formally consider its budget three times per year. This statutory requirement recognises the likelihood that events will occur that require, or offer opportunities for changes to the budget during the year. This report presents the second Budget Review of the 2019-20 financial year.

At the Council meeting held on the 25 June 2019, Council adopted the original 2019-20 Annual Business Plan and Budget, reflecting a Budgeted Operating Surplus before Capital Revenue of $449k and an estimated Net Borrowing for the financial year of $3.693m as per the Uniform Presentation of Finances Statement.

At the Council meeting held on the 26 November 2019, Council adopted the 2019-20 Budget Review 1 (BR1) with a Budget Operating Surplus before Capital Revenue of $411k and an estimated Net Borrowings Result of $3.433m.

Where possible Council's customary practice is to include Budget Reviews as an agenda item at Audit Committee meetings prior to consideration of Council.

Budget Review Presentation

In accordance with the Regulations, the Budget Review presentation for BR2 for the year needs to include the full budgeted financial statements presented in a manner consistent with the Model Financial Statements.

In addition, a council must also include in this report revised forecasts for the relevant financial year of the council's operating surplus ratio, net financial liabilities ratio and asset renewal funding ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators (***Appendix 3).***

3.   ANALYSIS

BR2 has been prepared in consultation with Directors and Managers who have provided information for each budget area.

Budget Review 2 Proposed Adjustments

$000s	2019-20 Current Budget	Proposed BR2 Adjustments	Revised Budget after BR2
Operating Income	44,882	1,357	46,239
Operating Expenditure	(44,471)	(1,357)	(45,828)
Operating Surplus	**411**	**-**	**411**
Depreciation	8,945	-	8,945
Capital income	5,973	(1,000)	4,973
Capital Expenditure	(18,762)	496	(18,266)
Net (Borrowing)/Lending Position	**(3,433)**	**(504)**	**(3,938)**

Proposed Budget Adjustments

Operating:

Key operating variations included in this review are as follows:

Operating Income $1.357m increase

- $1 million payment received from the Federal Government via the State Government to assist with disaster recovery costs associated with the Cudlee Creek Bushfire
- an additional $140k per year received for Roads to Recovery for the period 2019-20 to 2023-24 as advised by the Federal Government Department of Infrastructure, Transport, Cities and Regional Development
- $95k payment received from SAPN relating to the Australian Energy Regulator (AER) determination on SAPN's 2010-2015 public lighting tariffs as previously advised to Council
- Rates revenue has exceeded budget forecasts by $35k as a result of growth from new development including both Woodforde and Inverbrackie
- Lobethal Woollen Mill user charges and reimbursement income increases of $47k generated as a result of settlement delays in the sale of part of the northern site, but offset by additional expenditure.
- additional $20k grant income in relation to Community Home Support Program requiring associated expenditure commitments
- additional $12k received in relation to Bridgewater Retirement Village rent and maintenance income.

Operating Expenditure $1.357m increase

Proposed operating expenditure budget variations have been split into two components, namely:

- general operating expenditure - $1.390m increase; and
- operating initiatives expenditure - $33k decrease

Details of the operating expenditure proposed budget requests, totalling $1.390m are as follows:

- $1m to cover bushfire emergency maintenance and recovery works to date including significant arboriculture costs
- an additional $107k budget relating to additional recyclable costs and associated solid waste levy costs as a result of the new contract between East Waste and Northern Adelaide Waste Management Authority (NAWMA) as previously highlighted in BR1
- an additional $62k for tree safety work requested in relation to the Tour Down Under (TDU) Event
- additional expenditure costs of $68k for utilities and maintenance as a result of settlement occurring in early 2019-20 in relation to the Lobethal Woollen Mill (partially covered by income increases)
- an additional $40k to cover a significant increase in planning court fees offset by savings in some planning contractor expenditure lines
- an amount of $35k to cover the Heritage Interpretation Plan outcomes for Fabrik, deferred to 2019-20 but associated budget not carried forward (to be covered by CEO contingency)
- an amount of $34k in hard waste costs from East Waste based on actual collection costs including a significant increase in mattress disposals, offset by some waste savings for domestic waste disposal and Heathfield outsourcing
- an additional $26k relating to a repayment adjustment for previous years rates and outgoings for the Highercombe Golf Club
- increase in expenditure of $20k relating to funding requirements for additional Community Home Support Program grant income as discussed above
- an additional $15k in internal audit costs to resource the audit plan requirement of four internal audits per year.
- an additional 10k in insurance costs for buildings and contents
- an increase of $10k to cover toilet and traffic management costs for TDU additional stages

These expenditure increases have been offset by other expenditure savings including $39k salary vacancy savings across a number of departments. In addition, the CEO contingency of $38k has been reduced to $3k as a result of covering the $35k Heritage Interpretation Plan costs for Fabrik, as discussed above.

Operating Initiatives Expenditure reduction of $33k

For Operating Initiatives, an appropriate dollar amount has been determined to achieve specified outcomes.   As, these Operating Initiatives have been developed in consultation with Council, it is considered appropriate that Council approval will be required where a change in timing or individual project expenditure is required.

The proposed changes in operating initiatives projects reduce expenditure by $33k as summarised below:

- savings of $10k in relation to Community Energy Program Promotion Plan and Website Update Project.
- deferral of $20k to 2020-21 in relation to Regional Health/Disability Planning Project.
- deferral of $3k to 2020-21 in relation to the Gumeracha 20 Year Event Project.

Further details of the proposed changes in relation to Operating Initiatives Expenditure are included at **Appendix 1**.

In terms of reporting, operating initiatives expenditure forms part of operating expenditure for statutory reporting purposes, and as such have been included under that category in the financial tables within this report and the statutory statements.

Capital

The net impact resulting from proposed changes in the capital works program reduces capital income by $1m and reduces total capital expenditure by $496k as summarised below:

Capital Income - reduction of $1m

- Lobethal Woollen Mills (formerly AHBTC) Divestment Proceeds. Deferral of $1m in proceeds until 2021-22, based on updated information in terms of progressing the finalisation of the Northern Site. Partially offset by the reduction in expenditure discussed below.

Capital Expenditure –reduction of $496k

- deferral of $30k expenditure for Crafers Tennis Retaining Wall Project until 2020-21.
- deferral of $466k expenditure in relation the Lobethal Woollen Mills (formerly AHBTC) project to 2020-21.

Further details of the Capital Program proposed changes are included at **Appendix 2**.

Movements in Budgeted Borrowings

As a result of proposed BR2 changes, forecast borrowings including Council's short term drawdown have been revised upwards from $12.6m to $13.2m, as shown on the following page.

Borrowings $000s	Opening July 2019	New Borrowings	Repayments	Forecast June 2020
CAD (Short Term Drawdown)	Nil	155	-	155
Current Other Borrowings	62		(62)	-
Fixed Term Borrowings	10,000	3,000	-	13,000
Total Borrowings	$10,062	$3,155	($62)	$13,155

Other points of note:

Fabrik Income and Expenditure

Fabrik Operations have been impacted by the setting up of the Recovery Centre at Fabrik to support the community with the Bushfire Recovery. At this stage it is not proposed to include any budget variation for Fabrik in this Budget Review as it is considered that Administration need to better understand the financial impact of the operations of the Recovery Centre over a longer period.

It is proposed that any budget variations, if required will be dealt with in BR3.

Sale of the Bridgewater Retirement Village

The divestment of the Bridgewater Retirement Village is currently behind schedule with the road closure of Carripook Park not yet gazetted by the Surveyor-General. Upon gazettal, the application to the Attorney General and Supreme Court for the Trust Variation Scheme can be progressed.

As such, whilst it was envisioned that the divestment of the Bridgewater Retirement Village would occur in the 2019-20 financial year, it is more likely that it will occur in the 2020-21 financial year. At this stage it is proposed to confirm the timing at BR3, where Council will be more certain on the timing of the sale and which financial year.

Financial Indicator Analysis

The BR2 Revised Budget Financial Indicators are shown with reference to both the 2019-20 Original Budget adopted in June 2019 and the Current Adopted Budget for 2019-20 BR1 adopted in November 2019.

Financial Indicator	Target	Original Adopted Budget for 2019-20	Current Budget for 2019-20 (BR1 Nov 2019)	Proposed Revised Budget 2019-20
Operating Surplus Ratio	0% to 10%	1.0%	0.9%	0.9%
Net Financial Liabilities Ratio	0% to 100%	45%	42%	42%
Asset Renewal Funding Ratio	90% to 110%	103%	129%	129%

Contributing factors that have impacted on the changes in ratios since they were last reported as per the table above are as follows:

Operating Surplus Ratio

The minor decrease in the Operating Surplus Ratio from the Original Budget is as a direct result of the decrease in Operating Surplus from $449k as per Original Budget to $411k for BR1 to account for two Operating Project Carry Forwards.

As noted above it is not proposed to change the Operating Surplus for BR2 and therefore this ratio remains the same.

Net Financial Liabilities Ratio

The change in this ratio between the Original Budget and the Current Adopted Budget was as a result of a better than budgeted 30 June 2019 end of year position, reducing borrowings from the amount forecast when the 2019-20 Budget was developed.

Given the increase in Operating Revenue, the change in the net borrowing position for BR2 was not significant enough to change the Net Financial Liabilities Ratio between BR1 and BR2.

Asset Renewal Funding Ratio

This ratio increased significantly from the Original Budget to BR1 as a result of accounting for the carry forwards from 2018-19 which included nearly $2.8m of renewals.

The minor reduction in capital renewal expenditure as part of this budget review had only a minimal impact on this ratio between BR1 and BR2.

Summary

The proposed operating variations do not impact on Council's budgeted Operating Surplus of $411k.

In terms of capital, the proposed net deferral to 2020-21 of capital income of $1m and capital expenditure of $496k result in an increase in Council's Net Borrowing Position from $3.433m to $3.938m.

A summary of the impact on Council's Net Borrowing Position is shown below:

$000s	$
Current Adopted Budget Net Borrowings	(3 433)
Impact of Operating Budget Adjustments for BR2	-
Impact of Capital Budget Adjustments for BR2	(504)
BR2 Revised Net Borrowing Position	**($3,838)**

The Financing transaction detail as shown at the bottom of Council's Uniform Presentation of Finance Appendix 3 highlights that in addition to Borrowings as discussed above, Council will reduce its Cash and Investments to fund Council's Net Borrowing result.

The financing result for the financial year also includes budgeted payments relating to the landfill remediation provision and repayment of aged care debenture loans as part of Bridgewater Retirement Village sale.

4.   OPTIONS

The Audit Committee is limited to receiving and noting this report.

5.   APPENDICES

(1)   2019-20 Operating Initiatives Budget Review 2 Proposed Changes
(2)   2019-20 Capital Works Budget Review 2 Proposed Changes
(3)   2019-20 Budget Review 2 Statutory Financial Statements

Appendix 1
2019-20 Operating Initiatives Budget Review 2
Proposed Changes

PROPOSED 2019-20 BUDGET REVIEW 2 CHANGES FOR OPERATING INITATIVES

Project #	Project Name	Project Description	Current Budget	Change FAV/ (UNFAV)	Revised Budget	Comment
Goal 1: People and business prosper						
751	Regional Health Planning	Undertake regional public health planning, monitoirng and reporting	$20,000	20,000	$0	As the resource to cover both regional health planning and disability planning will not be in place until the 2nd half of the year, not all of the expenditure will be required in 2019-20. As such, it is proposed to defer this expenditure to 2020-21 to assist in well being and resilience initiatives in that year.
Goal 2: Activities and opportunities to connect						
709	Gumeracha Civic Centre Centre 20th Anniversary Event	To hold an appropriate event, involving community groups and community members, to celebrate the 20th anniversary of the development of the civic precinct at Gumeracha and showcase the activities and opportunities avalable at the site	$3,000	3,000	$0	It is proposed to hold this event in the second half of the 2020 calendar year and therefore it is proposed to defer this expenditure to the 2020-21 financial year.
Goal 3: Places for people and nature						
752	Community Energy Program (CEP) Promotion Plan & Website Update	Promotion of the Community Energy Program to the community and contribution to the establishment of a Resilient Hills and Coasts website	$10,000	10,000	$0	A report was provided to Council on 17 December 2019 on two options for the Community Energy Program. The endorsed option was to complete all resources currently underway and provide this information and research to any individual, local government or organisation. As such savings of $10k can be realised for this project.
				33,000		

Appendix 2

2019-20 Capital Works Budget Review 2 Proposed Changes

PROPOSED 2019-20 BUDGET REVIEW 2 CAPITAL DEFERRALS

Proj #	Project Name	Project Description	Suburb	Current Budget	Change FAV/ (UNFAV)	Revised Budget	Comment
CAPITAL EXPENDITURE							
Buildings							
3742	Lobethal Woollen Mill (formerly AHBTC) - Capital Divestment	Division and sale of new allotments for the various tenancy areas of the AHBTC site (except the identified Arts & Heritage Hub) - this project reflects the cost of undertaking the service separations/upgrades, land divisions and sales.	Lobethal	$861,000	466,000	$395,000	Council staff investigating the physical and financial viability of this final stage for divestment and will prepare a report for Council at the end of this financial year for resolution with a view that the final stage (if viable) will be undertaken and completed in the 20-21 FY
Other							
3840	Crafers Tennis Retaining Wall	Replace and amend retaining wall to address flooding of clubroom.	Crafers	$35,000	30,000	$5,000	This project involves the renewal/ formalisation of retaining wall at the Crafers Tennis Court, which is required to address existing drainage and stability concerns, as well as support a proposed new shelter shed to be built by the club. Other works at this site include building upgrade for the Crafers Memorial Hall and toilets. These other works will not be complete until October 2020, and in consultation with the club, it has been determined that the retaining wall should be postponed until these others works have been completed. $5,000 of this FY budget has already been committed for geotechnical investigation and detailed design, with the balance to be deferred (carried forward) to the 2020-21 FY.
		CAPITAL EXPENDITURE DEFERRALS			**496,000**		

Proj #	Project Name	Project Description	Suburb	Current Budget	Change FAV/ (UNFAV)	Revised Budget	Comment
CAPITAL INCOME							
149004331	Lobethal Woollen Mill (formerly AHBTC): Sale of Assets	Revenue from the sale of assets associated with AHBTC divestment.	Lobethal	-$2,530,000	(1,000,000)	-$1,530,000	The revenue budget for the sale of assets associated with AHBTC is amended to match actuals received this financial year. The balance is expected to be received next financial year, and will be included as a revenue budget in the 2020-21 ABP and Budget.
		CAPITAL INCOME DEFERRALS			**(1,000,000)**		

Appendix 3
2019-20 Budget Review 2 – Statutory Financial Statements

Adelaide Hills Council

BUDGETED UNIFORM PRESENTATION OF FINANCES
2019-20 Revised Budget

2018-19 Actuals $'000		2019-20 Original Budget $'000	Carry Forwards (BR0)	Additional Budget Requests (BRO)	Budget Changes August & Sept (BRO)	BR1	BR2	2019-20 Revised Budget $'000
	INCOME							
36,915	Rates	38,686	-	-	-	-	55	**38,741**
1,172	Statutory charges	1,118	-	-	-	-	23	**1,141**
1,007	User charges	607	-	-	-	2	12	**621**
5,123	Grants, subsidies and contributions	3,622	-	-	-	98	1,170	**4,890**
41	Investment income	26	-	-	-	-	-	**26**
516	Reimbursements	192	-	-	-	-	20	**212**
648	Other income	447	-	-	-	(15)	77	**508**
138	Net gain - equity accounted Council businesses	100	-	-	-	-	-	**100**
45,560	**Total Income**	44,797	0	0	0	85	1,357	**46,239**
	EXPENSES							
15,923	Employee costs	17,290	-	-	-	46	(74)	**17,262**
19,231	Materials, contracts & other expenses	17,509	28	-	10	39	1,431	**19,017**
8,826	Depreciation, amortisation & impairment	8,945	-	-	-	-	-	**8,945**
623	Finance costs	604	-	-	-	-	-	**604**
6	Net loss - equity accounted Council businesses	-	-	-	-	-	-	**-**
44,609	**Total Expenses**	44,348	28	0	10	85	1,357	**45,828**
951	**NET BUDGETED SURPLUS / (DEFICIT) BEFORE CAPITAL AMOUNTS**	449	(28)	0	(10)	0	0	**411**
	Net Outlays on Existing Assets							
(10,090)	Capital Expenditure on Renewal and Replacement of Existing Assets	(9,274)	(2,782)	(177)	-	588	30	**(11,616)**
497	Proceeds from Sale of Replaced Assets	512	136	-	-	-	-	**648**
8,826	Depreciation	8,945	-	-	-	-	-	**8,945**
(767)	**NET OUTLAYS ON EXISTING ASSETS**	183	(2,646)	(177)	0	588	30	**(2,023)**
	Net Outlays on new and Upgraded Assets							
(3,877)	Capital Expenditure on New and Upgraded Assets & Remediation costs	(4,811)	(2,136)	(220)	(419)	469	466	**(6,651)**
425	Capital Grants and Monetary Contributions for New and Upgraded Assets	250	422	120	-	519	-	**1,311**
9,146	Proceeds from Sale of Surplus Assets	2,484	1,530	-	-	-	(1,000)	**3,014**
5,694	**NET OUTLAYS ON NEW AND UPGRADED ASSETS**	(2,077)	(184)	(100)	(419)	988	(534)	**(2,326)**
5,878	**Net Lending/ (Borrowing) for Financial Year**	(1,445)	(2,858)	(277)	(429)	1,575	(504)	**(3,938)**
(24,298)	**Net Financial Liabilities at Beginning of Year**	(15,388)	-	-	-	-	-	**(15,388)**
3,132	Decrease / (increase) in Other	-	-	-	-	-	-	**-**
(100)	Non Cash Equity Movement	(100)	-	-	-	-	-	**(100)**
(15,388)	**Net Financial Liabilities at End of Year**	(16,933)	(2,858)	(277)	(429)	1,575	(504)	**(19,426)**

In a year, the financing transactions identified below are associated with either applying surplus funds stemming from a net lending result or accommodating the funding requirement stemming from a net borrowing result.

Financing Transactions

2018-19		2019-20						
-	New Borrowings	2,499	788	277	429	(1,497)	504	3,000
72	Community Loans repaid to us	16	-	-	-	(16)	-	-
(4,409)	Increase/(Decrease) in Short Term Draw Down	-	155	-	-	-	-	155
(2,025)	(Increase)/Decrease in Cash & Investments	10	1,915	-	-	-	-	1,925
(18)	Principal Repayments on Borrowings	-	-	-	-	(62)	-	(62)
-	Reinstatement/Restoration Provision Payment	(200)	-	-	-	-	-	(200)
(1)	Debenture Payment	(780)	-	-	-	-	-	(780)
(100)	Non Cash Equity Movement	(100)	-	-	-	-	-	(100)
(6,481)		**1,445**	**2,858**	**277**	**429**	**(1,575)**	**504**	**3,938**

It should be noted that the figures in these appendices have been rounded and consequently individual sub-totals, whilst being correct, may differ slightly from the sum of the rounded amounts.

Adelaide Hills Council

STATEMENT OF COMPREHENSIVE INCOME
2019-20 Revised Budget

2018-19 $'000		2019-20 Original Budget $'000	BR0	BR1	BR2	2019-20 Revised Budget $'000
	INCOME					
36,915	Rates	38,686	-	-	55	**38,741**
1,172	Statutory charges	1,118	-	-	23	**1,141**
1,007	User charges	607	-	2	12	**621**
5,123	Grants, subsidies and contributions	3,622	-	98	1,170	**4,890**
41	Investment income	26	-	-	-	**26**
516	Reimbursements	192	-	-	20	**212**
648	Other income	447	-	(15)	77	**508**
138	Net gain - equity accounted Council businesses	100	-	-	-	**100**
45,560	**Total Income**	44,797	-	85	1,357	46,239
	EXPENSES					
15,923	Employee costs	17,290	-	46	(74)	**17,262**
19,231	Materials, contracts & other expenses	17,509	38	39	1,431	**19,017**
8,826	Depreciation, amortisation & impairment	8,945	-	-	-	**8,945**
623	Finance costs	604	-	-	-	**604**
6	Net loss - equity accounted Council businesses	-	-	-	-	**-**
44,609	**Total Expenses**	44,348	38	85	1,357	45,828
951	**OPERATING SURPLUS / (DEFICIT)**	449	(38)	-	0	411
(95)	Asset disposal & fair value adjustments	780				**780**
425	Amounts received specifically for new or upgraded assets	250	542	519	-	**1,311**
1982	Physical Resources Received Free of Charge	-				
3,263	**NET SURPLUS / (DEFICIT)**	1,479	504	519	0	2,502
59,526	Changes in revaluation surplus - infrastructure, property, plant & equipment	5,000	-	-	-	**5,000**
56	Other Comprehensive Income	-	-	-	-	**-**
139	Share of Other Comprehensive Income JV	-	-	-	-	**-**
59,721	**Total Other Comprehensive Income**	5,000	-	-	-	5,000
62,984	**TOTAL COMPREHENSIVE INCOME**	6,479	504	519	0	7,502

Adelaide Hills Council
STATEMENT OF FINANCIAL POSITION
2019-20 Revised Budget

2018-19		2019-20 Revised Budget
$'000	**ASSETS**	$'000
	Current Assets	
2,025	Cash and cash equivalents	**100**
2,541	Trade & other receivables	**2,541**
19	Inventories	**19**
4,585		**2,660**
1,530	Non-current Assets held for Sale	**-**
6,115	**Total Current Assets**	**2,660**
	Non-current Assets	
-	Financial assets	**-**
1,350	Equity accounted investments in Council businesses	**1,450**
424,101	Infrastructure, property, plant & equipment	**437,071**
425,451	**Total Non-current Assets**	**438,521**
431,566	**Total Assets**	**441,181**
	LIABILITIES	
	Current Liabilities	
5,446	Trade & other payables	**4,666**
-	Borrowings - Short Term Draw Down	**155**
62	Borrowings - Other	**3,000**
3,048	Provisions	**2,848**
8,556	**Total Current Liabilities**	**10,669**
	Non-current Liabilities	
10,000	Borrowings	**10,000**
1,398	Provisions	**1,398**
11,398	**Total Non-current Liabilities**	**11,398**
19,954	**Total Liabilities**	**22,067**
411,612	**NET ASSETS**	**419,114**
	EQUITY	
141,348	Accumulated Surplus	**144,082**
269,691	Asset Revaluation Reserves	**274,691**
573	Other Reserves	**341**
411,612	**TOTAL EQUITY**	**419,114**
15,388	**NET FINANCIAL LIABILITIES**	**19,426**

Adelaide Hills Council

STATEMENT OF CHANGES IN EQUITY
2019-20 Revised Budget

	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
2019-20	$'000	$'000	$'000	$'000
Balance at end of previous reporting period	**141,348**	**269,691**	**573**	**411,612**
Net Surplus / (Deficit) for Year	**2,502**	-	**-**	**2,502**
Other Comprehensive Income				
Gain on revaluation of infrastructure, property, plant & equipment	**-**	**5,000**	**-**	**5,000**
Transfers between reserves	232	-	(232)	-
Balance at end of period	**144,082**	**274,691**	**341**	**419,114**
2018-19				
Balance at end of previous reporting period	137,081	210,121	1,426	348,628
Restated opening balance				
Net Surplus / (Deficit) for Year	3,263			3,263
Other Comprehensive Income				-
Changes in revaluation surplus - infrastructure, property, plant & equipment		59,526		59,526
IPPE Impairment		(184)		(184)
Share of Other Comprehensive Income JV	139			139
Share of other comprehensive income - equity accounted Council businesses	12	228		240
Transfers between reserves	853		(853)	-
Balance at end of period	**141,348**	**269,691**	**573**	**411,612**

FINANCIAL RATIOS

	2019-20 Revised Budget
Operating Surplus Ratio	
<u>Operating Surplus</u>	**0.9%**
Total Operating Revenue	
Net Financial Liabilities Ratio	
<u>Net Financial Liabilities</u>	**42%**
Total Operating Revenue	
Asset Sustainability Ratio	
<u>Net Asset Renewals</u>	**129%**
Infrastructure & Asset Management Plan required expenditure	

Adelaide Hills Council

CASH FLOW STATEMENT
2019-20 Revised Budget

2018-19 $'000	CASH FLOWS FROM OPERATING ACTIVITIES	2019-20 Revised Budget $'000
	Receipts	
37,094	Rates - general & other	**38,741**
1,172	Fees & other charges	**1,141**
1,007	User charges	**621**
5,183	Grants	**4,890**
41	Investments	**26**
516	Reimbursements	**212**
622	Other revenues	**508**
	Payments	
(15,723)	Employee costs	**(17,262)**
(18,950)	Materials, contracts & other expenses	**(19,217)**
(623)	Finance payments	**(604)**
10,339	**NET CASH USED IN OPERATING ACTIVITIES**	**9,056**
	CASH FLOWS FROM FINANCING ACTIVITIES	
	Receipts	
-	Proceeds from Borrowings	**3,000**
-	Proceeds from Aged Care facility deposits	**-**
	Payments	
(77)	Repayment from Borrowings	**(62)**
(1)	Repayments of Aged Care facility deposits	**(780)**
(78)	**NET CASH USED IN FINANCING ACTIVITIES**	**2,158**
	CASH FLOWS FROM INVESTING ACTIVITIES	
	Receipts	
425	Grants for new or upgraded assets	**1,311**
497	Sale of replaced assets	**648**
9,146	Sale of surplus assets	**3,014**
72	Repayment of loans from Community Groups	**-**
-	Distributions received from Equity Accounted Businesses	**-**
	Payments	
(3,877)	Expenditure on new/ upgraded assets	**(6,651)**
(10,090)	Expenditure on renewal/ replacement of assets	**(11,616)**
-	Loans Made to Community Group loans	**-**
-	Capital Contributed to Equity Accounted Businesses	**-**
(3,827)	**NET CASH USED IN INVESTING ACTIVITIES**	**(13,293)**
6,434	**NET INCREASE / (DECREASE) IN CASH HELD**	**(2,080)**
(4,409)	**CASH AT BEGINNING OF YEAR**	**2,025**
2,025	**CASH AT END OF YEAR**	**(55)**
2,025	Cash & Investments	**100**
-	Short Term Drawdown	**(155)**
2,025		**(55)**

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 17 February 2020
AGENDA BUSINESS ITEM

Item:	**7.6**
Originating Officer:	**Mike Carey, Manager Financial Services**
Responsible Director:	**Terry Crackett, Director Corporate Services**
Subject:	**Long Term Financial Plan Review**
For:	**Information**

SUMMARY

Prior to commencement of the budget process each year a review of the Long Term Financial Plan (LTFP) is undertaken. This review ensures that the LTFP is updated to reflect movements in key economic indicators as well as any revised strategies or plans considered by Council.

The LTFP was last considered by the Audit Committee on 18 February 2019 and was ultimately endorsed for public consultation by Council prior to the budget setting process in 2019.

A workshop of Council was held recently on 11 February 2020 to provide an overview of the process undertaken to develop the LTFP as well as a review the key inputs and resulting sustainability ratios.

The LTFP will be submitted to Council for consideration on 25 February 2020 prior to community consultation being undertaken.

RECOMMENDATION

The Audit Committee:

1. **Receives and notes the report.**
2. **Notes the updated Long Term Financial Plan.**
3. **Recommends Council endorse the Long Term Financial Plan, as contained in Appendix 1 for community consultation in accordance with *Section 122 of the Local Government Act 1999*.**

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1.   **GOVERNANCE**

> **Strategic Management Plan/Council Policy**

Goal   Organisational Sustainability
Key Issue   Risk and Responsibility

> **Legal Implications**

The Long Term Financial Plan is prepared as a part of the suite of Strategic Management Plans and in accordance with Section 122(1)(a) of the *Local Government Act 1999* (the Act)*.*

> **Risk Management Implications**

Preparing a Long Term Financial Plan as required by the Act and Regulations will assist in mitigating the risk of:

Inability to discharge role and functions of a local government entity leading to a breach of legislation and loss of stakeholder confidence.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (4D)	Medium (3D)

It ensures that financial resources are deployed in areas that align with Council's Strategic Management Plans, are affordable and supported within the Council's Long Term Financial Plan.

> **Financial and Resource Implications**

Robust internal financial controls provide the foundation for ensuring Council's ongoing financial sustainability. The LTFP is a financial model that aims to achieve long term financial sustainability, using the key financial indicators and benchmarks for guidance, projected over 10 years using inputs from the Strategic Management Plan, Asset Management Plan and other key Strategies.

A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

The LTFP is based on continuing existing service levels including infrastructure renewal and upgrade and is regularly updated to account for any changes.

> **Customer Service and Community/Cultural Implications**

There is an expectation that Council has appropriate corporate governance processes in place including an effective internal control environment.

> **Environmental Implications**

Not applicable.

> **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Council Committees: Not applicable
Advisory Groups: Not Applicable
Administration: The Executive Leadership Team (ELT) has reviewed the LTFP assumptions as part of the development of the updated LTFP. In

addition, the functional leads across the organisation provided input on the funding requirements to be captured in the LTFP to support the implementation of the Strategic Plan / Functional Strategies.

Community: Public consultation will be undertaken following consideration by Council on 25 February 2020.

2. BACKGROUND

The Act requires Council to prepare a LTFP as part of its suite of Strategic Management Plans, and to update it on the same basis. Members of the public are to be a given a reasonable opportunity to be involved in the development and review of the Council's plan.

Council considers that its LTFP is a fundamental instrument of accountability and provides projections for Council's planned activities over a ten year timeframe.

The key objective of Council's LTFP is financial sustainability in the medium to long term, while still achieving Council's corporate objectives as specified in its Strategic Plan and Corporate Plans. At the same time the LTFP ensures that there is an understanding of the impact of decisions made today on future sustainability. This means ensuring the cost effective delivery of works and services, and the appropriate maintenance and renewal of our asset base in a financially sustainable manner.

The purpose of this plan is not to provide specific detail about individual works or services. It does however provide a decision making tool that allows various assumptions and sensitivity analysis to be carried out that will indicate the ability of Council to deliver cost effective services to our community in the future in a financially sustainable manner.

A Council's LTFP must contain a summary of the proposed operating and capital investment activities in the Uniform Presentation of Finance format for a period of at least ten years. It should include estimates of the key ratios, operating surplus, net financial liabilities and asset sustainability. This illustrates the expected long term financial performance of the Council, and hence whether financial sustainability is being achieved.

The model is a fluid document, continually reviewed, modified and refined as new information is discovered, usually at each Budget Review and during the construction and adoption of the annual budget.

3. ANALYSIS

The LTFP is prepared using a number of assumptions, with regard to projected rate income, projected fees, charges and grants and also includes assumptions about future operational and capital expenditure. Given that long term financial plans are derived from an estimate of future performance, it should be appreciated that actual results are likely to vary from the information contained in the LTFP.

The LTFP will continue to be amended to incorporate feedback from different sources (Management, Council Members, Public, new initiatives, new legislation and identified savings).

The LTFP is based upon 2019-20 adopted budget that has been revised for amendments required by Budget Review 1 (BR1) and Budget Review 1 (BR2) considerations. Indices have been applied to categories within the LTFP to produce an uplifted 2020-21 LTFP budget that is capable of being used as a "target" for the 2020-21 budget setting process.

Intuitively, if the LTFP demonstrates sustainability over a ten year period, and the 2020-21 LTFP target budget is embedded within the LTFP, then the development of a 2020-21 budget that aligns with the LTFP target also demonstrates financial sustainability.

LTFP Development

The LTFP starting point has been updated to reflect the 30 June 2019 audited end of year financial position adopted by Council in November 2019.

In the development of the 2020-21 LTFP consideration has been given to the work currently being undertaken in the development of the draft *2020-24 Strategic Plan* currently out for consultation, notwithstanding that the draft Strategic Plan is not due for adoption by Council until April 2020. As such, the 'Summary of Strategic Initiatives Expenditure' in the LTFP has been grouped into the goal and objective structure of the draft Strategic Plan.

However, as a result of a significant reallocation of Council resources to address the Cudlee Creek Bushfire Recovery, this has not allowed the financial impacts of proposed new strategies to be fully developed to the level appropriate to incorporate these costings on a priority basis into the draft 2020-21 LTFP at the current time.

It is therefore proposed that the 2020-21 LTFP continue to be drawn from Council's current adopted Strategic Plan, and the 3 Year Operating and Capital Initiatives included in Council's 2019-20 Annual Business Plan adopted in June 2019.

However, to address the likely impact of projects emanating from new strategies, the LTFP also includes an amount of $350k as an allowance for Strategic Operating Initiatives to be refined and allocated as part of the 2020-21 Annual Business Plan and Budget Build. The allowance for Strategic Operating Initiatives specific to the new Strategic Plan has been increased from $350k in 2020-21 to $450k in 2021-22 and $550k in 2022-23. In subsequent years an amount of $600k has been allowed for Strategic Operating Initiatives.

It is proposed that Council's Annual Business Plan and Budget workshop will consider the overall dollar amount and specific projects to include in the 2020-21 Budget for consultation.

As shown in the table on the following page, with the specified allowances for Strategic Operating Initiatives, the Operating Surplus for 2020-21 and future years has been maintained at a similar level to that forecast in the 2019-20 LTFP whilst still meeting Council's Operating Surplus Ratio and other financial indicator targets.

	2019-20 $'000s	2020-21 $'000s	2021-22 $'000s	2022-23 $'000s	2023-24 $'000s
Total Operating Income	46,239	46,707	48,562	50,328	51,859
Operating Expenditure (excluding Operating Initiatives)	44,918	45,024	46,788	48,177	49,739
Amount Available for Initiatives & Maintain Surplus	1,321	1,682	1,774	2,150	2,120
Operating Initiatives for Current Strategic Plan	910	1,012	1,095	1,336	1,105
Additional Operating Initiatives for New Strategic Plan	-	350	450	550	600
Total Operating Initiatives	910	1,362	1,545	1,886	1,705
Operating Surplus	**411**	**321**	**228**	**264**	**415**
Operating Surplus Ratio	**0.9%**	**0.7%**	**0.5%**	**0.5%**	**0.8%**

Although the 2020-21 LTFP continues to be drawn from Council's current adopted Strategic Plan, given that many of the initiatives are ongoing it was considered appropriate to realign the strategic initiative expenditure (both operating and capital) in accordance with the draft Strategic Plan currently out for consultation. This will assist Council in evaluating proposals from the New Strategic Plan as part of the 2020-21 Business Plan and Budget workshop.

Other Considerations

As highlighted as an action in a Council Member's workshop in November 2019, Council has subsequently reviewed depreciation in the LTFP given the significant revaluation increase in a number of asset classes including roads for the 2018-19 financial year. This review included independent expert advice on infrastructure asset management and depreciation related matters.

This review found that the overall asset management strategy of Council is sound and provides for a medium to long term financially sustainable position. The review highlighted a number of scenarios for detailed reviews of depreciation and valuation inputs associated with different asset strategies. It may be appropriate to amend future operations, maintenance, renewal and depreciation dollars in the LTFP based on an evidence approach and associated reasonable assumptions.

In summary, the initial analysis has indicated the existing depreciation as forecast in the LTFP is appropriate at this point in time but it is possible that a reallocation of costs between depreciation and maintenance may be required upon the completion of the full review and analysis of asset management strategies and association lifecycle costs of those strategies.

The Cudlee Creek Bushfire which commenced on 20 December 2019 has also had a significant impact within the Adelaide Hills community and on Council as an organisation. Whilst a Recovery Plan is currently being developed and implemented, it is clearly evident the fire will also have an impact on the delivery of a number of projects and initiatives within Council's current Annual Business Plan. In addition to this the financial impact of the fires will not be fully understood for a reasonable period of time, however it is likely to be substantial. This impact from both an expenditure and funding perspective will therefore be a matter for future LTFP consideration.

Key Outcomes:

Importantly the current LTFP demonstrates that the Council is financially sustainable over the 10 year term of the LTFP, whilst achieving the objectives outlined in the Strategic Plan.

This includes:

- Implementation and funding of the appropriate level of maintenance and renewal of the portfolio of infrastructure assets
- Meeting the ongoing expectations of service delivery to our community
- Managing the impact of cost shifting from other levels of government
- The appropriate use of debt as a means of funding asset renewal
- Ensuring the financial sustainability of Council's operations.

Financial sustainability has been demonstrated through adherence to the agreed target ranges in all of the following three key ratios:

- Operating Surplus Ratio, target range 0% to 10%
- Net Financial Liabilities Ratio, target range 0% to 100%
- Asset sustainability Ratio, target range 90% to 110%

In achieving these targets, which are explained in more detail within the LTFP, there is a level of certainty provided to the community that financial sustainability will be maintained.

4. OPTIONS

Audit Committee is limited to receiving and noting this report and providing any additional comments for consideration by Council.

5. APPENDIX

(1) Draft Long Term Financial Plan February 2020

Appendix 1

Draft Long Term Financial Plan
February 2020

2020-21 Long Term Financial Plan

Adelaide Hills
COUNCIL

Draft Long Term Financial Plan
February 2020

Why does Council prepare a Long Term Financial Plan?

The *Local Government Act 1999* requires Council to prepare a Long Term Financial Plan (LTFP) as part of its Strategic Management Plan. This means that members of the public are to be a given a reasonable opportunity to be involved in the development and review of the Council's plan.

Council considers that its Long Term Financial Plan (LTFP) is a fundamental instrument of accountability and provides projections for Council's planned activities over a ten year timeframe.

The key objective of Council's LTFP is financial sustainability in the medium to long term, while still achieving Council's corporate objectives as specified in its Strategic Plan, Corporate Plans and Functional Strategies. At the same time the LTFP ensures that there is an understanding of the impact of decisions made today on future sustainability. This means ensuring the cost effective delivery of works and services, and the appropriate maintenance and renewal of our asset base in a financially sustainable manner.

The purpose of this plan is not to provide specific detail about individual works or services. The LTFP provides a decision making tool that allows various assumptions and sensitivity analysis to be carried out that will indicate the ability of Council to deliver cost effective services to our community in the future in a financially sustainable manner.

A Council LTFP must contain estimated financials for a period of at least ten years. It should include estimates of the key ratios, operating surplus, net financial liabilities and asset renewal funding. This illustrates the expected long term financial performance of the Council, and hence whether financial sustainability is being achieved.

The model is a fluid document, continually reviewed, modified and refined as new information is discovered, usually at each Budget Review and during the construction and adoption of the annual budget.

How does Council prepare the plan?

The 10 year LTFP is prepared using a number of assumptions, with regard to projected rate income, projected fees, charges and grants and also includes assumptions about future operational and capital expenditure. Given that long term financial plans are derived from an estimate of future performance, it should be appreciated that actual results are likely to vary from the information contained in the LTFP.

The LTFP is based on a model which projects Council's future financial performance based on a very large range of variables applied to its performance in recent years. Because there are a large number of variables the model is quite complex. In order to use it to guide each year's budget setting process, the key variables have been divided into two groups:

» Controllable variables – items that Council can control such as service levels, capital expenditure, rate increases and wage increases
» Non-controllable variables – items outside Council's control, such as interest rates, inflation and economic growth (eg. residential development, new businesses, etc).

For controllable variables, Council is able to model different levels of activity to see what effect they have on financial performance. The long term effects of each decision can then be assessed.

For non-controllable variables, the plan uses reasonable long term estimates which do not change (except to update them at the beginning of each budget cycle). In this way the impact of different choices about the controllable variables can be assessed. For instance, inflation measured by CPI has fluctuated substantially in recent years. Because inflation works differently on different elements of Council's income and expense it can quickly and materially distort the LTFP, especially in its later years.

What key conclusions may be drawn from the plan?

Importantly the current LTFP demonstrates that the Council is financially sustainable over the 10 year term of the LTFP, whilst achieving the objectives outlined in the Strategic Plan. This includes:

» Implementation and funding of the appropriate level of maintenance and renewal of the portfolio of infrastructure assets
» Meeting the ongoing expectations of service delivery to our community
» Managing the impact of cost shifting from other levels of government
» Enabling the delivery of strategies identified within the Strategic Plan as well as other endorsed Functional Strategies
» The appropriate use of debt as a means of funding new capital expenditure
» Ensuring the financial sustainability of Council's operations.

Financial sustainability has been demonstrated through adherence to the agreed target ranges in all of the following three key ratios:

1. **Operating Surplus Ratio, target range 0% to 10%**
2. **Net Financial Liabilities Ratio, target range 0% to 100%**
3. **Asset Renewal Funding Ratio, (formerly titled Asset Sustainability Ratio) target range 90% to 110%**

In achieving these targets, which are explained in more detail below, there is a level of certainty provided to the community that financial sustainability will be maintained.

How to provide feedback….

The LTFP is available for inspection from 2 March to 27 March 2020 at Council's Libraries and Community Centres, and on Council's website ahc.sa.gov.au

Interested persons are invited to make a written submission by **no later than 5.00pm, Friday, 27 March 2020**. Submissions may be made online at engage.ahc.sa.gov.au, via post to PO Box 44, Woodside SA 5244 or mail@ahc.sa.gov.au.

The results of the feedback provided will be discussed with Council and incorporated into the Final Long Term Financial Plan prior to consideration of the 2020-21 Annual Business Plan and Budget.

Ratios

Operating Surplus Ratio

The operating surplus ratio indicates the extent to which operating revenue is sufficient to meet all operating expenses and whether current ratepayers are paying for their consumption of resources.

The Operating Surplus ratio expresses the operating surplus as a percentage of total operating income. A negative ratio indicates the percentage increase in total operating income required to achieve a break-even operating result. A positive ratio indicates the percentage of total rates available to fund capital expenditure over and above the level of depreciation expense without increasing council's level of net financial liabilities.

Target: 0 - 10%
10 Year Result Range: 0.5% - 1.1%

The ratio indicates the cost of services provided to ratepayers is being met from operating revenues with surplus's being used to fund infrastructure works in line with our LTFP projections.
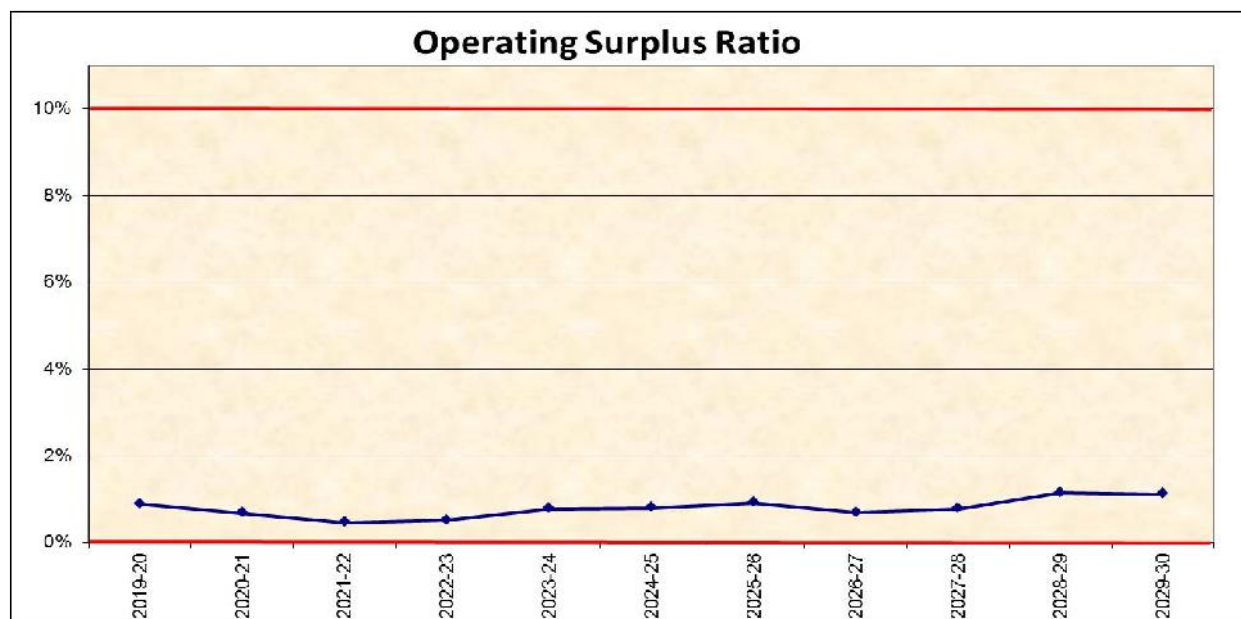
Net Financial Liabilities Ratio

Net Financial Liabilities is an indicator of the Council's total indebtedness and includes all Council's obligations including provisions for employee entitlements and creditors.

This ratio indicates the extent to which the net financial liabilities of the Council can be met by the Council's total operating revenue. Where the ratio is falling, it indicates that the Council's capacity to meet its financial obligations from operating revenues is strengthening. Where the ratio is increasing, it indicates that a greater amount of Council's operating revenues is required to service its financial obligations.

Target: 0 - 100%
10 Year Result Range: 42% - 58%

This ratio demonstrates that council's total indebtedness (including borrowings) can be met by operating revenue.
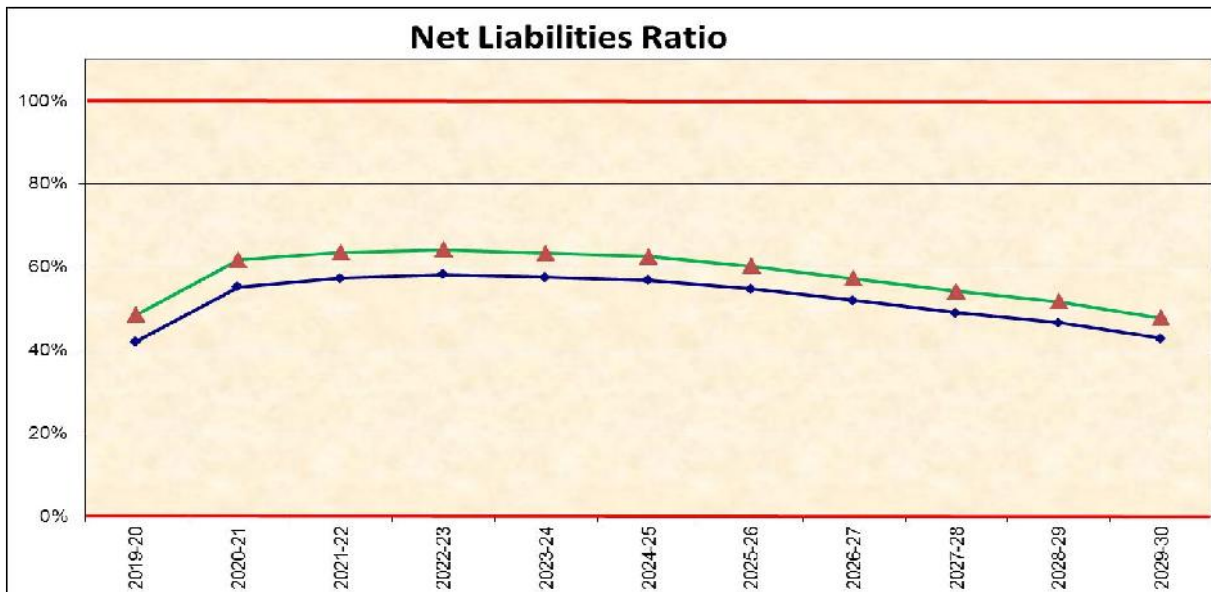
Note: The additional liabilities ratio included above in 'green' projects the financial impact should a significant event (i.e. fire or storm) in the order of $10m impact on the region.

Asset Renewal Funding Ratio

This ratio indicates whether a Council is renewing or replacing existing infrastructure assets at the same rate that its asset management plan requires.

The target for this ratio is to be between 90% and 110% in any given year, with 100% on average over five years. This would mean that Council is replacing 100% (or all) of the assets that require renewal.

Target: 90 - 110%
10 Year Result Range: 100%

The result achieved for this measure is the same throughout the 10 year horizon of the LTFP as the amount of future renewal expenditure is based on the required asset management expenditure.
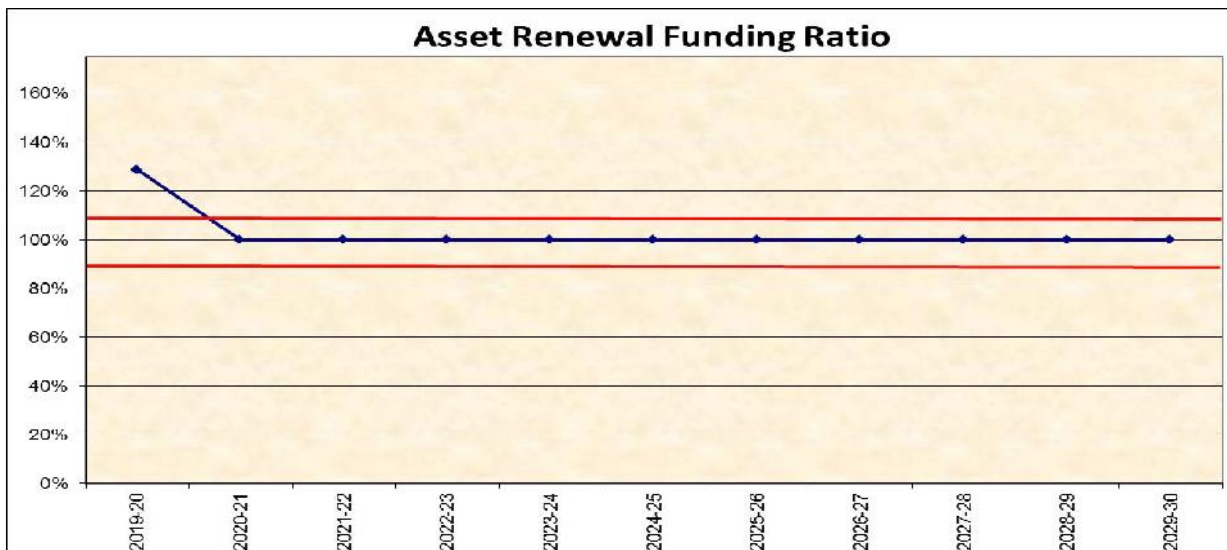
Key sections explained…..

Uniform Presentation of Finances

In accordance with the *Local Government (Financial Management) Regulations 2011* this section of the LTFP presents the financial position for the next 10 years in a manner consistent with the note in the *Model Financial Statements* entitled "Uniform Presentation of Finances".

This section of the LTFP is broken into three key elements as follows:

» A summary of all operating income and expenditure to highlight the Net Operating Surplus
» Net Outlays on Existing Assets after providing for depreciation and proceeds from any replacement asset sales
» Net outlays on new and upgraded assets after providing for grants received and proceeds from any surplus asset sales

The result of these three elements for each forecast year represents the impact on Council's net financial liabilities whereby a net lending result reduces net financial liabilities, and a net borrowing result increasing net financial liabilities.

Statement of Comprehensive Income

This Statement provides a 10 year projection of operating income and expenditure using the 2018/19 adjusted Budget as the base year. The projections result from the application of the indices mentioned in a subsequent section of this Plan.

Key points of note include:

» Rates revenue is shown to increase by CPI +1.75% from 2020-21 through 2022-23. The 1.75% in initial years is attributable to:
    o growth from new development of 0.75%, and
    o a 1% increase to support increased levels of renewal of capital works as forecast within current Asset Management Plans.
   From 2023-24 the increase applied is CPI + 0.5% (growth).
» Employee costs increase by 2.45% to 2021-22 in line with predicted Enterprise Development Agreements and then 2.70% in subsequent years in line with forecasts for average weekly earnings. Both percentages include a provision for revaluation of current provisions and grade step increases.
» An allowance has been made for the proposed increase in Superannuation Guarantee levy from 2021-22.
» Materials, Contractors and Other costs increased by CPI as well as being driven by projected movements in the cost of Power, Water and Waste.

Statement of Financial Position

This Statement provides a 10 year projection of Council's assets and liabilities using the projected 30 June 20209 Budget as the base year. The projections result from proposed capital expenditure emanating from the Asset Management Plans and adopted strategies, together with borrowings necessary to meet those capital requirements, and net funding generated by operations.

Key points of note include:

» The Written Down Value (WDV) of Infrastructure and Fixed Assets increases from $424m to $504m over the ten year term.
» Borrowings (both short term including draw down and long term) peak at $25m in 2024-25.

Capital Investment by Asset Category

The Asset Management Plans are currently being reviewed given the previous adopted Plans were completed seven years ago in 2012 (refer to Council's website for details).

This review has highlighted the need for additional renewal expenditure in some of the infrastructure categories which has been provided for within the current LFTP.

Key points of note include:

» Total capital expenditure projected over the 10 year period totals $126m of which $110m has been allocated to the renewal of current assets.
» $16m allocated to new, capacity/upgraded assets is derived from Council's current adopted Strategic Plan and endorsed Functional Strategies. However given that many of the initiatives are ongoing it was considered appropriate to realign the strategic initiative expenditure (both operating and capital) in accordance with the draft new Strategic Plan currently out for consultation. A separate summary of this amount broken down into the draft new Strategic Plan Objectives and Priorities is provided in a subsequent section of the LTFP.

Summary of New Strategic Initiatives Expenditure

This section provides a detailed breakdown of all <u>new</u> expenditure that has been included within the LTFP to ensure that the Strategic Plan and related Strategies can be delivered. Information is broken down into each goal area and strategic objective within the draft new Strategic Plan. For a number of objectives, there is no additional funding required over and above existing operational requirements for delivering the strategy and as such the summary of total strategic initiatives expenditure shows $Nil across projected years.

At the end of this section the amounts that have been brought into each year of the LTFP for both operating and capital expenditure are provided and show that the 10 year forecast requires $15.9m in capital and $16.8m in operating.

The overall total includes an amount of $350k as an allowance for Strategic Operating Initiatives identified as part of the 2020-21 Annual Business Plan and Budget Build. This will be refined as part of Budget Workshops to be conducted later in the 2019-20 financial year.

The allowance for Strategic Operating Initiatives has been increased from $350k in 2020-21 to $450k in 2021-22 and $550k in 2022-23. In subsequent years an amount of $600k has been allowed for Strategic Operating Initiatives.

Economic Indicators

A key element of the LTFP relates to the economic indicators and indices used to project future year's income and expenditure. All the indices are changeable, and the effects of any amendment will flow through to the financial projections and associated graphs.

A summary of these indices is as follows:

» Consumer Price Index (CPI) is used as a primary driver for income and expenditure in the model.   2.25% has been used for period 2020-21 to 2022-23 and 2.4% in subsequent years.
» 'Rates' indices are adjustable for growth (new development) or rate increase over CPI. As previously indicated rates revenue is shown to increase by CPI +1.75% from 2020-21 through to 2022-23. The 1.75% in initial years is attributable to growth from new development of 0.75% in addition to a 1% increase to support increased levels of renewal of capital works as forecast within current Asset Management Plans. After 2022-23 the increase applied is CPI + 0.5% (growth).
» Employee costs increase by 2.45% to 2021-22 in line with predicted Enterprise Development Agreements and then 2.70% in subsequent years in line with forecasts for average weekly earnings. Both percentages include a provision for revaluation of current provisions and grade step increases.
» For materials, contracts and other expenditure, unique indices have been applied where it is expected costs will vary significantly from CPI. In the current model separate indices have been included for waste collection, power and water.
» Estimated future interest rates relating to loans (borrowings) and Cash Advance Debenture (CAD) interest have been included.

Risks Associated with the Long Term Financial Plan

The LTFP has been developed based on the best information and assumptions available at the time. However, users of this information should be aware that there are risks associated with using estimated increases to Consumer Price Index (CPI), Local Government Price Index (LGPI), Average Weekly Earnings (AWE) and predictions in finance costs and interest rates. In addition, the LTFP may be impacted by events such as new legislation or disasters (Cudlee Creek bushfire will have an impact on Council from an expenditure and funding perspective and therefore will be a matter for future LTFP consideration) that could materially affect the projected outcomes and results of the LTFP.

Council is aware that Campbelltown City Council (CCC) has received approval from the Boundaries Commission to lodge a Stage 2 proposal for the boundary between CCC and Adelaide Hills Council to be realigned to the eastern and southern side of Woodforde and Rostrevor suburbs, effectively moving those suburbs into CCC's area. Given that boundary change process involves a number of assessments (and these are still to occur) prior to the Commission determining whether to recommend a change, no adjustment has been made to Council's LTFP for any possible impact on rates revenue, servicing costs and capital expenditure.

In order to reduce risk the plan is reviewed and updated annually to incorporate the best available information for a given point in time. In addition, the LTFP and its assumptions are reviewed by Council's Audit Committee.

Adelaide Hills Council
10 Year Financial Plan for the Years ending 30 June 2030
UNIFORM PRESENTATION OF FINANCES
2020-21 Long Term Financial Plan for Consultation

	Actuals 2018-19 $'000	Current Year 2019-20 $'000	2020-21 $'000	2021-22 $'000	2022-23 $'000	2023-24 $'000	Projected Years 2024-25 $'000	2025-26 $'000	2026-27 $'000	2027-28 $'000	2028-29 $'000	2029-30 $'000
Operating Activities												
Income	45,560	46,239	46,707	48,562	50,328	51,859	53,301	54,784	56,309	57,876	59,488	61,146
less Expenses	(44,609)	(45,828)	(46,386)	(48,325)	(50,091)	(51,472)	(52,853)	(54,294)	(55,932)	(57,438)	(58,825)	(60,489)
Operating Surplus / (Deficit)	**951**	**411**	**321**	**237**	**236**	**387**	**448**	**490**	**377**	**439**	**664**	**658**
Capital Activities												
less (Net Outlays) on Existing Assets												
Capital Expenditure on Renewal and Replacement of Existing Assets	(10,090)	(11,616)	(10,860)	(10,238)	(10,884)	(11,083)	(11,123)	(11,026)	(10,702)	(11,041)	(11,952)	(11,287)
add back Depreciation, Amortisation and Impairment	8,826	8,945	9,237	9,771	10,066	10,451	10,731	11,022	11,312	11,613	11,919	12,232
add back Proceeds from Sale of Replaced Assets	497	648	646	523	651	574	657	500	698	662	748	587
(Net Outlays) on Existing Assets	**(767)**	**(2,023)**	**(977)**	**56**	**(167)**	**(58)**	**265**	**496**	**1,308**	**1,234**	**715**	**1,532**
less (Net Outlays) on New and Upgraded Assets												
Capital Expenditure on New and Upgraded Assets												
(including Investment Property & Real Estate Developments)	(3,877)	(6,651)	(5,908)	(3,422)	(1,518)	(783)	(1,015)	(565)	(845)	(655)	(655)	(545)
add back Amounts Received Specifically for New and Upgraded Assets	425	1,311	232	100	100	-	-	-	-	-	-	-
add back Proceeds from Sale of Surplus Assets												
(including Investment Property & and Real Estate Developments)	9,146	3,014	-	1,000	-	-	-	-	-	-	-	-
(Net Outlays) on New and Upgraded Assets	**5,694**	**(2,326)**	**(5,676)**	**(2,322)**	**(1,418)**	**(783)**	**(1,015)**	**(565)**	**(845)**	**(655)**	**(655)**	**(545)**
Net Lending / (Borrowing) for Financial Year	**5,878**	**(3,938)**	**(6,332)**	**(2,029)**	**(1,348)**	**(455)**	**(302)**	**421**	**840**	**1,018**	**724**	**1,645**

In a year the financing transactions identified below are associated with either applying surplus funds stemming
from a net lending result or accommodating the funding requirement stemming from a net borrowing result.

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Financing Transactions												
New Borrowings	-	3,000	12,200	3,300	3,100	2,400	7,600	2,600	2,500	2,700	3,300	2,800
Principal Repayments on Borrowings	(77)	(62)	(5,263)	(1,329)	(1,653)	(1,964)	(7,223)	(2,904)	(3,217)	(3,536)	(3,885)	(4,299)
(Increase)/Decrease in Cash & Drawdown	6,434	-	-	-	-	-	-	-	-	-	-	-
(Increase)/Decrease in Working Capital	(1,092)	2,086	275	193	37	156	63	22	16	(42)	3	(3)
Community Loans repaid to us	-	-	-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Remediation Provision	745	(204)	(780)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)
Repayment of Aged Care Facility Deposits	-	(782)	-	-	-	-	-	-	-	-	-	-
Non Cash Equity Movement	(132)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
How the Net Borrowing/(Lending) is accommodated/(applied)	**5,878**	**3,938**	**6,332**	**2,029**	**1,348**	**455**	**302**	**(421)**	**(840)**	**(1,018)**	**(724)**	**(1,645)**

	Actuals	Current Year					Projected Years					
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Income												
Rates	36,915	38,741	40,228	41,795	43,425	44,780	46,055	47,367	48,717	50,106	51,534	53,004
Statutory Charges	1,172	1,141	1,159	1,186	1,212	1,241	1,271	1,302	1,333	1,365	1,398	1,431
User Charges	1,007	621	720	897	920	972	996	1,020	1,044	1,069	1,095	1,121
Grants, Subsidies and Contributions	5,123	4,890	3,831	3,901	3,973	4,052	4,149	4,248	4,350	4,455	4,562	4,671
Investment Income	41	26	26	26	26	26	26	26	26	26	26	26
Reimbursements	516	212	214	219	224	229	235	240	246	252	258	264
Other Income	648	509	429	438	448	459	470	481	493	505	517	529
Net gain - equity accounted Council businesses	138	100	100	100	100	100	100	100	100	100	100	100
Total Income	**45,560**	**46,239**	**46,707**	**48,562**	**50,328**	**51,859**	**53,301**	**54,784**	**56,309**	**57,876**	**59,488**	**61,146**
Expenses												
Employee Costs	15,923	17,262	17,684	18,150	18,683	19,246	19,847	20,467	21,105	21,667	22,244	22,837
Materials, Contracts & Other Expenses	19,231	19,018	18,715	19,704	20,577	20,947	21,373	21,879	22,568	23,209	23,716	24,467
Depreciation, Amortisation & Impairment	8,826	8,945	9,237	9,771	10,066	10,451	10,731	11,022	11,312	11,613	11,919	12,232
Finance Costs	623	604	750	700	764	828	903	927	947	948	945	952
Net loss - Equity Accounted Council Businesses	6	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	**44,609**	**45,828**	**46,386**	**48,325**	**50,091**	**51,472**	**52,853**	**54,294**	**55,932**	**57,438**	**58,825**	**60,489**
Operating Surplus / (Deficit)	**951**	**411**	**321**	**237**	**236**	**387**	**448**	**490**	**377**	**439**	**664**	**658**
Asset Disposal & Fair Value Adjustments	(95)	-	-	-	-	-	-	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	425	1,311	232	100	100	-	-	-	-	-	-	-
Physical Resources Received Free of Charge	1,982	-	-	-	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	**3,263**	**1,722**	**553**	**337**	**336**	**387**	**448**	**490**	**377**	**439**	**664**	**658**
Other Comprehensive Income												
Amounts which will not be reclassified subsequently to operating result												
Changes in Revaluation Surplus - I,PP&E	59,526	5,000	5,123	5,248	5,377	5,516	5,660	5,807	5,958	6,113	6,272	6,435
Share of Other Comprehensive Income - Equity Accounted Council Businesses	240	-	-	-	-	-	-	-	-	-	-	-
Impairment (Expense) / Recoupments Offset to Asset Revaluation Reserve	(184)	-	-	-	-	-	-	-	-	-	-	-
Other	139	-	-	-	-	-	-	-	-	-	-	-
Total Other Comprehensive Income	**59,721**	**5,000**	**5,123**	**5,248**	**5,377**	**5,516**	**5,660**	**5,807**	**5,958**	**6,113**	**6,272**	**6,435**
Total Comprehensive Income	**62,984**	**6,722**	**5,675**	**5,585**	**5,713**	**5,903**	**6,108**	**6,297**	**6,335**	**6,552**	**6,936**	**7,093**

	Actuals	Current Year					Projected Years					
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS												
Current Assets												
Cash & Cash Equivalents	2,025	469	474	496	500	500	500	500	500	500	500	500
Trade & Other Receivables	2,541	2,644	2,600	2,720	2,812	2,891	2,967	3,046	3,129	3,214	3,299	3,389
Other Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	19	19	19	19	19	19	19	19	19	19	19	19
Non-current assets classified as "Held for Sale"	1,530	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	6,115	3,132	3,093	3,235	3,331	3,410	3,487	3,565	3,648	3,733	3,818	3,908
Non-Current Assets												
Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-
Equity Accounted Investments in Council Businesses	1,350	1,450	1,550	1,650	1,750	1,850	1,950	2,050	2,150	2,250	2,350	2,450
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	424,101	436,291	448,299	455,913	462,974	469,332	475,742	481,618	487,113	492,647	498,859	504,306
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-	-	-
Other Non-Current Assets	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	425,451	437,741	449,849	457,563	464,724	471,182	477,692	483,668	489,263	494,897	501,209	506,756
TOTAL ASSETS	431,566	440,873	452,942	460,798	468,055	474,593	481,179	487,234	492,912	498,630	505,027	510,664
LIABILITIES												
Current Liabilities												
Cash Advance Debenture	-	794	1,034	1,166	1,110	1,236	1,257	1,226	1,163	1,054	1,011	926
Trade & Other Payables	5,446	4,504	4,501	4,705	4,893	5,002	5,120	5,253	5,415	5,567	5,699	5,870
Borrowings	62	5,263	1,329	1,653	1,964	7,223	2,904	3,217	3,536	3,885	4,299	4,343
Provisions	3,048	2,935	2,852	2,844	2,837	2,830	2,824	2,819	2,815	2,811	2,808	2,808
Other Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities relating to Non-Current Assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	8,556	13,496	9,716	10,367	10,804	16,292	12,106	12,515	12,929	13,318	13,817	13,947
Non-Current Liabilities												
Trade & Other Payables	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	10,000	7,737	18,608	20,255	21,391	16,568	21,263	20,647	19,611	18,425	17,427	15,884
Provisions	1,398	1,307	609	582	554	523	492	458	423	386	347	305
Liability - Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-	-	-
Other Non-Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities relating to Non-Current Assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	11,398	9,043	19,217	20,837	21,945	17,091	21,755	21,105	20,034	18,811	17,774	16,189
TOTAL LIABILITIES	19,954	22,540	28,933	31,205	32,748	33,383	33,861	33,619	32,963	32,129	31,590	30,135
Net Assets	411,612	418,334	424,009	429,594	435,307	441,210	447,318	453,614	459,949	466,501	473,436	480,529
EQUITY												
Accumulated Surplus	141,348	143,070	143,622	143,959	144,296	144,683	145,130	145,620	145,997	146,436	147,100	147,757
Asset Revaluation Reserves	269,691	274,691	279,814	285,062	290,438	295,954	301,614	307,421	313,379	319,492	325,764	332,199
Available for Sale Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Reserves	573	573	573	573	573	573	573	573	573	573	573	573
Total Equity	411,612	418,334	424,009	429,594	435,307	441,210	447,318	453,614	459,949	466,501	473,436	480,529

Adelaide Hills Council
STATEMENT OF COMPREHENSIVE INCOME
CAPITAL INVESTMENT BY ASSET CATEGORY
2020-21 Long Term Financial Plan for Consultation

	2019-20	2020-21	2021-22	2022-23	2023-24	Projected Years 2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
RENEWAL CAPITAL WORKS											
Bridges	235	218	224	246	164	164	82	80	100	118	109
Buildings	735	951	799	502	399	685	638	762	582	613	656
CWMS	171	50	50	55	582	0	391	83	200	251	185
Footpaths	567	400	400	400	400	400	400	400	400	400	400
Kerb & Water	280	300	300	300	300	300	300	300	300	300	300
Other (Guardrail/RetWalls/Cemeteries/SFurniture/Traffic Controls)	180	320	150	150	150	150	150	150	150	150	150
Road Pavement	1,126	957	1,054	875	1,122	921	1,149	398	613	841	784
Road Seal	1,158	1,200	1,540	1,580	1,620	2,099	2,154	2,210	2,267	2,326	2,211
Shoulders	400	400	400	400	400	400	400	400	400	400	400
Sport and Recreation	1,088	500	600	625	408	157	150	210	207	226	190
Playgrounds	0	600	120	600	600	400	400	400	400	440	408
Stormwater	382	40	40	370	610	430	300	300	300	388	344
Unsealed Roads	1,441	1,500	1,400	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Heavy Plant	1,593	1,039	747	960	436	1,092	471	890	967	1,216	501
Light Fleet	630	649	632	689	709	690	753	775	754	822	847
Information, Communication & Technology	274	318	326	334	342	351	360	370	379	389	370
Minor Plant & Equipment	30	60	60	60	60	60	60	60	60	60	60
Library	42	35	35	35	35	35	35	35	35	35	35
Project Management Costs	1,284	1,323	1,362	1,403	1,445	1,489	1,533	1,579	1,627	1,675	1,726
TOTAL RENEWAL CAPITAL WORKS:	**11,616**	**10,860**	**10,238**	**10,884**	**11,083**	**11,123**	**11,026**	**10,702**	**11,041**	**11,952**	**10,976**
NEW, CAPACITY / UPGRADE CAPITAL WORKS											
Bridges	0	0	0	0	0	0	0	0	0	0	0
Buildings	2,667	1,325	1,800	168	168	150	100	100	100	100	100
CWMS	410	480	710	550	0	400	0	290	100	100	0
Footpaths	592	1,222	269	275	275	275	275	275	275	275	275
Kerb & Water	0	180	0	0	0	0	0	0	0	0	0
Other	752	786	313	280	170	170	170	170	170	170	170
Road Pavement	782	250	0	0	0	0	0	0	0	0	0
Road Seal	70	0	0	0	0	0	0	0	0	0	0
Shoulders	0	0	0	0	0	0	0	0	0	0	0
Sport & Rec	622	200	225	225	150	0	0	0	0	0	0
Playgrounds	0	0	0	0	0	0	0	0	0	0	0
Stormwater	657	490	50	0	0	0	0	0	0	0	0
Street Lighting	905	590	0	0	0	0	0	0	0	0	0
Unsealed Roads	0	0	0	0	0	0	0	0	0	0	0
Plant and Fleet	0	20	20	20	20	20	20	10	10	10	0
ICT	55	330	0	0	0	0	0	0	0	0	0
Minor Plant	0	35	35	0	0	0	0	0	0	0	0
Minor Equipment including Library	0	0	0	0	0	0	0	0	0	0	0
Project Management Costs	0	0	0	0	0	0	0	0	0	0	0
TOTAL NEW CAPACITY / UPGRADE CAPITAL WORKS:	**7,512**	**5,908**	**3,422**	**1,518**	**783**	**1,015**	**565**	**845**	**655**	**655**	**545**
TOTAL CAPITAL WORKS:	**19,127**	**16,768**	**13,660**	**12,402**	**11,866**	**12,138**	**11,591**	**11,547**	**11,696**	**12,607**	**11,521**
PROCEEDS FROM SALE OF REPLACED ASSETS											
Proceeds - Heavy Plant	314	302	189	286	198	292	102	288	263	313	139
Proceeds - Light Fleet	334	344	334	365	376	365	398	410	399	435	448
PROCEEDS FROM SALE OF REPLACED ASSETS:	**648**	**646**	**523**	**651**	**574**	**657**	**500**	**698**	**662**	**748**	**587**
AMOUNTS RECEIVED SPECIFICALLY FOR NEW/UPGRADED ASSETS											
Grants for New/Upgrade Assets	1,311	232	100	100	0	0	0	0	0	0	0
TOTAL AMOUNTS RECEIVED FOR NEW/UPGRADED ASSETS:	**1,311**	**232**	**100**	**100**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
PROCEEDS FROM SALE OF SURPLUS ASSETS											
Proceeds - Retirement Village Divestment	1,422	0	0	0	0	0	0	0	0	0	0
Proceeds - AHBTC Divestment	1,530	0	1,000	0	0	0	0	0	0	0	0
Proceeds - Other	0	0	0	0	0	0	0	0	0	0	0
TOTAL PROCEEDS FROM SALE OF SURPLUS ASSETS	**2,952**	**-**	**1,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Adelaide Hills Council STATEMENT OF COMPREHENSIVE INCOME SUMMARY OF TOTAL STRATEGIC INITIATIVES EXPENDITURE 2020-21 Long Term Financial Plan for Consultation	Priority	Current Year 2019-20 $'000	2020-21 $'000	2021-22 $'000	2022-23 $'000	2023-24 $'000	Projected Years 2024-25 $'000	2025-26 $'000	2026-27 $'000	2027-28 $'000	2028-29 $'000	2029-30 $'000
BUILT ENVIRONMENT												
B1 - Easily Accessible												
High Priority Trails and routes for cyclists and pedestrians	B1.1	150	75	75	75	75	75	75	75	75	75	75
Built environment design and delivery to improve outcomes for the aged	B1.2	0	0	0	0	0	0	0	0	0	0	0
Progress state-wide and inter-regional cyclist route connectivity	B1.3	236	990	0	0	0	0	0	0	0	0	0
Accessibility for heavy vehicles through industry and government engagement	B1.4	0	0	0	0	0	0	0	0	0	0	0
Users roads, footpath and trail network maintained in line with service levels	B1.5	441	717	234	260	200	200	200	200	200	200	200
		827	**1,782**	**309**	**335**	**275**	**275**	**275**	**275**	**275**	**275**	**275**
B2 - Preserve and enhance the unique Hills character												
Embrace and support community led place-making	B2.1	1,168	1,314	50	50	50	0	0	0	0	0	0
Incorporate and advocate WSUD principles within all regional development	B2.2	52	20	0	0	0	0	0	0	0	0	0
Ensure built form enhances existing and preserves character and amenity	B2.3	0	0	0	0	0	0	0	0	0	0	0
Ensure planning framework supports privately owned heritage	B2.4	20	20	20	0	0	0	0	0	0	0	0
Pursue World Heritage Bid	B2.5	0	0	0	0	0	0	0	0	0	0	0
		1,240	**1,354**	**70**	**50**	**50**	**0**	**0**	**0**	**0**	**0**	**0**
B3 - Long term asset management and adaptation planning												
Improve water security	B3.1	170	120	395	375	100	0	0	0	0	0	0
Strive towards carbon neutrality and aim to achieve 100% renewable energy	B3.2	712	140	170	50	50	50	0	0	0	0	0
Promote circular economy and source recyclable materials for projects	B3.3	0	0	0	0	0	0	0	0	0	0	0
Adapt built environment to minimise natural hazards impact	B3.4	0	0	0	0	0	0	0	0	0	0	0
		882	**260**	**565**	**425**	**150**	**50**	**0**	**0**	**0**	**0**	**0**
B4 - Sustainable management of our built assets												
Ensure long term sustainable management of built form & public spaces	B4.1	282	130	0	0	0	0	0	0	0	0	0
Embrace technology to enhance provision of efficient services to Community	B4.2	0	0	0	0	0	0	0	0	0	0	0
Functional & adaptive Council & community owned assets that are equitably funded	B4.3	646	617	648	450	100	500	100	390	200	200	100
Improve road safety	B4.4	822	200	200	200	150	150	150	150	150	150	150
Explore and provide infrastructure to support emerging transport technology	B4.5	0	55	55	20	20	20	20	10	10	10	0
		1,750	**1,002**	**903**	**670**	**270**	**670**	**270**	**550**	**360**	**360**	**250**
NET EXPENDITURE FOR BUILT ENVIRONMENT		**4,698**	**4,398**	**1,847**	**1,480**	**745**	**995**	**545**	**825**	**635**	**635**	**525**

Adelaide Hills Council STATEMENT OF COMPREHENSIVE INCOME SUMMARY OF TOTAL STRATEGIC INITIATIVES EXPENDITURE 2020-21 Long Term Financial Plan for Consultation	Priority	Current Year 2019-20 $'000	Projected Years									
			2020-21 $'000	2021-22 $'000	2022-23 $'000	2023-24 $'000	2024-25 $'000	2025-26 $'000	2026-27 $'000	2027-28 $'000	2028-29 $'000	2029-30 $'000
COMMUNITY WELLBEING												
C1 - An inclusive, welcoming and accessible community												
Provide welcoming spaces and places for the community	C1.1	0	0	0	0	0	0	0	0	0	0	0
Support & promote opportunities for social inclusion & celebrate cultural diversity	C1.2	0	0	0	0	0	20	20	20	20	20	20
Make the district more accessible and welcoming for all	C1.3	45	46	47	48	49	51	52	53	54	56	57
Provide opportunities to improve transport options for those who need it most	C1.4	0	0	0	0	0	0	0	0	0	0	0
		45	**46**	**47**	**48**	**49**	**71**	**72**	**73**	**74**	**76**	**77**
C2 - A connected, engaged and supported community Lead												
Provide community a range of programs and opportunities to connect and engage	C2.1	0	0	0	0	0	0	0	0	0	0	0
Support our ageing community to access services and participate	C2.2	0	0	0	20	0	0	0	0	0	0	0
Engage with our youth	C2.3	11	11	11	11	11	11	11	11	11	11	11
Increase participation from Community to shape policies, places and decisions	C2.4	0	0	0	0	0	0	0	0	0	0	0
		11	**11**	**11**	**31**	**11**	**11**	**11**	**11**	**11**	**11**	**11**
C3 - A community that grows together												
Provide & support personal growth, lifelong learning & professional development	C3.1	39	40	41	43	44	45	47	48	49	51	52
Support volunteering	C3.2	0	0	0	0	0	0	0	0	0	0	0
Empower our community groups and leaders	C3.3	0	0	0	0	0	0	0	0	0	0	0
Build partnerships with community and other stakeholders	C3.4	0	0	0	0	0	0	0	0	0	0	0
		39	**40**	**41**	**43**	**44**	**45**	**47**	**48**	**49**	**51**	**52**
C4 - An active, healthy, thriving and resilient community												
Support community wellbeing	C4.1	20	41	42	43	44	46	47	48	50	51	53
Support the provision of sport, recreation and playspaces for the community	C4.2	502	82	85	87	90	92	94	97	100	102	105
Support both commuter and recreational trail opportunities	C4.3	0	0	0	0	0	0	0	0	0	0	0
Support clubs & groups to continue to provide S&R activities to the community	C4.4	0	0	0	0	0	0	0	0	0	0	0
Take an all hazards approach during and after disaster events	C4.5	0	0	50	60	60	0	0	0	0	0	0
		522	**123**	**177**	**190**	**194**	**138**	**141**	**145**	**150**	**154**	**158**
C5 - Respect for Aboriginal Culture and values												
Partner with ATSI community with Reconciliation activities	C5.1	0	0	5	5	5	5	5	5	5	5	5
Celebrate and recognise Aboriginal culture and heritage with community	C5.2	0	10	10	10	10	10	10	10	10	10	10
		0	**10**	**15**	**15**	**15**	**15**	**15**	**15**	**15**	**15**	**15**
C6 - Celebrate our community's unique culture												
Develop Fabrik as a vibrant cultural hub	C6.1	(574)	1,383	740	317	311	302	310	319	328	337	348
Develop, support and bring events to our district to derive benefit	C6.2	18	15	15	35	35	35	35	35	35	35	35
Recognise, encourage and support the Arts	C6.3	0	0	0	0	0	0	0	0	0	0	0
Foster the development of Public Art to public spaces and community	C6.4	3	3	15	15	15	15	15	15	15	15	15
		(553)	**1,401**	**770**	**367**	**361**	**352**	**360**	**369**	**378**	**387**	**398**
NET EXPENDITURE FOR COMMUNITY WELLBEING		**64**	**1,631**	**1,061**	**694**	**675**	**631**	**646**	**662**	**677**	**694**	**712**

Adelaide Hills Council STATEMENT OF COMPREHENSIVE INCOME SUMMARY OF TOTAL STRATEGIC INITIATIVES EXPENDITURE 2020-21 Long Term Financial Plan for Consultation	Priority	Current Year 2019-20 $'000	Projected Years									
			2020-21 $'000	2021-22 $'000	2022-23 $'000	2023-24 $'000	2024-25 $'000	2025-26 $'000	2026-27 $'000	2027-28 $'000	2028-29 $'000	2029-30 $'000
ECONOMY												
E1 - Support and grow our region's existing and emerging industries												
Support and encourage local and international tourists	E1.1	0	0	0	0	0	0	0	0	0	0	0
Ensure the full potential of region's primary production and value adding activities	E1.2	0	0	0	0	0	0	0	0	0	0	0
Support and encourage region's creative industry micro businesses	E1.3	0	0	0	0	0	0	0	0	0	0	0
Facilitate a creative, innovative and productive economic environment	E1.4	0	100	103	106	108	111	114	117	121	124	127
Engage & assist business & industry groups to be resilient, proactive & successful	E1.5	0	0	0	0	0	0	0	0	0	0	0
Encourage and facilitate local supplier participation	E1.6	0	0	0	0	0	0	0	0	0	0	0
		0	**100**	**103**	**106**	**108**	**111**	**114**	**117**	**121**	**124**	**127**
E2 - Provide local infrastructure to drive growth and productivity												
Work with all Govts to ensure infrastructure needs are understood & prioritised	E2.1	0	0	0	0	0	0	0	0	0	0	0
Explore and advocate new technology opportunities	E2.2	0	0	0	0	0	0	0	0	0	0	0
Support changes to planning to achieve sustainable economic development	E2.3	0	0	0	0	0	0	0	0	0	0	0
Encourage more housing opportunities where provided in Development Plan	E2.4	0	0	0	0	0	0	0	0	0	0	0
Maintain/manage Council assets to maximise utilisation/benefit to community	E2.5	15	25	15	15	15	15	15	15	15	15	15
		15	**25**	**15**	**15**	**15**	**15**	**15**	**15**	**15**	**15**	**15**
E3 - Encourage, attract and retain regional workforce												
Attract & encourage professional & business development & networking activities	E3.1	0	0	0	0	0	0	0	0	0	0	0
Understand skills our region's businesses will require to prosper into the future	E3.2	0	0	0	0	0	0	0	0	0	0	0
Enable start-ups & /home based business	E3.3	0	0	0	0	0	0	0	0	0	0	0
		0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
E4 - Cultivation of regional identity												
Develop a collective vision to connect the region and its industries	E4.1	0	0	0	0	0	0	0	0	0	0	0
Encourage projects that enhance and support the regional identity	E4.2	0	0	0	0	0	0	0	0	0	0	0
Support and encourage events that derive benefits & supports the region's identity	E4.3	0	0	0	0	0	0	0	0	0	0	0
Support World Heritage nomination for region	E4.4	0	0	0	0	0	0	0	0	0	0	0
		0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
E5 - Encourage & Support Positive regional Population Growth												
Create active, attractive and vibrant places through local communities & business	E5.1	0	0	0	0	0	0	0	0	0	0	0
NET EXPENDITURE FOR ECONOMY		**15**	**125**	**118**	**121**	**123**	**126**	**129**	**132**	**136**	**139**	**142**

Adelaide Hills Council STATEMENT OF COMPREHENSIVE INCOME **SUMMARY OF TOTAL STRATEGIC INITIATIVES EXPENDITURE** 2020-21 Long Term Financial Plan for Consultation	Priority	Current Year 2019-20 $'000	Projected Years									
			2020-21 $'000	2021-22 $'000	2022-23 $'000	2023-24 $'000	2024-25 $'000	2025-26 $'000	2026-27 $'000	2027-28 $'000	2028-29 $'000	2029-30 $'000
NATURAL ENVIRONMENT												
N1 - Conserve and enhance landscape character and amenity												
Enhance/manage horticultural amenity, including street trees succession planning	N1.1	0	0	0	0	0	0	0	0	0	0	0
Manage reserves & open space, whilst balancing biodiversity conservation, resource use &	N1.2	20	0	0	0	0	0	0	0	0	0	0
		20	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
N2 - improve environmental resilience												
Monitor/manage high biodiversity/habitat value areas on Council reserves/NVMS sites	N2.1	150	153	156	166	169	172	175	179	182	185	189
Explore/take appropriate actions re threats to biodiversity	N2.2	0	30	30	0	0	0	0	0	0	0	0
Mitigate bushfire risks by undertaking fuel reduction activities	N2.3	0	0	0	40	28	20	18	0	0	0	0
		150	**183**	**186**	**206**	**197**	**192**	**193**	**179**	**182**	**185**	**189**
N3 - Partnerships and collaborations to manage natural environment												
Increase knowledge & environmental awareness through engagement & education	N3.1	16	3	3	3	3	3	3	3	3	3	3
Collaborate and engage with organisations to improve biodiversity outcomes	N3.2	0	0	0	0	0	0	0	0	0	0	0
Continue to partner with Resilient Hills & Coasts to address climate change impacts	N3.3	60	60	80	40	40	10	10	10	10	10	10
		76	**63**	**83**	**43**	**43**	**13**	**13**	**13**	**13**	**13**	**13**
N4 - Reduce the impact of waste to landfill												
Consider incentives to produce less property kerbside waste and recycle more	N4.1	7	0	0	0	0	0	0	0	0	0	0
Achieve improved Green Organics environmental outcomes	N4.2	15	0	0	0	0	0	0	0	0	0	0
Increase community level of food scrap recycling through education	N4.3	0	0	0	0	0	0	0	0	0	0	0
Implement new/improved waste service opportunities	N4.4	40	0	0	0	0	0	0	0	0	0	0
		62	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
N5 - Assist our community to reduce the impact of waste to landfill												
Advocate Waste Management Hierarchy principles to avoid, reduce & reuse waste	N5.1	0	0	0	0	0	0	0	0	0	0	0
Prevent valuable resources going to landfill and reduce kerbside contamination	N5.2	10	10	0	0	0	0	0	0	0	0	0
		10	**10**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
NET EXPENDITURE FOR NATURAL ENVIRONMENT		**318**	**256**	**269**	**249**	**240**	**205**	**206**	**192**	**195**	**198**	**202**
ORGANISATION												
O1 - People	O1	58	59	49	10	10	30	10	10	30	10	10
O2 - Easy to interact with Council and improved customer experience	O2	10	310	10	10	10	10	10	10	10	10	10
O3 - Financially sustainable for both current and future generations	O3	135	77	89	27	10	0	20	0	10	0	0
O4 - We actively represent our community	O4	0	0	0	193	0	0	0	212	0	0	0
O5 - Accountable, informed decision making	O5	29	64	9	10	15	10	10	15	10	10	10
O6 - Utilisation of Technology and innovation	O6	35	0	65	60	60	60	60	60	60	60	60
NET EXPENDITURE FOR ORGANISATION		**267**	**509**	**222**	**310**	**105**	**110**	**110**	**307**	**120**	**90**	**90**
OPERATING INITIATIVES UNALLOCATED		**0**	**350**	**450**	**550**	**600**	**600**	**600**	**600**	**600**	**600**	**600**
STRATEGIC PLAN TOTAL		**5,362**	**7,270**	**3,967**	**3,404**	**2,488**	**2,668**	**2,237**	**2,718**	**2,363**	**2,356**	**2,271**
ALLOCATION TO LTFP		**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**
TOTAL NET NEW, CAPACITY/UPGRADE CAPITAL INITIATIVES		**4,452**	**5,908**	**2,422**	**1,518**	**783**	**1,015**	**565**	**845**	**655**	**655**	**545**
TOTAL OPERATING INITIATIVES		**910**	**1,362**	**1,545**	**1,886**	**1,705**	**1,653**	**1,672**	**1,873**	**1,708**	**1,701**	**1,726**
GRAND TOTAL STRATEGIC INITIATIVES		**5,362**	**7,270**	**3,967**	**3,404**	**2,488**	**2,668**	**2,237**	**2,718**	**2,363**	**2,356**	**2,271**

IMPORTANT: The funding allocated within this table represents ADDITIONAL funding to support specific initiatives relating to the above Strategies and Plans. Where no additional funding is provided above, the existing allocations within the recurrent operating budget of Council is considered sufficient to ensure the above Strategies and Plans can be progressed.

Adelaide Hills Council 10 Year Financial Plan for the Years ending 30 June 2029 **ECONOMIC INDICATORS** 2020-21 Long Term Financial Plan for Consultation	Current Year 2019-20 $'000	Projected Years 2020-21 $'000	2021-22 $'000	2022-23 $'000	2023-24 $'000	2024-25 $'000	2025-26 $'000	2026-27 $'000	2027-28 $'000	2028-29 $'000	2029-30 $'000
GENERAL INDEXATION:											
CPI - Adelaide	1.70%	2.25%	2.25%	2.25%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
LGPI - Operating	2.07%	2.45%	2.45%	2.45%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
CPI - LGPI diff	0.37%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
LGPI - Capital	2.07%	2.45%	2.45%	2.45%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
Indice Applied to General Revenue	**1.70%**	**2.25%**	**2.25%**	**2.25%**	**2.40%**	**2.40%**	**2.40%**	**2.40%**	**2.40%**	**2.40%**	**2.40%**
Indice Applied to General Expenditure	**1.70%**	**2.25%**	**2.25%**	**2.25%**	**2.40%**	**2.40%**	**2.40%**	**2.40%**	**2.40%**	**2.40%**	**2.40%**
Indice Applied to Depreciation & Capital	**2.07%**	**2.45%**	**2.45%**	**2.45%**	**2.60%**	**2.60%**	**2.60%**	**2.60%**	**2.60%**	**2.60%**	**2.60%**
EMPLOYMENT COSTS:											
AWE - Australia	1.70%			2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Enterprise Agreement	2.25%	2.25%	2.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Leave Revaluation	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Grade Step Increases	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Indice Applied to LTFP	**4.15%**	**2.45%**	**2.45%**	**2.70%**	**2.70%**	**2.70%**	**2.70%**	**2.70%**	**2.70%**	**2.70%**	**2.70%**
Superannuation	**9.50%**	**9.50%**	**9.50%**	**10.00%**	**10.50%**	**11.00%**	**11.50%**	**12.00%**	**12.00%**	**12.00%**	**12.00%**
Superannuation Increase in % Terms				**5.26%**	**5.00%**	**4.76%**	**4.55%**	**4.35%**	**0.00%**	**0.00%**	**0.00%**
RATES INCOME											
Renewal Catch Up	1.00%	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Growth	0.75%	0.75%	0.75%	0.75%	0.75%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Indice Applied to CWMS Revenue	**5.00%**	**2.25%**	**2.25%**	**2.25%**	**2.40%**	**2.40%**	**2.40%**	**2.40%**	**2.40%**	**2.40%**	**2.40%**
ELECTRICITY COSTS											
Anticipated price variation to CPI	(6.90%)	0.00%	(5.50%)	(0.75%)	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Anticipated change in consumption	0.00%	0.00%	0.00%	0.00%	(1.00%)	0.00%	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)
Indice Applied to LTFP (excl CPI) Electricity	**(6.90%)**	**0.00%**	**(5.50%)**	**(0.75%)**	**0.00%**	**0.00%**	**(1.00%)**	**(1.00%)**	**(1.00%)**	**(1.00%)**	**(1.00%)**
Indice Applied to LTFP (excl CPI) Streetlighting	**(6.90%)**	**0.00%**	**(5.50%)**	**(0.75%)**	**0.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**
WATER COSTS											
Anticipated price variation to CPI	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Anticipated change in consumption	1.00%	1.00%	(0.50%)	(0.50%)	(0.50%)	(0.50%)	(0.50%)	(0.50%)	(0.50%)	(0.50%)	(0.50%)
Indice Applied to LTFP (excl CPI)	**1.00%**	**1.00%**	**(0.50%)**	**(0.50%)**	**(0.50%)**	**(0.50%)**	**(0.50%)**	**(0.50%)**	**(0.50%)**	**(0.50%)**	**(0.50%)**
WASTE COSTS											
Anticipated price variation to CPI	2.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Anticipated change in consumption	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)
Indice Applied to LTFP (excl CPI)	**1.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
TREASURY COSTS											
Estimated Investment rate	**0.70%**	**1.00%**	**1.25%**	**1.75%**	**2.25%**	**2.75%**	**2.90%**	**2.90%**	**2.90%**	**2.90%**	**2.90%**
Estimated Loan rate	**2.85%**	**3.10%**	**3.35%**	**3.85%**	**4.35%**	**4.85%**	**5.00%**	**5.00%**	**5.00%**	**5.00%**	**5.00%**
Estimated Cash Advance Rate	**2.70%**	**3.00%**	**3.25%**	**3.75%**	**4.25%**	**4.75%**	**4.90%**	**4.90%**	**4.90%**	**4.90%**	**4.90%**
Average Diff	0.15%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 17 February 2020
AGENDA BUSINESS ITEM

Item:	**7.7**
Originating Officer:	**Mike Carey, Manager Financial Services**
Responsible Director:	**Terry Crackett, Director Corporate Services**
Subject:	**Debtors Report**
For:	**Information**

SUMMARY

The Audit Committee has previously requested and received a list of outstanding debtors on a quarterly basis. In accord with the 2019-20 Work Plan this debtors report will now be presented every six months given the steady improvement in outstanding sundry debtors over a number of years.

This report covers the period ending 31 December 2019.

RECOMMENDATION

The Audit Committee resolves that the report be received and noted.

1.   **GOVERNANCE**

➢   **Strategic Management Plan/Council Policy**

Goal   Organisational Sustainability
Key Issue   Risk and Responsibility

➢   **Legal Implications**

Council may obtain funds by recovering fees, charges, penalties or other money payable to it under S133 of the *Local Government Act 1999*.

Council also has obligations specified within the current Community Wastewater Management Scheme (CWMS) licence that require an endorsed hardship policy for customers. Failure to establish this policy will result in Council breaching current licence conditions.

➢ **Risk Management Implications**

Monitoring the balances of Debtors through regular reporting will assist in mitigating the risk of:

Poor debt recovery practices which lead to increased levels of overdue debtors will negatively impact on Council's current cash flow as well as reduce the likelihood of future debt recovery.

Inherent Risk	Residual Risk	Target Risk
Extreme (4B)	Medium (3D)	Medium (3D)

➢ **Financial and Resource Implications**

Close monitoring of debt supported by an agreed Policy will ensure that any cash flow impact on Council is minimised.

➢ **Customer Service and Community/Cultural Implications**

Nil

➢ **Environmental Implications**

Nil

➢ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Council Committees: Not applicable

Advisory Groups: Not applicable

Administration: Operational areas have been involved in the development of this report to provide specific details, where necessary. Financial Services have overall responsibility for the Accounts Receivable function within Council, being involved in invoicing and follow up of amounts where they are not paid in a timely basis.

Community: Not applicable

2. BACKGROUND

Council generates income from a variety of sources including rates, grants, fines (infringements), development applications and fees and charges for the provision of goods and services to individuals, businesses and other organisations in the community.

This income is managed using financial management systems which also enables recording of amounts owing to Council and information relating to amounts paid. Appropriate action can be taken to collect amounts owing where they are not paid in a timely manner.

The Debtors report covering balances as at 30 September 2019 was last presented to the Audit Committee on 8 November 2019.

In accord with the 2019-20 Work Plan it has been agreed that the debtors report will now be presented every six months given that the amount of debtors outstanding has fallen significantly over a number of years.

3.   **ANALYSIS**

Rates Debtors

Council's rates debtor balances is dominated by rates that are struck in full in July, then quarterly fluctuations of receipts, which makes comparison of rates debtors within the year difficult to interpret. As such, these debtors are reported on an annual basis to the first Audit Committee after 30 June of each year and was provided to the Audit Committee on 12 August 2019.

Sale of Land for Non-Payment of Rates Update

A Debt Recovery Policy adopted in December 2015 supports the sale of land for unpaid rates where arrears are in excess of the 3 year requirement outlined within s184 of the *Local Government Act 1999.*

The latest tranche of eight Section 184 properties was endorsed by Council for sale at its 25 June 2019 meeting. All of these have now been fully paid.

Sundry Debtors
Table 1 – Aged Debtors Summary as at 31 December 2019

A summary of the Aged Debtors as at 31 December 2019 has been provided within Table 1 of this report below with the total Sundry debtors outstanding totalling $143k.

As requested by the Audit Committee the Miscellaneous category has been broken down into the subcategories of AHBTC, Outdoor Dining, Councils, Maintenance and Other to assist review and follow up.

Description	TOTAL	<30 Days	<60 Days	<90 Days	<120 Days	<150 Days	>150 Days
Additional Bins	**1,437**	0	0	0	0	0	1,437
Burial Fees	**2,395**	572	0	2,051	0	0	(228)
Fire Hazard Reduction	**1,300**	0	0	0	0	0	1,300
Food Premises Inspection	**7,569**	2,329	2,370	905	0	453	1,512
Grants Receivable	**55,000**	0	55,000	0	0	0	0
Private Works	**0**	0	0	0	0	0	0
Road Rents	**122**	0	0	0	0	122	0
AHBTC	**43,302**	28,509	0	10,127	2,287	0	2,379
Outdoor Dining Licences	**310**	0	0	0	0	310	0
Other Councils	**619**	619	0	0	0	0	0
Maintenance	**1,585**	0	0	0	0	0	1,585
Miscellaneous (Other)	**29,434**	4,911	171	781	0	87	23,484
TOTAL: 31/12/2019	**143,073**	**36,890**	**57,411**	**13,746**	**2,287**	**1,022**	**31,717**

The comparison of Debtor movement for quarters presented to the Audit Committee is shown below.

Quarter	TOTAL	<30 Days	<60 Days	<90 Days	<120 Days	<150 Days	>150 Days
TOTAL: 30/9/2019	198,845	75,795	39,486	27,305	42,916	302	13,041
TOTAL: 30/6/2019	367,439	177,658	160,835	12,981	4,765	812	10,388
TOTAL: 31/3/2019	452,552	364,616	30,542	19,440	29,720	0	8,235
TOTAL: 31/12/2018	205,377	158,755	18,470	10,239	180	3,721	14,012
TOTAL: 30/9/2018	148,342	106,593	10,608	13,594	593	1,398	15,556
TOTAL: 30/6/2018	422,464	324,485	27,931	0	3,003	22,558	44,488
TOTAL: 31/3/2018	432,477	249,847	60,051	26,493	13,385	3,698	79,003
TOTAL: 31/12/2017	346,257	129,349	30,041	27,212	6,593	62,701	90,361
TOTAL: 30/9/2017	1,376,429	1,184,457	72,348	42,496	1,131	12,962	63,035
TOTAL: 30/6/2017	620,677	479,988	35,699	2,966	1,045	252	100,727
TOTAL: 31/3/2017	235,285	98,615	608	2,612	1,282	5,880	126,288
TOTAL: 31/12/2016	264,684	88,943	11,508	3,221	22,118	8,226	130,668
TOTAL: 30/9/2016	295,149	121,555	9,053	69,335	6,290	13,671	75,245
TOTAL: 30/6/2016	369,569	160,809	63,538	36,181	7,055	20,976	81,011
TOTAL: 30/11/2015	481,456	131,857	181,985	27,707	(3,288)	1,434	141,761

In relation to *Table 1,* the following points of clarification are provided:

- Additional Bins debtors relates to 3 old debtors that have all been sent to the debt collection agency and had their waste services stopped. It is likely that all 3 will be written off but we are seeking final confirmation whether any recovery is possible, prior to doing so.
- Fire Hazard Reduction debtors relates to 2 old debtors that have been with the debt collection agency for a number of years and have already incurred approximately $600 in legal fees that have been added to their debts. Regulatory Services are now in the process of attaching these debts as a charge on the properties and are hoping to have this done in the near future so these debts can be cleared. The debt collectors have (on AHC's behalf) already issued a Minor Civil Action Claim in the Magistrates Court of SA (Civil Division) for both debtor but it is considered that the course of attaching these debts as a charge on the properties is a more effective action.
- There were eight Food Premises Inspection debtors >150 days as at 31 December 2019. Of these:
  - o for the largest (and oldest) debtor of $841, a Minor Civil Action Claim was issued in the Magistrates Court of SA in September 2019 and we are still waiting on a response from the debtor;
  - o another who has regularly indicated they are not in a position to pay the outstanding invoices paid $130 off the old debt in November 2019 but has has yet to agree to a payment plan to pay off the debt outstanding;
  - o four have been recently sent with the debt collection agency;
  - o another has gone into liquidation; and
  - o one has since paid.

- The AHBTC >150 days balance relates to a former tenant that is currently with our debt collection agency. The Property department have not had a response to the information that was provided to the debtor/debtor's lawyer in November to clarify the debt due to the complexity of the debtor's transaction history. The department have also made several attempts at contacting the debtor with a view to resolving the matter. The costs of pursuing the debt and potentially incurring additional costs is still being considered given the quantum of the debt.
- Of the 2 AHBTC debtors with debts > 60 days one has paid their debt in full since 31 December 2019 and the other will pay the balance of their debt in full before the end of February 2020 (an extension of the payment plan was provided as they were affected by the recent bushfires).
- The Maintenance >150 days balance relates to a contribution towards Heathfield Oval maintenance costs. The debt was referred to the debt collection agency in November 2019 and a payment of $600 was received on 30 December 2019. Another payment of $1,000 has been received since leaving a balance of less than $600.
- The Miscellaneous (Other) >150 days balance relates to 3 debtors with larger balances.
  - The first of these for nearly $5k was sent to the debt collection agency in September 2019 and relates to the reimbursement of costs arranged by the Civil Services team which was disputed by the debtor. In October the debtor indicated that they will pay $500 per fortnight and in mid October we received the first instalment however these payments have stopped. The Civil Services team have advised that the debtor has commissioned an engineer's report into the matter and will finalise their investigation once they have considered this report.
  - Another of the Miscellaneous (Other) debtors sitting in >150 days relates to the recovery of costs of over $5k incurred by Council in relation to two seized dogs. After the verbal and written payment plans were not adhered to the debt was sent to the debt collection agency in November 2019 where a payment plan of $900 per month was agreed to. The first instalment was received on 31 December 2019 and we are waiting on the next instalment which is now overdue.
  - The largest of the Miscellaneous (Other) debtors sitting in >150 days totalling $16k relates to costs per the Environment Resources & Development Court of SA Allocatur dated May 2019. Council have sent numerous requests over the years (initial enforcement action began in 2011) regarding the unlawful use of land and due to non-compliance leading to a hearing in the ERD Court. Based on the advice of the solicitor in January 2020 a bankruptcy notice was issued to the debtor providing 21 days to make payment in full or risk a creditors petition being issued against the debtor to have them declared a Bankrupt.

The CEO and delegated officers have used their delegation in terms of writing off debts for the quarter ending 31 December 2019 in relation to a Food Premises Inspection debt of $180 from August 2019 due to the bankruptcy of the business owner who incurred the debt.

Community Loans

The last remaining Community loan debt was paid off in April 2019. There are now no community loan debts outstanding.

4.   **OPTIONS**

The Audit Committee is limited to receiving this report.

Item:	**7.8**
Originating Officer:	**Steven Watson, Governance & Risk Coordinator**
Responsible Director:	**Andrew Aitken, Chief Executive Officer**
Subject:	**Draft Fraud, Corruption, Misconduct and Maladministration Policy**
For:	**Decision**

SUMMARY

Council has developed a range of policies over time and some of these have direct relevance to the role and specific functions of the Audit Committee. As such it is prudent for the Audit Committee to consider the proposed revisions to these policies and make comments/changes (if appropriate) prior to them being presented to Council for consideration.

RECOMMENDATION

The Audit Committee resolves:

1. **That the report be received and noted**
2. **That the Audit Committee recommends to Council the draft *Fraud, Corruption, Misconduct and Maladministration Policy* as per Appendix 1.**

1.   **GOVERNANCE**

➢   **Strategic Management Plan/Council Policy**

Goal: Organisational Sustainability
Strategy: Governance

Council's Policy Framework is a key component of the wider Governance Framework.

Council currently has a *Fraud & Corruption Prevention Policy* which is due for review in April 2020. This Policy was developed based on an Local Government Association (LGA) template and is effectively superseded by the draft *Fraud, Corruption, Misconduct and Maladministration Policy* (the Policy), see discussion in Background section.

> ➢ **Legal Implications**

Section 48 of the *Local Government Act 1999* (the Act) requires councils to develop and maintain prudential policies, practices and procedures for the assessment of projects to ensure that the council:

a)   acts with due care, diligence and foresight; and
b)   identifies and manages risks associated with a project; and
c)   makes informed decisions; and
d)   is accountable for the use of council and other public resource.

Section 125 of the *Act* requires councils to ensure that appropriate policies, practices and procedures of internal controls are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records. The Draft Fraud, Corruption, Misconduct and Maladministration Policy and the Internal Audit Policy are important policy pieces in these arrangements.

The draft Policy has also been formulated to capture the requirements of the following legislation:

- *Public Interest Disclosures Act 2018*
- *Criminal Law Consolidation Act 1935*
- *Independent Commissioner Against Corruption Act 2012*
- *Local Government Act 1999*
- *Local Government (Elections) Act 1999*
- *Development* Act 1993
- *Planning, Development and Infrastructure Act 2016*

> ➢ **Risk Management Implications**

Maintenance of a contemporary and legislatively compliant Policy Framework will assist in mitigating the risk of:

> *Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.*

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (3D)	Medium (3D)

Note that there are many other controls that assist in mitigating this risk.

> ➢ **Financial and Resource Implications**

There is no specific budget for the development and implementation of the Program however this is provided for in the Governance & Performance Department budget.

> ➤ **Customer Service and Community/Cultural Implications**

The draft Policy is a publically available document. It can provide assurance to the Adelaide Hills community of the expectation that Council manages situations/ events/internal controls that could give rise to fraud, corruption, maladministration or misconduct by public officers in order to safeguard public confidence and Council's resources.

> ➤ **Environmental Implications**

Not specifically applicable.

> ➤ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Council Committees: Not Applicable
Advisory Groups: Not Applicable
Administration: All Staff
Community: Not Applicable

2.   BACKGROUND

Council first adopted the *Fraud and Corruption Prevention Policy* in April 2010 and reviewed the document in the April 2014 to incorporate the requirements of the *Independent Commissioner Against Corruption Act 2012* (ICAC Act).

Due to recent legislative changes including repeal of the *Whistleblowers Protection Act 1993*, being replaced by the *Public Interest Disclosures Act 2018*, changes, including a name change to the *Fraud, Corruption, Misconduct and Maladministration Policy* are suggested

The Policy has been based on a template developed by the LGA, amended to suit the Council's operating environment.

3.   ANALYSIS

In undertaking the policy review, the requirements of applicable legislation, Local Government Association guidance/templates and the policies of key councils (Onkaparinga, Marion, Charles Sturt and Playford) were reviewed to determine any required/desirable changes to ensure Council's polices are complaint and contemporary.

The policies have served council well and the Administration has not identified any shortcomings or potential improvements that require significant change.

However as there are significant differences both content and structure-wise from the current *Fraud and Corruption Prevention Policy*, these have not been shown in mark-up form, rather as detailed as a Policy in its own right.

4.   **OPTIONS**

The Committee has the following options:

I.   That the Audit Committee recommends to Council the draft *Fraud, Corruption, Misconduct and Maladministration Policy*. (Recommended)

II.   Should the Committee identify the need for substantial amendments to the revised Policy, it is recommended that they be referred to staff for review to allow for analysis of the implications of the amendments, prior to the matter being brought back to the Audit Committee for further consideration.

5.   **APPENDICES**

(1)   Draft *Fraud, Corruption, Misconduct and Maladministration Policy*

Appendix 1

Draft Fraud, Corruption, Misconduct and Maladministration Policy

COUNCIL POLICY

	FRAUD, CORRUPTION, MISCONDUCT AND MALADMINISTRATION POLICY

Policy Number:	**GOV-02**
Responsible Department(s):	**Governance & Performance**
Other Relevant Policies:	**Public Interest Disclosure Policy** **Employee Code of Conduct** **Council Member Code of Conduct** **Council Members Allowances & Benefits Policy** **Procurement Policy** **Disposal of Assets Policy** **Risk Management Policy** **Internal Audit Policy**
Relevant Procedure(s):	**Risk Management & Internal Control Procedures**
Relevant Legislation:	*Public Interest Disclosure Act 2018* *Criminal Law Consolidation Act 1935* *Independent Commissioner Against Corruption Act 2012* *Local Government Act 1999* *Local Government (Elections) Act 1999* *Development Act 1993* *Planning, Development and Infrastructure Act 2016*
Policies and Procedures Superseded by this policy on its Adoption:	**Fraud & Corruption Prevention Policy, Item 12.2, SP21/17**
Adoption Authority:	**Council**
Date of Adoption:	*To be entered administratively*
Effective From:	*To be entered administratively*
Minute Reference for Adoption:	*To be entered administratively*
Next Review:	**No later than October 2023 or as required by legislation or changed circumstances**

FRAUD, CORRUPTION, MISCONDUCT AND MALADMINISTRATION POLICY

1.   INTRODUCTION

1.1.   The Adelaide Hills Council is committed to acting in the best interest of the community and to upholding the principles of honesty, integrity and transparency.

1.2.   The purpose of this Policy is to ensure that the Adelaide Hills Council:

1.2.1.   properly fulfils its responsibilities under the *Independent Commissioner Against Corruption Act 2012* (ICAC Act);

1.2.2.   takes appropriate steps towards compliance with relevant legislation, policies and instruments;

1.2.3.   provides a clear statement to all employees through practices, policies and procedures that fraudulent conduct, misconduct and/or maladministration is not acceptable and will not be tolerated;

1.2.4.   protects Council assets, interests and reputation from the risks associated with fraudulent conduct, misconduct and/or maladministration;

1.2.5.   outlines the Council's approach to the prevention, detection and response to Fraud, Corruption, Misconduct and Maladministration;

1.2.6.   fosters an ethical environment and culture which is conscious of, actively discourages, does not tolerate and appropriately deals with Fraud, Corruption, Misconduct and Maladministration;

1.2.7.   identifies the relevant responsibilities of council members, employees, the Chief Executive Officer, managers and the Audit Committee;

1.2.8.   educates employees and council members about their obligations to report conduct reasonably suspected of being Fraud, Corruption, Misconduct and/or Maladministration;

1.2.9.   evaluates practices, policies and procedures it has in place in order to further advance Council systems for preventing or minimising Fraud, Corruption, Misconduct and Maladministration; and

1.2.10.   develops a consistent approach to the management of relevant conduct across the organisation through the establishment and maintenance of effective systems and internal controls to guard against Fraud, Corruption, Misconduct and Maladministration.

2. OBJECTIVES

2.1. Council has established a number of policies and procedures to assist with the prevention and control of Fraud, Corruption, Misconduct and Maladministration, and this Policy forms part of that suite of internal controls. The effectiveness of these policies and procedures will be continuously reviewed and assessed and will remain up to date with any future developments in Fraud, Corruption, Maladministration and Misconduct prevention control techniques.

2.2. The Council will review and update this Policy as part of its policy review process.

2.3. This Policy applies to all Public Officers of the Council. It is intended to complement and be implemented in conjunction with other relevant Council policies and procedures including:

- *Public Interest Disclosure Policy*

- *Public Interest Disclosure Procedure*

- *Risk Management Policy*

- *Internal Audit Policy*

- *Code of Conduct for Council Employees*

- *Council Member Conduct Policy*

- *Council Members Allowances and Support Policy*

3. DEFINITIONS

For the purposes of this Policy the following definitions apply:

3.1. *Commissioner* means the person holding or acting in the office of the Independent Commissioner Against Corruption per section 4 of the ICAC Act, who has the powers and functions described at section 7 of the ICAC Act.

3.2. *Corruption* in public administration, as provided for in section 5(1) of the ICAC Act, means conduct that constitutes:

3.2.1. an offence against Part 7 Division 4 (offences relating to public officers) of the *Criminal Law Consolidation Act 1935*, which includes the following offences:

i) bribery or corruption of public officers;

ii) threats or reprisals against public officers;

iii) abuse of public office;

      iv)   demanding or requiring benefit on basis of public office;

      v)   offences relating to appointment to public office; or

3.2.2. an offence against the *Public Sector (Honesty and Accountability) Act 1995* or the *Public Corporations Act 1993*, or an attempt to commit such an offence; or

3.2.3. an offence against the *Lobbyist Act 2015*, or an attempt to commit such an offence; or

3.2.4. any other offence (including an offence against Part 5 (offences of dishonesty) of the *Criminal Law Consolidation Act 1935* committed by a public officer while acting in his or her capacity as a public officer or by a former public officer and related to his or her former capacity as a public officer, or by a person before becoming a public officer and related to his or her capacity as a public officer, or an attempt to commit such an offence; or

3.2.5. any of the following in relation to an offence referred to in a preceding paragraph:

    3.2.5.1. aiding, abetting, counselling or procuring the commission of the offence;

    3.2.5.2. inducing, whether by threats or promises or otherwise, the commission of the offence;

    3.2.5.3. being in any way, directly or indirectly, knowingly concerned in, or party to, the commission of the offence;

    3.2.5.4. conspiring with others to affect the commission of the offence.

3.2.6. *Council* means the Adelaide Hills Council

3.2.7. *Directions and Guidelines* means the Directions and Guidelines issued by the Commissioner and as in force from time to time pursuant to section 20 of the ICAC Act and/or section 14 of the *Public Interest Disclosure Act 2018*, which are available on the Commissioner's website (www.icac.sa.gov.au).

3.2.8. *Employee* refers to all the Council's employees whether they are working in a full-time, part-time or casual capacity.

3.2.9. *False disclosure* is a disclosure of information relating to Fraud or Corruption, Maladministration or Misconduct that is made by a person who knows the information to be false.

3.2.10. Fraud includes an intentional dishonest act or omission done with the purpose of deceiving.

Note: There is no statutory or agreed common law definition of Fraud. Offences addressed under Part 5 and Part 6 of the *Criminal Law Consolidation Act 1935* are considered to constitute Fraud offences. An ordinary or lay meaning of Fraud is 'to obtain dishonestly that which the person is not entitled to'. Fraud is a broad label applicable to conduct / practices that involve knowingly dishonest or deceitful behaviour meant to obtain an unjust benefit. Dishonesty is the key element in fraudulent behaviour, as provided for under section 131 of the *Criminal Law Consolidation Act 1935*.

3.3. *ICAC Act* is *the Independent Commissioner Against Corruption Act 2012*.

3.4. *Maladministration* in public administration is defined in section 5(4) of the ICAC Act and

3.4.1. means:

3.4.1.1. conduct of a public officer, or a practice, policy or procedure of a public authority, that results in an irregular and unauthorised use of public money or substantial mismanagement of public resources; or

3.4.1.2. conduct of a public officer involving substantial mismanagement in or in relation to the performance of official functions; and

3.4.2. includes conduct resulting from impropriety, incompetence or negligence; and

3.4.3. is to be assessed having regard to relevant statutory provisions and administrative instructions and directions.

3.5. *Misconduct* in public administration is defined in section 5(3) of the ICAC Act and means:

3.5.1. contravention of a code of conduct by a public officer while acting in his or her capacity as a public officer that constitutes a ground for disciplinary action against the officer; or

3.5.2. other misconduct of a public officer while acting in his or her capacity as a public officer.

3.6. *Office for Public Integrity (OPI)* is the office established under the ICAC Act that has the function to:

3.6.1. receive and assess complaints about public administration from members of the public;

3.6.2. receive and assess reports about corruption, misconduct and maladministration in public administration from inquiry agencies (including the Ombudsman), public authorities (including the Council) and public officers;

3.6.3. refer complaints and reports to inquiry agencies, public authorities and public officers in circumstances approved by the Commissioner or make recommendations as to whether and by whom complaints and reports should be investigated;

3.6.4. give directions or guidance to public authorities in circumstances approved by the Commissioner;

3.6.5. perform other functions assigned to the Office by the Commissioner

3.7. ***PID Act*** means the *Public Interest Disclosure Act 2018*.

3.8. ***Public administration*** is defined at section 4 of the ICAC Act and, without limiting the acts that may comprise public administration, an administrative act within the meaning of the *Ombudsman Act 1972* will be taken to be carried out in the course of public administration. For the purposes of this Policy, references to Corruption, Misconduct and Maladministration are taken to mean references to such conduct in public administration.

3.9. ***Public Officer*** has the meaning given by section 4 and Schedule 1 of the ICAC Act, and includes:

- a council member; and

- an employee or officer of the Council;

- persons contracted to perform work for a public authority or the Crown

3.10. ***Publish*** is defined in section 4 of the ICAC Act, and means publish by:

3.10.1. newspaper, radio or television;

3.10.2. internet or other electronic means of creating and sharing content with the public or participating social networking with the public; or

3.10.3. any similar means of communication with the public.

3.11. ***Relevant Authority*** for the purposes of the PID Act means the person or entity that receives an appropriate disclosure of public interest information in accordance with the PID Act.

3.12. ***Responsible Officer*** is a person who has completed any training courses approved by the Commissioner for the purposes of the *Public Interest Disclosure Regulations 2019* and has been designated by the Council as a responsible officer under section 12 of the PID Act.

3.13. ***SAPOL*** is the South Australian Police

3.14. For the purposes of the ICAC Act, misconduct or maladministration in public administration will be taken to be ***serious or systemic*** if the misconduct or maladministration —

   3.14.1. is of such a significant nature that it would undermine public confidence in the relevant public authority, or in public administration generally; and

   3.14.2. has significant implications for the relevant public authority or for public administration generally (rather than just for the individual public officer concerned).

   Note*: further information about serious or systemic misconduct or maladministration is available at the ICAC website:* *https://icac.sa.gov.au/glossary*

4.   POLICY STATEMENT

Prevention

4.1. The Council recognises that the occurrence of Fraud, Corruption, Misconduct and Maladministration will be more likely to prevail in the local government environment where opportunities exist for waste and abuse.

4.2. The Council also recognises that the most effective way to prevent the occurrence of Fraud, Corruption, Misconduct and Maladministration is to instil and continually reinforce a culture across the Council of acting lawfully, ethically and in a socially responsible manner, and to support this culture with the implementation of appropriate internal control mechanisms.

4.3. The Council further recognises the development and maintenance of a robust suite of internal controls and conducting review of risk assessments is another effective way to prevent the occurrence of Fraud, Corruption, Misconduct and Maladministration.

4.4. The Council expects Public Officers will assist in facilitating a sound ethical culture and preventing Fraud, Corruption, Misconduct and Maladministration by:

   4.4.1. understanding the responsibilities of their positions;

4.4.2. familiarising themselves with Council policies and procedures and adhering to them;

4.4.3. understanding what behaviour constitutes Fraudulent or Corrupt conduct, Misconduct and/or Maladministration;

4.4.4. maintaining an awareness of the strategies that have been implemented by Council to minimise Fraud, Corruption, Misconduct and Maladministration;

4.4.5. being continuously vigilant to the potential for Fraud, Corruption, Misconduct and Maladministration to occur in the Council environment; and

4.4.6. reporting suspected or actual occurrences of Fraud, Corruption, Misconduct and Maladministration in accordance with Part 6 and 7 of this Policy.

5.   EDUCATING FOR AWARENESS

5.1. The Council recognises that the success and credibility of this Policy will largely depend upon how effectively it is communicated throughout the organisation and beyond.

5.2. The Council will, therefore, from time to time take proactive steps towards ensuring that the wider community is aware of the Council's zero-tolerance stance towards Fraud, Corruption, Misconduct and Maladministration, including by:

5.2.1. promoting the Council's initiatives and policies regarding the control and prevention of Fraud, Corruption, Misconduct and Maladministration on the Council website and at Council offices;

5.2.2. referring to the Council's Fraud, Corruption, Misconduct and Maladministration initiatives in the Council's Annual Report; and

5.2.3. facilitating public access to all of the documents that constitute the Council's Fraud, Corruption, Misconduct and Maladministration framework, including those documents identified at clause 2.3 of this Policy.

6.   REPORTING CORRUPTION, OR SYSTEMIC OR SERIOUS MISCONDUCT AND MALADMINISTRATION

6.1.   Any Public Officer who has or acquires knowledge of actual or suspected Corruption, or Systematic or Serious Misconduct or Maladministration in the Council or in other public administration must report this information to the OPI as soon as practicable.

6.2.   All reasonable suspicions of Corruption or Systematic or Serious Misconduct or Maladministration must be reported to the OPI in accordance with the Commissioner's reporting requirements as identified in the Commissioner's *Directions and Guidelines*.

6.2.1.   A report to the OPI must be made using the online report form available at: https://icac.sa.gov.au/opi

Note: Particulars of what a report should include are available in the ICAC Directions and Guidelines.

6.3.   When reporting actual or suspected Corruption, or Systematic or Serious Misconduct or Maladministration, in the Council or in other public administration, to the OPI under the ICAC Act, any requirements of other documents that form part of the Council's Fraud, Corruption, Misconduct and Maladministration Policy (including those documents identified as part of this Policy) should also, to the extent possible, be adhered to.

6.4.   Nothing in this section is intended to prevent a Public Officer from reporting suspected Corruption or Systematic or Serious Misconduct or Maladministration in the Council or in other public administration to a Relevant Authority, like a Council's Responsible Officer, for the purposes of the PID Act. Such a disclosure may be protected under the PID Act and, if made to the Council's Responsible Officer, will be managed in accordance with the Council's Public Interest Disclosure Policy and Procedure. Public Officers are encouraged to have regard to the Council's *Public Interest Disclosure Procedure* when determining where to direct a disclosure.

6.5.   Further information about reporting requirements is available at the ICAC website: https://icac.sa.gov.au/

7.   REPORTING FRAUD, MISCONDUCT OR MALADMINISTRATION

7.1.   Where an employee, council member, contractor or volunteer has or acquires knowledge of actual or suspected Fraud or other similar conduct that does not constitute Corruption or Systematic or Serious Misconduct or Maladministration (and is therefore not required to be reported to OPI), that knowledge should be reported to one of the Council's Responsible Officer(s). Such a disclosure may be

protected under the PID Act and will be managed in accordance with the Council's *Public Interest Disclosure Policy* and *Public Interest Disclosure Procedure*.

8. CONFIDENTIALITY AND PUBLICATION PROHIBITIONS

8.1. A person who receives information knowing that the information is connected with a matter that forms or is the subject of a complaint, report, assessment, investigation, referral or evaluation under the ICAC Act must not disclose that information, other than in the limited circumstances set out in section 54(3) of the ICAC Act.

8.2. A person must not, other than as authorised by the Commissioner or a court, publish or cause to be published any of the following:

8.2.1. information tending to suggest that a particular person is, has been, may be, or may have been, the subject of a complaint, report, assessment, investigation or referral under the ICAC Act;

8.2.2. information that might enable a person who has made a complaint or report under the ICAC Act to be identified or located;

8.2.3. the fact that a person has made or may be about to make a complaint or report under the ICAC Act;

8.2.4. information that might enable a person who has given or may be about to give information or other evidence under the ICAC Act to be identified or located;

8.2.5. the fact that a person has given or may be about to give information or other evidence under this Act; or

8.2.6. any other information or evidence which the Commissioner has prohibited from publication.

8.3. A failure to comply with the requirements in this part can constitute an offence.

8.4. In addition to the requirements in this part, Public Officers should also be mindful of the confidentiality provisions in the Council's *Public Interest Disclosure Policy*.

9. ACTION BY THE CHIEF EXECUTIVE OFFICER

9.1. Unless otherwise directed by OPI or SAPOL, the CEO or their delegate will investigate the alleged Corruption, Fraud, Misconduct or Maladministration occurred to determine the cause for the breakdown in controls and identify if any

recommendations as to changes in policies, procedures or internal controls should be made to the Council. The investigation should:

9.1.1.   occur as soon as practicable after the alleged incident; and

9.1.2.   not impose on or detract from any investigation being undertaken by the OPI or SAPOL;

9.1.3.   have regard to any recommendations in any report received from the Commissioner or SAPOL on the incident.

9.2.   The CEO or their delegate will, in directing the investigation and deciding whether and how to report on the investigation to Council, have regard to the provisions of the Public Interest Disclosure Policy, and any confidentiality requirements under the PID Act and/or ICAC Act.

9.3.   Action taken by the CEO or their delegate following an investigation into alleged Corruption, Fraud, Misconduct or Maladministration will follow all relevant legislative, policy and procedure requirements.

10.   FALSE DISCLOSURE

10.1. A person who knowingly makes a false disclosure or a false or misleading statement in a complaint or report will be guilty of an offence under the ICAC Act and the PID Act.

11.   DELEGATIONS

11.1. The Chief Executive Officer has the delegation to:

11.1.1.   Approve, amend and review any procedures that shall be consistent with this Policy; and

11.1.2.   Make any formatting, nomenclature or other minor changes to the Policy during the period of its currency.

12.   AVAILABILITY OF THE POLICY

12.1. This Policy will be available for inspection at the Council's Offices during ordinary business hours and via the Council's website www.ahc.sa.gov.au. Copies will also be provided to the public upon request, and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 17 February 2020
AGENDA BUSINESS ITEM**

Item:	**7.9**
Originating Officer:	**Steven Watson, Governance & Risk Coordinator**
Responsible Director:	**Andrew Aitken, Chief Executive Officer**
Subject:	**Risk Management Plan - quarterly update**
For:	**Information**

SUMMARY

This report provides the Audit Committee with an update on Risk Management activities including the current status of the Strategic Risk Profile and Management Plan.

In relation to the Strategic Risk assessments, there has been no change to the Inherent, Residual or Target risk ratings for the quarter.

In relation to the implementation of Mitigation Actions to manage the Strategic Risks, the following results have been achieved since the last reporting period:

- Residual Risk: Nil change
- New Mitigation(s):   1 new mitigations identified
- Completed: 64% (50) is steady with Nil completed actions
- In Progress: Steady from 32% to 32%(25)
- Not Commenced: Increase from 3% to 4%

RECOMMENDATION

The Audit Committee resolves that the report be received and noted.

1.   **GOVERNANCE**

Goal   Organisational Sustainability
Strategy   Risk and Responsibility

Updating the risk management framework addresses workplace health and safety, emergency management, business continuity, public liability and legislative accountability and assists in meeting legislative and good governance responsibilities and obligations.

➢ **Legal Implications**

A number of sections of the *Local Government Act 1999* require councils to identify and manage the risks associated with its functions and activities. Further, s125 requires council to have appropriate internal controls.

Similarly the *Work Health & Safety Act 2012* is structured around the protection of workers and others against harm to their health, safety and welfare through the elimination or minimisation of risk arising from work or specified substances or plant.

➢ **Risk Management Implications**

Improvements in the implementation of the risk management framework will assist in mitigating the risk of:

A lack of effective risk management occurs which leads to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (4D)	Medium (4D)

Note that there are many other controls that assist in mitigating this risk.

➢ **Financial and Resource Implications**

While there are no direct financial or resource implications from this report, a number of Strategic Risk Profile and Management Plan treatments are impacted by funding limitations.

➢ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate corporate governance processes in place including an effective corporate risk management system.

➢ **Environmental Implications**

Environmental matters have been considered within the development of the Strategic Risk Profile and Management Plan.

➢ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Council Committees: Not Applicable
Advisory Groups: Not Applicable
Administration: Director Corporate Services
Director Community Capacity
Director Development & Regulatory Services
Director Infrastructure & Operations
Executive Manager Governance & Performance
Executive Manager Organisational Development
Manager ICT
Manager Waste & Emergency Management
Manager Property Services

	Manager Sustainable Assets
	Manager Economic Development
	Manager Open Space
	Senior Strategic & Policy Planner
	Procurement Project Officer
	Biodiversity Officer
Community:	Not Applicable

2.   BACKGROUND

Council's Strategic Risk Profile monitoring and reporting process has been in place since 2014 based on the, then, current Risk Management Policy and the Risk Management Framework.

The allocation of risk owners has been reviewed over time due to changes in the portfolio allocation within the Administration. The current allocations have been in place since May 2017.

Reports on the Strategic Risk Profile have been provided to the Audit Committee and subsequently Council on a quarterly basis since February 2016.

At its 13 May 2019 meeting, the Committee reviewed the Risk Management Policy and noted that only minor nomenclature changes were required, prior to recommending it for Council's consideration.

Council adopted the revised Policy at its 28 May 2019 meeting.

Additionally an extract of the Strategic Risk Register is usually provided to the Committee and Council, at its 13 May 2019 meeting the Committee requested that the full Register be provided for the Committee's review. As was noted at the time, the full Register is quite large and therefore difficult to produce in a comprehensible form, nevertheless it is at *Appendix 1*.

3.   ANALYSIS

Strategic Risk Profile

The Strategic Risks are regularly reviewed by the risk owners responding to triggers in the risk environment, changes in causation or impact, changes in the control environment and on the completion of mitigation actions (which then form part of the control environment) which collectively can impact the likelihood and/or consequence of the risk.

The Strategic Risks were recently reassessed and the following diagrams depict the Inherent, Residual and Target ratings. There has been no change to the Inherent or Target risk ratings from the November 2019 assessment.

There has been no change in the Residual Risk rating for the reporting period. Whilst this may be problematic if the risk were not being reviewed, officers regularly review their risks and mitigations, although the Residual Risk rating identifies no change for the reporting period.

Inherent Risk

Residual Risk

Target Risk
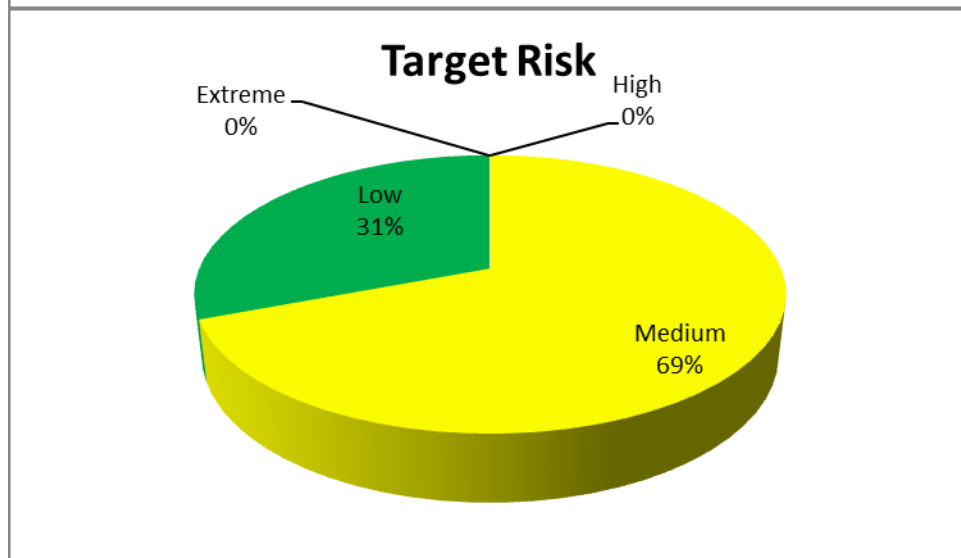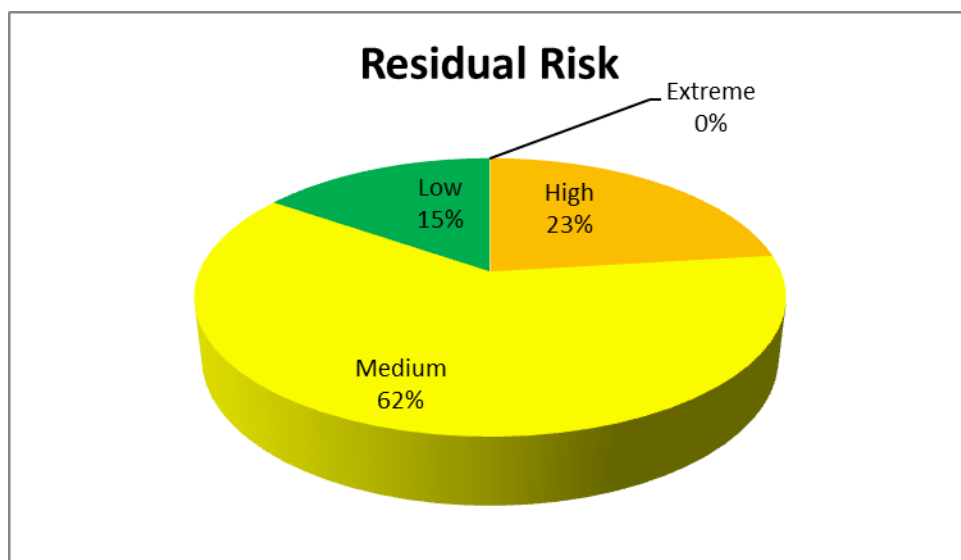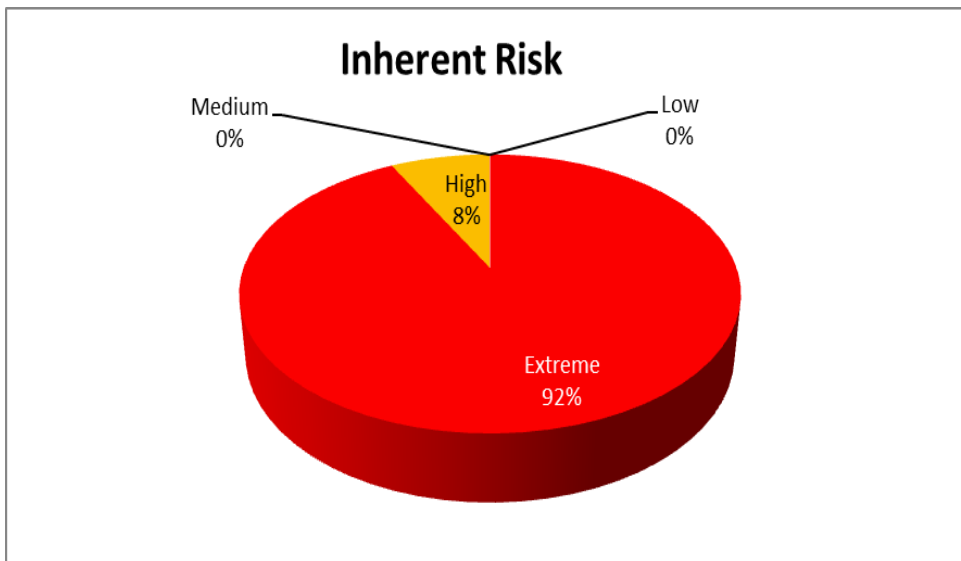
The implementation of Mitigation Actions has been progressing steadily. The current status is:

Status	May 2019	August 2019	November 2019	February 2020
Completed	64% (50 actions)	61% (48 actions)	65% (50 actions)	64% (50 actions)
In Progress	33% (26 actions)	37% (29 actions)	32% (25 actions)	32% (25 actions)
Not Commenced	3% (2 actions)	2% (2 actions)	3% (2 actions)	4% (3 actions)
New Initiatives (in above totals)	Nil actions	Nil actions	Nil actions	Nil actions

This is shown diagrammatically below:
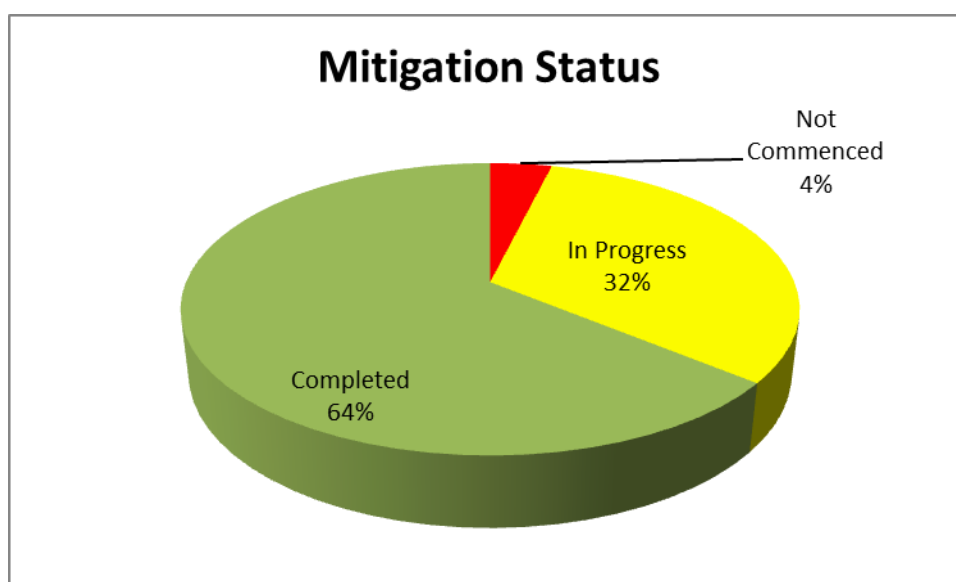
4. OPTIONS

The Audit Committee has the following options:

I. To note the update on the Strategic Risk Profile as presented (recommended),

II. To determine not to note either or both updates and/or identify additional actions to be undertaken.

5. APPENDICES

(1) Strategic Risk Register

Appendix 1
Strategic Risk Register

Work unit/activity being assessed: AHC Strategic Risk Assessment				Assessment conducted by: ELT			Assessment date: February 2020		

Context: To conduct a strategic risk assessment for the Adelaide Hills Council focusing on the function of the Council under the Local Government Act 1999.

	Section 1: Risk identification			Section 2: Inherent Risk				Section 3: Controls		Section 4: Residual Risk				Section 5: Risk Evaluation		Section 6: Risk Mitigation							
No	Risk Statement (use the situation-consequence technique)	Causes & Impact	Risk Owner	Category	Consequence	Likelihood	Risk Rating	Details	Effectiveness	Consequence	Likelihood	Risk Rating	Date of assessment	Mitigation actions required (According to Risk Management Framework)	Next assessment no later than	Mitigation Number	Mitigation Action	Responsible Officer	Original Due Date	Progress	Status Comment	Move to controls (Y/N)	Revised Due Date	Target Rating

| Example | *IT server failure leading to inability to provide service to customers* | *Cause: Power surge, virus, malfunction* *Impact: Inability to access corporate information or undertake processing* | *Manager ICT* | *Service Continuity* | *Moderate* | *Likely* | *High (3B)* | *Virus scanning, surge protectors* | *Good* | *Moderate* | *Possible* | *Medium (3C)* | *1/03/14* | *Minimum biannual assessment of residual risk required or when causes or controls change or* | *28/08/14* | | *Install parallel servers* | *Manager ICT* | *30/04/14* | | | | | *Low* |

1	Failure to plan at the local and regional level for the future development and future requirements of the area. (F)	**Cause:** - Poor understanding of development, infrastructure, population, transport, demographics and trends - Ineffective liaison with state and federal planning and development agencies. - Unresponsive Development Plan that inappropriately restricts development opportunities & results in poor development outcomes. - Ineffective strategies to enhance and conserve character areas and iconic sites. - Poor place making strategies. - Deficient planning and building rules consent practices. - Ineffective infrastructure planning processes. - Lack of appropriately trained and experienced staff. - Poor business planning and budgeting processes to allocate sufficient resources to functions. **Impact:** - Poor planning & development outcomes, ad-hoc & reactionary planning, unresponsive approaches to addressing community needs and trends - Uncoordinated approaches to infrastructure provision, lack of partnership & funding arrangements, lack of collaborative & mutually beneficial outcomes for community, Council and State Govt., duplication of services & resources - Disempowered community with poor and inefficient use of public spaces - Dysfunctional organisation with a poor reputation resulting in community dissatisfaction with level and type of service provision resulting in a Council regime change - Non-compliant with legislative responsibilities resulting in considerable liability exposure - Inconsistent and misdirected operations and service provision	Director Development & Regulatory Services	Corporate Objectives	Major	Likely	Extreme (4B)	- Development Policy Planning function in place to monitor, analyse and advise - Program of conversion of Development Plan into the Planning & Design Code established - Up to date Development Plan in place - Privately -funded DPA and other development-related policies in place - Participation in relevant forums with State & Federal Govt and other stakeholder groups regarding any changes to development policy - Undertake responsibilities outlined in the Collaborative Work Plan between DPTI and Council regarding transitioning to the new Planning, Development & Infrastructure (PDI) Act 2016 - Transition the and amend where required the Council's Development Plan to the Planning & Design Code over the next 3 years in accordance with the PDI Act - Precinct Planning Framework and expertise in place - Skilled and experienced planning, building, infrastructure, sport & recreation planning, community development and economic development teams in place - Community engagement and consultation methodologies in place to accord with the Community Engagement Charter - Relevant development assessment staff and CAP members accredited in accordance with the State's Accreditation Scheme - 4x8 processes identifying training and development needs - Development and PDI Act delegations and sub-delegations - CAP in place and functioning - Adopted District Master Plan in place - Regional Climate Change Adaptation Plan - Resilient Hills and Coast - Completion of outstanding Development Plan Amendment (i.e. the Local Heritage DPA)	Good	Minor	Unlikely	Low (2D)	31/10/18	Minimum annual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	31/10/19	1	Rollout of Precinct Planning methodologies as projects are identified	Director I&O	Ongoing	COMPLETE	COMPLETED. Rolled out Uraidla & Gumeracha project. Place Making Group established to identify and roll out future projects	Y	NA	Low
																2	Progression of outstanding DPA: Local Heritage (Stage 1 DPA) to be lodged with the Minister for approval in May 2018	Senior Strategic & Policy Planner	28/2/16	COMPLETE	COMPLETED. DPA approved by SPDPC on 14 August 2018 and with the Minister for Planning for approval. Response received from Minister on 9 April 2019 and minor suggested amendments requested. These were adopted at a Sepcial SPDPC meeting on 14 May 2019 and the DPA was sent back to the Minister on 16 May 2019.	Y	30/11/18	
																3	Implementation of Planning, Development & Infrastructure Act reforms	Manager Development Services Senior Strategic & Policy Planner	31/07/20	IN PROGRESS	IN PROGRESS: The PDI Act being rolled out in stages and to be fully operational by July 2020. A Collaborative Work Plan between DPTI & Council has been executed. Ongoing transition to the new legislation will continue over the next 18 months	N	1/07/20	
																4	Transition of Development Plan into the new Planning & Design Code	Senior Strategic & Policy Planner	31/07/20	IN PROGRESS	IN PROGRESS: Changes to the Rural Planning Policy to be incorporated into development of Planning & Design Code. Entire Development Plan to be transitioned into the aforementioned Code by July 2020. Phase 3 of the Code is expected to available from DPTI for review in October 2019 at which time a workshops with Council Members will occur	N	1/07/20	
																5	Asset Management Planning - renewal and future requirements	Director I&O	30/06/16	IN PROGRESS	IN PROGRESS. Asset Management Plan reviews underway, and ongoing	Y	Ongoing	
																6	Regional Climate Change Adaptation Plan - Resilient Hills and Coast	Director I&O	31/12/21	COMPLETE	COMPLETED. Plan endorsed by Council 27/09/16	Y	NA	

2	Failure to deliver projects, programs and services in accordance with plans (time, budget, quality)	**Causes:** - Ineffective Budget Bid process (ineffective cost estimates preparation; possible lack of understanding of budget and budget process; - Unrealistic timeframes e.g. 12 months for design, consultation and delivery; Change or poorly defined scope; Inadequate specifications and documentation and design; Lack of stakeholder engagement. - Lack of effective consistent project management methodologies - Unforeseen weather and climate conditions, - Lack of appropriate plant and equipment, - Poor contractor management, - Lack of resources (Lack of adequate skilled resources; Loss of key staff,) - Change in government legislation or policy, - Reduction in grant funding, - Lack of scheduled maintenance - Unclear Service ranges and levels **Impact:** - Cost of projects escalates, unbudgeted spending, impacts on delivery of the projects - Damage to Council reputation - Outcomes of the project delivered fails to meet community's expectations - Weaknesses in infrastructure necessitating increased maintenance	Director Infrastructure & Ops	Finance & Assets	Major	Likely	Extreme (4B)	- Monthly capital reports from finance - Regular team meetings with project updates - Quarterly budget review process - 3 Year Capital Program - Procurement policy - Process and qualified staff/teams - Project reporting process - Panel contractors - Legislation and policy - KPI monitoring and reporting - Financial Reporting	Marginal	Moderate	Possible	Medium (3C)	31/10/18	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	27/07/16	1	Project Management a) Implementation of Project management framework. A trial with Built & Natural Assets is underway since 1/7/15. A review was undertaken in 2016 to assess and refine framework. Further review required now that Manager Civil Services appointed b) Process to audit and check project management. c) Implementation of scheduled program maintenance,	Director I&O	30/06/16	IN PROGRESS	IN PROGRESS. Project Management Documentation now being developed in partnership with external expertise.	Y	30/06/20	Medium
																2	Refine the budget bid process to ensure that sufficient time is allocated to cost budget submissions and also timing recognising that some projects will need to span across multiple years due to lead times associated with planning, consultation and approvals. Action: develop a budget bid database with a two stage process by 30/3/2016	Director I&O	30/01/16	COMPLETE	COMPLETED. Initial 3 year program developed for 2017/18 ABP.	Y	NA	
																3	Start to promote multiple year project planning in line with Asset Management Planning	Director I&O	30/06/16	COMPLETE	COMPLETED. 3 Year Capital Program has been established, which help to achieve this goal.	Y	NA	
																4	Develop process in conjunction with Organisational Development to transfer knowledge once an employee has notified intent to leave the organisation (i.e. to capture staff knowledge with consideration of succession planning and transition to retirement)	Director I&O	30/09/16	IN PROGRESS	IN PROGRESS. Process development underway, however progress has stalled due to other delivery priorities. Looking to reinvest in this process development over the coming months.	N	30/12/20	

	Section 1: Risk identification			Section 2: Inherent Risk				Section 3: Controls		Section 4: Residual Risk				Section 5: Risk Evaluation		Section 6: Risk Mitigation								
No	Risk Statement (use the situation-consequence technique)	Causes & Impact	Risk Owner	Category	Consequence	Likelihood	Risk Rating	Details	Effectiveness	Consequence	Likelihood	Risk Rating	Date of assessment	Mitigation actions required (According to Risk Management Framework)	Next assessment no later than	Mitigation Number	Mitigation Action	Responsible Officer	Original Due Date	Progress	Status Comment	Move to controls (Y/N)	Revised Due Date	Target Rating
																5	Amend LTFP and budget processes to capture all Strategic and Functional Strategy funding requirements.	Manager Financial Services	30/06/18	COMPLETE	COMPLETED: 2018/19 & 2019/20 Budgets adopted based on a revised LTFP that captured all Strategic and Functional Strategies.	Y	NA	
3	Failure to provide for the welfare, well-being and interests of the community (F)	**Cause**: - Ineffective public health programs (food, immunisation, waste water) - Ineffective community development programs - Failure to identify and respond to key community issues - Poor understanding of cultural and diversity issues in community. - Lack of effective active and passive recreation participation strategies. - Ineffective strategies to work with vulnerable members of the community. - Inappropriate behaviour of community facility users. - Unaffordable rates, fees and charges (including management of dogs, noise, parking) - Poor facilities **Impact**: - Food poisoning, insanitary conditions, etc. - Decreased wellbeing and an over-reliance on social support - Loss of faith in Council's ability to meet community needs - Inability for people from diverse backgrounds to live/participate in the community - Decreased health and wellbeing across the community - Inability/difficulty for people of all socioeconomic backgrounds to live in the district - cultural disrespect	Director Community Capacity	Community, Social & reputational	Major	Likely	Extreme (5B)	- Well resourced department, with qualified staff making informed and evidence based decisions. - Regulatory responsibilities that incorporate inspection regimes, education and prosecution where necessary within a highly regulated environment. - Existence of Community Strategy - with identified community needs, gaps in service provision and reprioritised our CD efforts. Adopted June 2015. - Mandated 4-yearly development of strategic plan, incorporating community engagement, ensures effort is made periodically to understand issues important to the community. - Community engagement policy and other relevant policies - Regular satisfaction surveys and program evaluations. - Communicate with empathy, regular informal contact with the community. - Local engagement via Community Centres is occurring with cultural groups. - Ad-hoc engagement on an as-needs basis. - Development of the Reconciliation Action Plan (2015). - Disability Action Plan (2011)., Age Friendly Community Plan (2017) - Staff cultural awareness training. - Recreation and Open Space Planner position created in early 2016. - New Sport & Recreation Strategy was developed and adopted in Oct 2016. - Services currently being provided for vulnerable individuals including in-home support, centre based programs, events, support activities and advocacy. - Codes of conduct in place in some programs/services. - LTFP with sustainable and reasonable rates growth profile. Annual review process for fees and charges incorporates review by Exec and Council Members to ensure control. Internal efficiency improvement program aims to keep costs down. Volunteer Management Policy and Strategy. Well established and funded volunteer based programs. Little reliance on external funding. Safe Environments Policy has been adopted. AHC is now registered on the DCSI system for suitability for work screening and all existing staff in prescribed positions have now been checked.	Marginal	Moderate	Unlikely	Medium (3D)	9/02/20	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	7/08/20	1	Community Cultural Development Officer to develop Cultural Development principles and framework	Manager Community Development	31/12/16		The proposed action is under review as the latest risk review has questioned whether or not this action is necessary to achieve the target risk.	N	31/03/20	Medium
																3	Review Disability Action Plan and inform budget accordingly.	Manager Community Development	31/12/16	IN PROGRESS	IN PROGRESS. New legislation has recently passed parliament, and we await Ministerial Guidelines under that legislation, which will define the requirements for Council Disability Inclusion Action Plans.	N	30/06/20	
																6	Review facility management arrangements. Develop a more consistent approach to community facility users conduct across the various program areas.	Manager Property	31/12/16	IN PROGRESS	IN PROGRESS. Action Plan endorsed by Council for review of facilities under a Community and Recreational Facilities Framework. Revised due date established. A number of workshops held with Council and Framework endorsed. Action plan now being progressed. Workshop held with Council in Feb '19, followed by the establishment of a working group to further progress the matter. Working group have commenced review of Framework. Consideration to be given to a revised timeline to reflect level of complexity identified.	N	30/06/21	
		Cause: - Poor fire prevention initiatives - Poor flood protection initiatives - Poor wind protection initiatives - Ineffective emergency management regimes - Ineffective asset maintenance and replacement plans and programs - Lack of participation in regional emergency						- Participation in regional EM arrangements through the ZEMC, and the AMLRBMC and cooperation with other councils and agencies re EM - Provision of assistance to control agencies and the community to respond to emergency incidents as they arise and work with local units to resolve localised issues relating to EM. - Provision of assistance to the community and to relevant government and non-government agencies assist recovery from emergencies. - Contribute to, support and participate in community education programs including the SES Flood Safe Program, Red Cross REDiPlan program and CFS Community Fire Safety Meetings. - Ongoing replacement and maintenance of Council's infrastructure through implementation of Council's AMP and proactive and reactive maintenance programs including stormwater								1	Development of new Emergency Management Plan.	Mgr Waste & EM	31/12/17	IN PROGRESS	EM Framework endorsed by ELT 14/2/17, EM responsibility now transferred to Infrastructure & Operations, Project timeframes to be reviewed. Update 02/10/19 - Draft Emergency Management Plan completed. Draft Incident Operations Manual (formerly within the Emergency Management Plan) to be considered for endorsement by ELT 3 October 2019. Council to participate in LGA Council Ready Program to complete Emergency Management Plan by September 2020 based on a risk assessment process. Update 07/11/19 - ELT formally resolved to commit to LGA Council Ready Program, scheduling of initial risk assessment workshop set for 9/12/19. Incident Operations Manual adopted by ELT 3 October and is currently being implemented. Update 29/01/20 Lessons learnt from Cudlee Creek fire to be identified in an After Action Review scheduled 4 February 2020 and incorporated into the Incident Operations Manual. Emergency Management Plan development timeframes may need to be reviewed as priority is on updating the Incident Operations Manual.	N	31/08/20	
																2	Commit to I Responda emergency response framework.	Ex Mgr Gov Perf	19/01/16	COMPLETE	Council is now part of this program . Its plan to be transferred to contemporary standard. Anticipated to be complete by 31/12/19.	Done	NA	

No	Risk Statement (use the situation-consequence technique)	Causes & Impact	Risk Owner	Category	Consequence	Likelihood	Risk Rating	Controls Details	Effectiveness	Consequence	Likelihood	Risk Rating	Date of assessment	Mitigation actions required (According to Risk Management Framework)	Next assessment no later than	Mitigation Number	Mitigation Action	Responsible Officer	Original Due Date	Progress	Status Comment	Move to controls (Y/N)	Revised Due Date	Target Rating
4	Failure to take measures to protect the community from natural and other hazards (F)	management arrangements - Noncompliance with legislation - Insufficient budget - Ineffective planning and preparations **Impact:** - Significant property loss and damage - Loss of life, injury - Reputational damage - Exposure to liability and penalty - Loss of community normality - Council services stretched and some services may not be fully operational - Loss or damage of public and private infrastructure - Environmental and biodiversity impacts	Director Infrastructure & Ops	Community, Social & reputat	Catastrophic	Likely	Extreme (5B)	infrastructure (including Flood Plain Modelling), fire track maintenance and street sweeping program. - Ongoing fuel reduction programs on high risk Council owned land including woody weed control, slashing and maintenance of asset protection zones. - Ensure ongoing compliance with the F&ES Act 2005 including annual property inspections to ensure community compliance with requirements of the Act, respond to breaches of the Act as they arise, ongoing appointment of Fire Prevention Officers pursuant with requirements of the Act and provide advice to residents on bushfire prevention and mitigation. - Ongoing implementation of tree maintenance programs including the monitoring and maintenance of high risk trees and undertaking reactive tree pruning and removal of high risk trees minimising failure in windy conditions. Commencement of Zone-based Preventative Maintenance Program. Bushfire Mitigation Operational Committee - i-Responda process and trained staff - Establishment of EM function in Infrastructure & Operations Directorate	Good	Major	Unlikely	Medium (4D)	5/11/18	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	3/05/20	3	Develop Emergency Management Team for ongoing development and review of Council's EM processes relating to emergencies that occur external to the organisation (not WHS emergency management)	Mgr Waste & EM	31/12/16	COMPLETE	To be developed under EM Framework. Update 05/08/19 - Draft Incident Operations Manual 95% complete. This document will be used with the draft Emergency Management Plan to plan, prepare, respond and recover from emergency events. Anticipated to be completed by 30 November 2019. Update 02/10/19 - Draft Incident Operations Manual to be considered by ELT for endorsement on 3 October 2019. Update 07/11/19 - Incident Operations Manual adopted by ELT 3 October 2019 including establishment of an Incident Management Team completing this action.	N	NA	Medium
																4	Research the establishment of a dedicated EM role (temporary/permanent)	Exec Mgr Gov & Risk	31/03/16	COMPLETE		Done	NA	
																5	Establish Zone-based Preventative Maintenance Program	Mgs Open Space & Civil Works	1/02/16	COMPLETE	Zone program established	Done	NA	
																6	Review bushfire prevention and mitigation arrangements	Mgs Open Space and Team Leader Regulatory Service	30/06/17	COMPLETE	Structure in place	Done	NA	
5	Failure to manage, develop, protect, restore, enhance and conserve the environment in an ecologically sustainable manner and to improve amenity. (F)	**Cause:** - Lack of understanding of biodiversity. - Inadequate planning controls, - Lack of specific skill and knowledge of natural environment, - Insufficient budget, - Lack of internal coordination in project delivery, - Inadequate emergency response to environmental hazard, - Lack of longitudinal planning and service delivery, difficulty of meeting varying community expectation, - Ineffective natural resource management strategies and processes. - Poor environmental management practices. - Illegal dumping **Impact:** - Damage to local environment - Financial - restoration of failure to act (fines plus the works to restore) - Reputational damage - Impact on human health and wellbeing due to the loss of visual amenity and ability to interact with nature - Local amenity not maximised - Health and economic impacts due to climate change - Failure to meet stakeholder expectation	Director Infrastructure & Ops	Environment	Catastrophic	Possible	Extreme (5C)	- Biodiversity Strategy, - Water Management Plan - Biodiversity Advisory Group and Sustainability Advisory Group - Trained & qualified staff - Safe working procedures - Blue Marker sites - Spill kits - SDS - Customer request system for reporting to us - Machinery hygiene - Development Plan	Good	Catastrophic	Unlikely	High (5D)	31/10/18	Minimum quarterly assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan required.	29/01/19	1	Water Resources strategy to be developed	Sustainabaility Officer		COMPLETE	Water Management Plan endorsed by Council 13 December 2016.	Done	NA	Medium
																2	Project Management framework (see action above)	Director I&O		IN PROGRESS		N	30/06/20	
																3	Implementation plan for the Biodiversity Strategy to be developed; Interim review of Strategy	Biodiversity Officer		COMPLETE	Biodiversity Strategy endorsed by Council on 24/9/2019. Implementation plan for the Biodiversity Strategy complete.	N	NA	
																4	Ensure adequate budget and human resources are allocated to the priority strategies articulated in the Biodiversity Strategy's Implementation Plan	Director I&O		COMPLETE	Implementation plan for the Biodiversity Strategy complete. The plan informs Annual Programming and LTFP.	Done	NA	
																5	Establish a program to review the safe operating procedures to ensure that they incorporate contemporary management techniques to minimise environmental impacts.	Manager Open Space		COMPLETE	Budget Bids to support this years program were included in the 2018-19 Annual Business Plan and Budget Process.	N	N/A	
																6	Expansion of Blue Marker Sites	Manager Open Space	30/10/16	COMPLETE		Done	NA	
6	Failure to provide appropriate infrastructure for the community (F)	**Cause:** - Ageing infrastructure in need of renewal to remain fit for purpose and/or comply with legislation - Poor asset management regimes (data, revals) - Ineffective maintenance regimes - Leaseholders conducting works outside of contractual/legislative obligations. - Duplication or gaps in infrastructure provision to communities. - Lack of understanding community needs and trends **Impact:** - Increased cost to maintain infrastructure - Reduced confidence in Council by the community - Increased risks to staff and community when utilising facilities - Disadvantage to AHC community over that of other areas - Negative impact on community wellbeing	Director Infrastructure & Ops	Corporate Objectives	Major	Likely	Extreme (4B)	- Current Asset Management Plans for key asset categories - Long Term Financial Plan that captures the Strategic Plan and Asset Management Plans - Endorsed annual budget for maintenance program (all asset categories) - Annual Business Plan & Budget consultation undertaken - Customer Survey undertaken - Asset management system in place (Conquest) - Asset condition audits undertaken cyclically - Building inspections (last done 2013) - Compliance audits for buildings as per legislation - Customer request system captures community concerns/issues - Sport and Recreation Strategy - Bike Strategy - Preventative Maintenance regime	Good	Moderate	Possible	Medium (3C)	2/10/19	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	30/03/20	1	Update asset management plans as per cycle (and LTFP)	Mgr Sustainable Assets for Infrastructure and Strategic Property Officer for Land and Buildings	31/12/16	IN PROGRESS	Draft Transportation AMP prepared to go to Audit Committee and Council first half of 2020. 80% of assets in enterprise system - stormwater and kerb reamin to be transitoned. AMS System purchased. Implementation is progressing well, with Playground assets loaded, training of internal and field staff underway, and Business Process Reviews for key asset classes also underway.	N	Ongoing	Medium
																2	Preventative Maintenance regime developed	Mgr Sustainable Assets for Infrastructure and Strategic Property Officer for Land and Buildings	1/01/17	COMPLETE		Done	NA	
																3	Establish service levels in consultation with community	Mgr Sustainable Assets for Infrastructure and Strategic Property Officer for Land and Buildings	1/03/16	IN PROGRESS	Updated to CRM response times completed. Levels of service refinements required as part of AMP reviews.	N	31/12/20	
																4	Establish cycle for condition audits and monitor (incl buildings)	Mgr Sustainable Assets for Infrastructure and Strategic Property Officer for Land and Buildings	31/12/16	IN PROGRESS	Condition audits identified in AMP and new system implementation and set up has delayed some condition auditing. Limited progress, though strategic property review commenced	N	30/06/18	
																5	Develop Bike Strategy to identify infrastructure requirements	Mgr Sustainable Assets for Infrastructure and Strategic Property Officer for Land and Buildings	1/01/17	COMPLETE	To Council Oct 16 - completed	Done	NA	

Section 1: Risk identification | Section 2: Inherent Risk | Section 3: Controls | Section 4: Residual Risk | Section 5: Risk Evaluation | Section 6: Risk Mitigation

No	Risk Statement (use the situation-consequence technique)	Causes & Impact	Risk Owner	Category	Consequence	Likelihood	Risk Rating	Details	Effectiveness	Consequence	Likelihood	Risk Rating	Date of assessment	Mitigation actions required (According to Risk Management Framework)	Next assessment no later than	Mitigation Number	Mitigation Action	Responsible Officer	Original Due Date	Progress	Status Comment	Move to controls (Y/N)	Revised Due Date	Target Rating
																6	Revise Sport and Recreation Strategy to identify infrastructure requirements	Mgr Sustainable Assets for Infrastructure and Strategic Property Officer for Land and Buildings	1/03/16	COMPLETE	Strategy completed and infrastructure requirements linked to Strategic Property Review. LTFP now capturing ongoing investment.	Done	NA	
7	Failure to promote the Council area and provide an attractive climate and locations for the development of business, commerce, industry and tourism (F)	**Cause:** - Dysfunctional local economy, loss of jobs, loss of basic retail and service functions - Poor engagement with business community, leading to relative disadvantage for business community -Lack of understanding of economic drivers, leading to potential wasted allocation of effort, stagnation of effort, and/or perception of Council being out of touch with business community. - Inappropriate infrastructure in industrial precincts or nodes, placing barriers on development of industrial precincts. - Lack of understanding of tourism demand, leading to potential wasted effort, stagnation of effort, and/or perception that the Council is unable/willing to support the tourism sector. - Poor support of tourism and business associations, leading to fragmentation of effort and discohesive strategies. - Unresponsive Development Plan that inappropriately restricts development opportunities & results in poor development outcomes. **Impact:** -- Loss of local jobs -- Loss of basic local retail and service businesses -- Devaluation of local residential and commercial property -- Rise in social problems deriving from a declining economy - The community procures goods outside of the area as business not vibrant and meeting local requirements	Director Community Capacity	Economic	Moderate	Likely	High (3B)	Economic Development Strategy (EDS); Economic Development Officer appointed Dec 2015; implementation plan approved Mar 2016; active and positive engagement with local business communities, integrated approach to creating a diverse and sustainable economy across the District, resources to provide required implementation of the EDS. EDS addresses need to work actively with business groups and associations, resources (such a business contact database) provided to interact and network on a consistent basis. Consistent framework for effective interaction. Ad-hoc engagement on an as-needs basis. Advisory Group exists for Primary Production. Higher level engagement occurs with one business association. Some engagement has occurred with industry reps and DPTI regarding specific transport issues. Council partners with DC Mt Barker, RDA and SATC to run Adelaide Hills Tourism, which is designed to help providers understand and leverage tourism opportunities. Support for AHT is high, but support for business associations is low. Adelaide Hills Council Economic Profile Sept 2014. Annual subscription to economy id. Business contact database Involvement in place making initiatives	Marginal	Moderate	Likely	High (3B)	5/08/19	Minimum quarterly assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan required.	3/11/19	1	Implementation Plan for EDS finalised and approved Mar 2016	Director Developemnt & Regluartory Servcies	31/12/16	COMPLETE		Done	30/12/19	Low
																2	Identify significant economic infrastructure issues and opportunities	Director Developemnt & Regluartory Servcies	31/12/16	COMPLETE	Currently working with key stakeholders to progress two major transport routes - b-double access to Lobethal and Northern Freight Train Bypass	Done	30/12/19	
																3	Assess effectiveness of key points of AHC engagement with community	Director Developemnt & Regluartory Servcies	1/07/16	COMPLETE	Ongoing through role of Community Engagement Coordinator, more recently through the introduction of online engagement tool	N	30/12/19	
																4	Active and positive engagement with local business communities	Manager Economic Development	1/07/16	COMPLETE	Ongoing role of MED	Done	30/12/19	
																5	Encourage an integrated and coordinated approach across all levels of govt to create a diverse and sustainable economy across the District	Manager Economic Development	31/10/16	COMPLETE	Actively developing and maintaining relationships with relevant State and Commonwealth Govt agencies	Done	30/12/19	
																6	Work actively with business groups and associations, providing resources to interact and network on a consistent basis. Key role for EDO	Manager Economic Development	31/12/16	COMPLETE	The Manager ED is actively building relationships with existing business associations and working with communities that currently do not have business groups (e.g. Gumeracha, Northern Hills, Lobethal) to explore the benefits	Done	30/12/19	
																7	Assess effectiveness of key points of engagement with community e.g. website, contact centre, development approval process, waste, health and regulatory services	Manager Economic Development	31/12/16	IN PROGRESS	Quarterly e-Business newsletter sent to business associations and subscribed businesses. Website business page being developed and feedback on other AHC pages provided	N	30/12/19	
																8	Develop business contact database	Manager Economic Development	31/12/16	COMPLETE		Done	30/12/19	
																9	Identify significant organisations, roles and skillsets within region	Manager Economic Development	31/12/16	COMPLETE	Relationships with key contacts with business and industry organisations being regularly maintained and developed by the MED	Done	30/12/19	
																10	Improve partnership with DC Mt Barker and SATC to assist Adelaide Hills Tourism leverage tourism opportunities	Manager Economic Development	31/12/16	COMPLETE	MED active committee member of Adelaide Hills Tourism (AHT) and Visitor Information Servicing Group	Done	30/12/19	
																11	Improve engagement with local business associations	Manager Economic Development	31/12/16	COMPLETE	Regular communication established with SBA and WCA	Done	30/12/19	
																12	Undertake precinct planning/placemaking, with consideration of triple bottom line (As appropriate)	Manager Economic Development	31/12/16	COMPLETE	The MED is a member of Council's Placemaking group to ensure a coordinated approach	Done	30/12/19	
8	Failure to manage and develop public areas vested in, or occupied by the Council (F)	**Cause:** - Lack of strategic and operational processes to manage Council's property portfolio. - Poor sports, recreation and open space management practices. - Physical hazards to users (trips, slips, debris, falling items) - Poor climate adaptation regimes **Impact:** - Increased cost to maintain infrastructure - Reduced confidence in Council by the community - Increased risks to staff and community when utilising facilities - Disadvantage to AHC community over that of other areas - Negative impact on community wellbeing	Director Corporate Services	Community, Social & reputational	Major	Almost Certain	Extreme (4A)	-Community Land Management Plans updated 2019 - Asset Management Plans developed for property assets - Annual budget developed to include mtce funding - Strategic Plan that captures community facilities and open space - Recreation and Open Space Plan adopted by Council - High risk / high use assets (e.g.. playground equipment) inspected as per established regime - High risk tree audit plan established - Lease and licence arrangements in place for occupiers of council facilities - Maintenance regime in place for all reserves and buildings - Customer request system in place - Rec and Open space planner employed - Reviewed Property Function and Manager Property employed - Sport and Recreation Strategy endorsed by Council	Marginal	Moderate	Possible	Medium (3C)	4/02/20	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	4/02/21	1	Update Community Land Management Plans	Manager Property	31/12/06	COMPLETE	Action Plan endorsed by Council that included a review of the Community Land Mgt Plans. Review commenced and workshop presented to Council in Jan 2019. Draft Plans presented to Council 27 July 2019 and endorsed for Community Consultation. Consultation subsequently completed and updated CLMPOs adopted.	Y	N/A	Medium
																2	Programmed maintenance regime to be developed (land and buildings)	Mgr Civil Services Mgr Open Space/ Mgr Property	31/12/16	IN PROGRESS	Strategic Property Review endorsed by Council. Programmed maintenance schedules developed in Open Space and Civil Services areas. Building maintenance schedule being developed as part of Facility Framework, service standards to be developed	N	30/12/18	
																3	Review of Crown Land under care and control of Council	Manager Property	31/12/19	IN PROGRESS	Detailed assessment of all land parcels undertaken and workshop and report provided to Council. Preliminary consultation completed in relation to potential land parcels to hand back to the Crown. Revocation of community land classification commenced and final cumminity consultation to be undertaken in 2020.	N	30/06/20	

No	Risk Statement (use the situation-consequence technique)	Causes & Impact	Risk Owner	Category	Consequence	Likelihood	Risk Rating	Details	Effectiveness	Consequence	Likelihood	Risk Rating	Date of assessment	Mitigation actions required (According to Risk Management Framework)	Next assessment no later than	Mitigation Number	Mitigation Action	Responsible Officer	Original Due Date	Progress	Status Comment	Move to controls (Y/N)	Revised Due Date	Target Rating
9a	Failure to manage, improve and develop the human resources available to the Council. (F)	**Cause**: - Poor IR practices - Ineffective attraction and retention initiatives - Lack of workforce planning and development. - Deficient equity and diversity programs - Poor leadership - Failure to ensure appropriate WH&S for employees and volunteers. - Volunteers deterred by training/inductions requirements - Ageing population impacting on volunteer participation - Failure to engage young population as volunteers **Impact**: - Increased financial cost; potential litigation; decrease in morale; poor work performance; inability to deliver services; negative impact on council brand and reputation; lacking or ineffective policy/procedures; inability to meet the demand for volunteering opportunities, inability to offer attractive positions (older and younger workers), potentially lose volunteers who don't want to participate in induction and training, council could fail to meet the legislative requirements if training avoided; not having available staff/volunteers to undertake work at required times; heightened number of complaints around EEO; ineffective management of human resources, lose ability to innovate through poor leadership, fear of doing the wrong things and receiving punishment; more injured workers, potential death; litigation threatening the viability of the organisation; unable to attract employees and volunteers; lack of handover and transfer of valuable knowledge; challenges about fair and equitable process; higher turnover costs and negative affect on work culture; potentially losing good candidates.	Exec Manager Org Dev	Staff Welfare & Engagement	Major	Likely	Extreme (4B)	- Volunteer Coordinator, volunteer management project and practices - Provide leadership training and development/coaching, - OD Team -trained and experienced; - Policy and procedures that include screening, police and health checks; - Position descriptions for every position, - WHS & OD policies and procedures; - Trained leaders and employees; executive team trained and engaged in management of WH&S; - Active H&S Committee; WHS Advisor-expertise in organisation; - Well maintained plant and equipment; - Regular reporting in teams and across the organisation; - Annual audits by external party; - Access to LGAWCS/risk services for advice; - Proven track record of high achievement; - WHS improvement plan; WHS KPI action plan (annual); annual WHS KPI Audit (external party) - Fair Treatment, Workplace Bullying Procedures implemented and training provided - Grievance Procedures implemented	Marginal	Moderate	Possible	Medium (3C)	4/10/19	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	1/04/20	1	Equity and diversity plan is being developed	Exec Manager Organisational Development	30/07/19	IN PROGRESS	Further development of the plan is being undertaken through the Diversity and Inclusion Team. Some initial ideas for the plan have been researched. Further work to be progressed in 2020.	N	30/06/20	Medium
																2	Update Fair Treatment and Bullying Procedures, and Grievance Resolution Procedure;	Exec Manager Organisational Development		COMPLETE	Fair Treatment, Workplace Bullying Procedures and Grievance Procedures implemented and published on Workspace	Done	20/12/19	
																3	Undertake Fair Treatment and Bullying training	Exec Manager Organisational Development	30/04/16	COMPLETE	HR delivered training to all employees and People Leaders in March 2016. A network of Equity and Diversity Contact Officers established and trained in March 2016. Training will be undertaken annually for new employees.	Done	20/12/19	
9b	Failure to manage, improve and develop the information resources available to the Council. (F)	**Cause:** - Business systems do not effectively support organisational needs - Ineffective media and brand management strategies. - Poor information management practices (capture, use, storage, retrieval). **Impact:** - Inefficiency; increased risk of errors (from manual systems); negative impact on council brand & reputation; decreased staff morale; potential for increased turnover of staff; lack of consistency; increased cost in undertaking work; systems cannot be upgraded due to inadequate hardware layer; inability to test updates before being implemented; lack of information sharing, working in information silos, failure to capture corporate knowledge effectively, misinformation that leads to negative or undesired outcomes, residents being misinformed or mislead, potential legal or financial implications, poor uptake of services; customer confusion regarding branding of council programs and services	Director Corporate Services	Community, Social & reputational	Major	Likely	Extreme (4B)	Communications and branding team, corporate policies/procedures around media contact, brand style guide for consistency; records department; EDRMS - Records Policy Updated and endorsed by Council; range of internal communication system-emails, meetings, internet, Lync, CRM; business systems are reviewed and upgraded; employees are trained in basic system use; security access relevant to job requirements are provided; restricting permissions control; nightly backups; Workspace (intranet) - Website Champions in place; emails; corporate systems; security groups and access ICT Business Continuity Plan established Tender for new Asset Management System completed - System acquired New information management system acquired - rollout currently underway New data centre built in City and BCP in place for rollover	Marginal	Minor	Possible	Medium (2C)	4/02/20	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	4/02/21	1	Implement Asset Management System	Manager Sustainable Assets	30/06/18	IN PROGRESS	90% of Council assets transitioned into final Production version of Asset Management Enterprise system. Stormwater and Kerb in transition instance of enterprise system.	N	NA	Medium
																2	Implement new records management system in conjunction with SharePoint upgrade	Manager IS	30/06/17	IN PROGRESS	New Sharepoint environment implemented, Record Point software acquired to replace TRIM and installed, project plan established for EDRMS and architecture completed. Build of Test Environment completed and software integration with line of business systems being undertaken. Live environment built and configured and staged rollout commenced in July 2019 with three pilot areas. New project manager appointed December 2019.	N	30/12/19	
9c	Failure to manage, improve and develop the financial resources available to the Council. (F)	**Cause:** - Poor internal control environment - Poor procurement planning and processes. - Ineffective insurance arrangements. - Poor financial management processes (treasury, AP, AR) - Poor contract management **Impact:** Potential for qualified accounts as an audit outcome; inappropriate segregation of duties; increased potential for fraud; negative impact on Council brand & reputation; lack of consistency in process use; inability to measure process effectiveness and outcomes; increased risk of litigation; inappropriate assets with short	Director Corporate Services	Legal & Regulatory	Catastrophic	Likely	Extreme (5B)	Internal audit and annual review of internal controls; system security and configuration; induction procedures; recruitment and selection processes; financial delegations; an informed level of insurance cover through LGAMLS, rating policy, process and timeframes; asset management register and program; Manager Governance and Risk in organisation; qualified employees; trained in policies; conflict of interest declaration (Directors/CEO); WHS procedures on plant purchasing, consultation and risk assessment; Fraud and Corruption Policy; Whistleblowers Policy; insurance reviewed annually and all areas of insurance are reviewed and recalculated for following year; wage declaration which affects the insurance calculation annually; insurance claims process; quality accredited insurance company-LG Risk Services;	Marginal	Moderate	Unlikely	Medium (3D)	4/02/20	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	4/02/21	1	Review positions across council that require criminal history checks, including financial roles	EMOD	30/06/16	COMPLETE	Updated Policy and Procedure covering the relevant criminal history check requirements have been adopted and training completed. Identified positions requiring checks are being updated or undertaken currently.	Y	30/09/17	Medium
																2	Recruit Procurement Coordinator Role	Manager Financial Services	30/09/17	COMPLETE	Recruitment completed in June 2018	Y	NA	
																3	Review of Procurement Policy and procedures (Stage 1)	Procurement Coordinator	1/10/16	COMPLETE	Updated Policy and Procedure endorsed by Council in August 2019	Y	28/02/19	

Section 1: Risk identification				Section 2: Inherent Risk				Section 3: Controls		Section 4: Residual Risk				Section 5: Risk Evaluation		Section 6: Risk Mitigation								
No	Risk Statement (use the situation-consequence technique)	Causes & Impact	Risk Owner	Category	Consequence	Likelihood	Risk Rating	Details	Effectiveness	Consequence	Likelihood	Risk Rating	Date of assessment	Mitigation actions required (According to Risk Management Framework)	Next assessment no later than	Mitigation Number	Mitigation Action	Responsible Officer	Original Due Date	Progress	Status Comment	Move to controls (Y/N)	Revised Due Date	Target Rating
		medium and long term financial impacts; potential inability to pay; negative impact on ability to service the community; poor customer relations; poor supplier relationships; potential impact on income from rates, fees and charges; increased risk of litigation leading to financial instability						insurer processes claims; professional internal advice; financial management system; Updated Procurement Policy and Procedures Adopted by Council in 2019 (delegation and authority included); Code of Conduct for Employees and Council Members; discipline processes; ongoing training and development; internal controls framework; debt recovery; Debt Recovery Policy and Accounts Reconciliation Policies updated and adopted External Fund Funding Policy adopted by Council (2017)								4	Review the process map of the insurance claims procedure to enable consistency of application.	EMOD	30/06/16	COMPLETE		Done	NA	
																5	Explore Grant funding opportunities	All budget owners	1/07/16	COMPLETE	A Grant Funding Policy endorsed by Council. Savings Strategy endorsed by ELT.	Y	NA	
10	Failure to act as a representative, informed and responsible decision-maker in the interests of the community. (PR)	**Cause**: - Poor governance practices (CR22) - Poor risk management practices (CR21) - Poor representation arrangements (CR92) - Poor representation of the community by Council Members (CR62) - Lack of effective strategic planning and resource allocation processes. (CR63) - Lack of effective financial sustainability processes. (SR9c) - Ineffective performance management and reporting processes. (CR64) - Poor working relationship between Council and Administration. (CR65) **Impact**: - Decisions are not representative of community sentiment or made in the community's interest - Decisions are poorly or incorrectly informed leading to a high risk profile, errors, loss, waste, omissions, breaches of legislation. - Breaches of legislation, unenforceable decisions/resolutions, creation of liabilities/ additional risk to Council, stakeholder and/or regulator dissatisfaction and/or sanction.	Exec Manager Governance & Performance	Community, Social & reputational	Catastrophic	Possible	Extreme (5C)	Legal considerations considered in agenda report templates, Governance Manager advises council, functioning Audit Committee, flyers and updates from LGA, legal providers and professional associations. Professional and experienced management team. Policies (code of conduct, meeting procedures, allowances & support, caretaker, informal gatherings, COPAMD), delegations, agendas, minutes, training & development. Review of s41 Committee, Advisory Groups ,s43 subsidiary and external group fiduciary arrangements CRM Policy adopted, CRMF adopted, training provided to senior staff, RM considerations included in agenda report templates. General awareness of risk management principles and considerations. MLS Risk Reviews and advisory Provisions of Chpt 3 of the LG Act regarding composition of councils and wards, mandated representation reviews. Scheduled review completed in 2017. Strategic Plan, strategic, business and project planning and budgeting processes, trained and experienced staff. Budget review processes, provisions of LG Act regarding budget reviews and annual reporting, trained and experienced staff. Corporate Planning & Performance Reporting Framework, Quarterly Council Performance Report Council Member and Administration training in the respective roles, team building and relationship development, performance reporting, One Team -Communication Protocols Governance & Risk Coordinator and Corporate Planning & Performance Coordinator roles	Good	Moderate	Rare	Low (3E)	9/02/20	Minimum annual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	8/02/21	1	Governance Framework Review	Exec Manager Governance & Performance	30/09/16	COMPLETE		Done	NA	Low
																2	Review of s41 Committee and Advisory Group Terms of Reference	Exec Manager Governance & Performance	30/0916	COMPLETE		Done	30/09/18	
																3	Rollout of ControlTrack (Internal control module)	Manager Financial Services	30/12/15	COMPLETE	Endorsed and implemented for Financial Controls	Done	NA	
																4	Review of Risk Management Framework	Governance & Risk Coordinator	30/06/20	IN PROGRESS	will form part of RM review	N	30/09/19	
																5	Mandated representation review project	Exec Manager Governance & Performance	30/04/17	COMPLETE		Done	NA	
																6	Participation in boundary reform initiatives	Exec Manager Governance & Performance	As Required	COMPLETE		N	NA	
																7	Review of s43 and external group fiduciary duties where Council members or staff are on Boards	Exec Manager Governance & Performance	31/12/16	COMPLETE		Done	NA	
																8	Election induction training	Exec Manager Governance & Performance	As Required	COMPLETE		N	30/06/19	
																9	Implementation of Corporate Planning & Performance Reporting Framework	Exec Manager Governance & Performance	30/06/19	COMPLETE		N	NA	
																10	Strategic Boundary Review project	Exec Manager Governance & Performance	30/03/20	IN PROGRESS	Draft report due in February 2020.	N	NA	
																11 (new)	Implementation of LG Reform legislative changes.	Exec Manager Governance & Performance	31/12/20	NOT COMMENCED	Draft legislation forecast in Q4 2019/20			
11	Failure to exercise, perform and discharge the powers, functions and duties under legislation, contracts, leases and policies (PR)	**Cause**: - Lack of awareness of legislative/contractual/lease/policy requirements - Ineffective delegation and authorisation mechanisms. - Poor contract management practices - Ineffective compliance management systems - Staff do not possess the appropriate KSE - Legislative changes, not being fully understood **Impact**: - Legislative/lease/policy of contractual obligations are not discharged leading to breaches of legislation and/ or contractual arrangements - Failure to effectively undertake the functions of a council - Contractual penalties and liabilities. - Inefficient systems that lead to loss of resources	Exec Manager Governance & Performance	Legal & Regulatory	Major	Likely	Extreme (4B)	Legal considerations considered in agenda report templates, flyers and updates from LGA, legal providers and professional associations. Professional and experienced management team. Legislative delegations register regularly reviewed, role specific training & development. Policy registers, policies on web, MLS and WCS audits, contract registers, lease registers, internal audit program, external audit program Governance Legal Compliance Audit Full review of subdelegations and authorisations completed 2017. Employment of Procurement Coordinator Experienced property team.	Marginal	Moderate	Unlikely	Medium (3D)	9/02/20	Minimum biannual assessment of residual risk required or when causes or controls change or mitigations are implemented. Risk mitigation (treatment) plan optional.	7/08/20	1	Legislative compliance audit	Exec Manager Governance & Performance	30/06/16	COMPLETE		Done	NA	Low
																2	Development of contract management system, subject to funding	Manager Financial Services	31/12/16	COMPLETE		Done	NA	
																3	Development of a legal opinions database	Exec Manager Governance & Performance	30/06/20	NOT COMMENCED	All legal opinions are recorded and accessible in TRIM.	N	31/12/19	

		Section 1: Risk identification			Section 2: Inherent Risk				Section 3: Controls			Section 4: Residual Risk			Section 5: Risk Evaluation									Section 6: Risk Mitigation						
No	Risk Statement (use the situation-consequence technique)	Causes & Impact	Risk Owner	Category	Consequence	Likelihood	Risk Rating	Details	Effectiveness	Consequence	Likelihood	Risk Rating	Date of assessment	Mitigation actions required (According to Risk Management Framework)	Next assessment no later than	Mitigation Number	Mitigation Action	Responsible Officer	Original Due Date	Progress	Status Comment	Move to controls (Y/N)	Revised Due Date	Target Rating
		- Scrutiny and sanctions by integrity agencies 30/10/19														4	Implementation of new delegations and authorisations management system and associated training.	Governance & Risk Coordinator	30/06/20	IN PROGRESS	Some delays experience in contractual close and now software integration.	N	30/10/19	

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 17 February 2020
AGENDA BUSINESS ITEM

Item:	**7.10**
Originating Officer:	**Steven Watson, Governance & Risk Coordinator**
Responsible Director:	**Andrew Aitken, Chief Executive Officer**
Subject:	**LGRS Risk Evaluation 2019 Results**
For:	**Information**

SUMMARY

Bi-annually Local Government Risk Services (LGRS) undertakes an evaluation of each council's risk management status by way of reviewing operational areas measured against a local government sector baseline. An evaluation was undertaken in late October 2019 with receipt of the final *LGRS Risk Evaluation Summary Report* occurring 17 December 2019.

This purpose of this report is to provide the LGRS Evaluation 2019 Results to the Audit Committee and to clarify the next steps in relation to addressing the findings (i.e. development of an Action Plan)

RECOMMENDATION

The Audit Committee resolves:

1. **That the report be received and noted**
2. **That the 17 December 2019 *LGRS Risk Evaluation Summary Report* contained in Appendix 1 be noted.**
3. **That, as per the Audit Committee's 2020 Workplan, the *LGRS Risk Evaluation Summary Report Action Plan* is presented to the May 2020 Audit Committee Meeting.**

1. **GOVERNANCE**

   ➤ **Strategic Management Plan/Council Policy**

   Goal   Organisational Sustainability
   Strategy   Governance

   Monitoring Audit Committee decisions and actions and the Committee's Work Plan assist in meeting legislative and good governance responsibilities and obligations

> **Legal Implications**

Section 126 of the *Local Government Act 1999* sets out the functions of an audit committee. Management of Committee's action items and work plan facilitates the achievement of these functions.

> **Risk Management Implications**

The LGRS Evaluation provides an external assessment of aspects of Council's current risk management framework and status. Actively responding to this external assessment with actions addressing identified areas for improvement will assist in mitigating the risk of:

A lack of effective risk management occurs which leads to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (3D)	Medium (3D)

Note that there are many other controls that assist in mitigating this risk.

> **Financial and Resource Implications**

There are no direct financial implications in undertaking the review itself.

The Local Government Association Mutual Liability Scheme (LGAMLS) provides Local Government Members with a fully integrated Risk, Claims and Legal services for the management of civil liabilities. All South Australian Councils are Members of LGAMLS.

LGAMLS Members participate in the self-managed concept enabling greater control over their financial viability relating to civil liability risks. The application of a risk management framework allows a Member to measure and monitor business improvement while reducing civil liability risk associated with its business profile risks.

The results of the LGRS Evaluation are considered by the LGAMLS, together with Council's claim record, in setting our contribution and in calculating the potential amount that may be available as a special distribution. A special distribution is not available every year. The amount is based on funds remaining after all claims across the State have been paid.

Some actions included in the draft Action Plan may have costs related to them; however, these will be referred to Council, or scheduled in the Annual Business Plan and Budget process for consideration.

> **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate corporate governance processes in place including an effective corporate risk management system that is applied to minimise the impact of potential risk events and manage financials efficiently.

> **Environmental Implications**

Environmental risks are addressed under Council's risk profile. Actions are planned to respond to identified environmental matters in the Risk Management Review.

> ➢ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Engagement with relevant participants commenced well prior to the LGRS Evaluation occurring. Engagement included the gathering of evidence based materials and statements in preparedness for the Evaluation.

Council Committees: Not Applicable prior to the LGRS Evaluation.

Advisory Groups: Not Applicable

Administration: Chief Executive Officer
Director Corporate Services
Director Community Capacity
Director Development & Regulatory Services
Director Infrastructure & Operations
Manager Financial Services
Executive Manager Governance & Risk
Manager Civil Services
Manager Open Space
Manager Sustainable Assets
Coordinator Civil Operations
Procurement Coordinator
Horticultural Officer
Events Officer
Project Officer

Community: Not Applicable

2. **BACKGROUND**

Bi-annually Local Government Risk Services (LGRS) undertakes an evaluation of each council's risk management status by way of reviewing operational areas measured against a local government sector baseline, including the application of a Risk Management Framework and related processes, organisational systems that influence council's risk profile and specific high risk activities and assets.

The previous Risk Evaluation occurred in 2017, with a report being presented to the Audit Committee. A *Risk Management Improvement Action Plan* was prepared to respond to the findings of the Evaluation and update reports were presented to the Audit Committee indicating progress on implementation of the agreed actions.

The latest *LGRS Risk Evaluation Summary Report* is contained in **Appendix 1** of this report and an Action Plan is currently being developed. The Action Plan is scheduled to be presented at the May 2020 Audit Committee Meeting.

It is detailed the evaluation process also included the WHS & IM functions but as these are no within the Terms of Reference of the Audit Committee, so these sections of the Summary Report have not been included.

3.   **ANALYSIS**

The 2019 LGRS Risk Evaluation covered a range of areas, with three compulsory areas and two elective areas.

The compulsory areas were:

- Risk Management Systems
- Procurement and Contracts
- Roads and Footpaths.

The elective areas were:

- Event Management
- Tree Management
- Playgrounds
- Volunteers
- Customer Request and Complaints
- Emergency Management

The Executive Leadership Team was consulted on the elective areas and determined that Tree Management and Event Management warranted a review.

The Governance and Risk Coordinator has been working with the relevant staff following the results with an aim to produce Action Plans which are scheduled to be provided to the Audit Committee at its May 2020 meeting.

Any of the proposed actions that cannot be accommodated within existing budgets will be provided to Council in Budget Review 3, or will form part of the 2020-21 Annual Business Plan and Budget process.

Participating in this external evaluation of Council's Risk Management systems, processes and potential liabilities provides Council with a sound basis on which to continually improve the strength of the organisations risk management.

4.   **OPTIONS**

The Committee has the following options:

I.   To resolve to receive and note the report, to note the *LGRS Risk Evaluation Summary Report* and resolve the LGRS Evaluation 2019 Results Action Plan be presented at the May 2020 Audit Committee Meeting aligning with the Audit Committee's Workplan 2020 (Recommended.)
II.   To determine an alternate course of action (Not Recommended).

Should the Audit Committee wish to make amendments or resolve an alternative course of action, it is recommended that the matter be referred back to the Administration for further review.

5.   APPENDICES

(1)   LGRS Risk Evaluation Summary Report

Appendix 1
LGRS Risk Evaluation Summary Report

Mutual Liability Scheme
Workers Compensation Scheme

Local Government Association
of South Australia

2019 Risk Evaluation Summary Report

Adelaide Hills Council

Date of Evaluation: 29-31 /10/2019

Date Report Issued: 17/12/2019
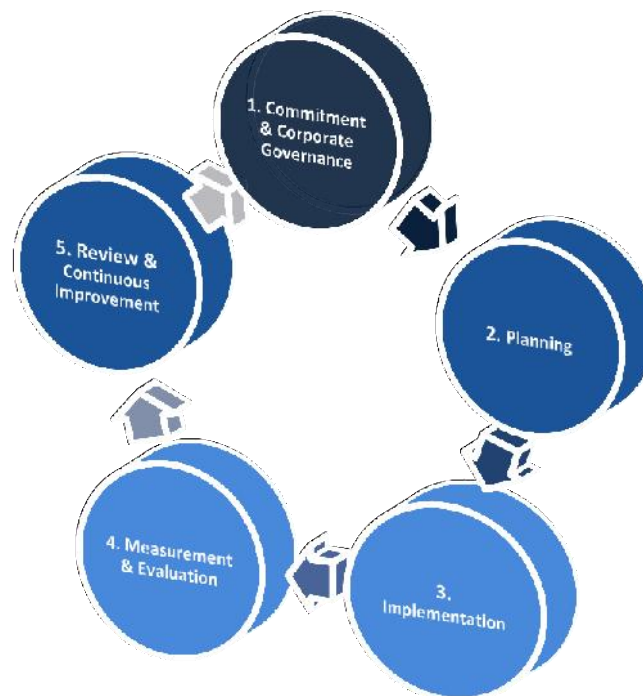
EDITED VERSION – RISK ONLY

Name of Evaluators:

Lead Evaluator: Melissa Cox

Co- Evaluator: Sandy Voumard

1. Risk Evaluation Overview

The LGAWCS and LGAMLS provide a Risk Evaluation service to their Members, every two years. The aim of the Risk Evaluation process is to review each Member's risk management systems (including WHS and IM) against both LG Industry agreed Sector Baselines and other external requirements (e.g. RTWSA Performance Standards for Self Insurer requirements and relevant legislation). The objective of the evaluation is to assist Members to recognise and share LG risk management excellence, identify where opportunities for system improvements exist and to work in partnership with them to implement identified improvements.

The Risk Evaluation in its current format was introduced in 2017. More information is available on the Members Centre regarding the structure and process.

This summary report is structured as follows:

- An Executive Summary, which is completed by the Lead Evaluator, for both Risk and WHS/IM system aspects and briefly outlines the overall results of the evaluation and potential focus areas and recommended actions. This includes a Results Table, which summarises the results for both Risk Management (RM) and Work, Health and Safety (WHS) and Injury Management (IM) components.

- The RM Evaluation Report, which includes the chosen evaluation scope, names of evaluators, summary of findings and specific recommendations for each evaluated question within the identified evaluation scope.

- The WHS and IM Evaluation Report, which includes the evaluation scope, names of evaluators, summary of findings and specific recommendations for each sub-element within the evaluation scope.

- A conclusion, which is completed by the Lead Evaluator. This aims to identify where overall system trends and issues are occurring and what may be of assistance to the Member to progress them forward.

   NOTE: This report has been edited to remove the WHS& IM findings for the purposes of reporting the outcomes of the risk components to the Adelaide Hills Audit Committee.For the full FINAL version of this report please see the Governance & Performance team.

2. Executive Summary

Overview and Objective:

Every two years, the Local Government Mutual Liability and Workers Compensation Schemes conduct an evaluation of each Scheme Member's Risk Management, Work Health and Safety and Injury Management systems. The purpose of these evaluations are to test (within the scope of the evaluation):

    a)   How well the organisation's Risk Management systems meet Local Government sector established baselines and

    b)   The organisation's level of conformance with ReturnToWork SA's Performance Standards for Self-Insurers for Work Health and Safety and Injury Management systems.

Members should use this information in their management planning and review systems to drive further improvement to their Risk, Safety and Injury Management systems.

In addition to this, the evaluations allow for sector-wide results to be collated and analysed to enable the Schemes to further assist the Local Government industry, either via sector wide programs or individual programs of targeted support.

This executive summary provides a brief overview of the results of the risk evaluation of Adelaide Hills Council on 29,30 and 31 October 2019]. The participation of Member representatives in the evaluation is a critical part of the evaluation process, is integral to the quality of the evaluation and is always greatly appreciated.

Executive management are encouraged to review the evaluation summary report in its entirety for further detail and recommendations.

The completed risk evaluation, WHS and IM tools that support these findings are available from your allocated Risk Consultant, RRC or WHSC. The tools and reports are also available in your Member documents on the Members Centre.

2.1 SUMMARY OF FINDINGS:

2.1.1   Risk Management

Within the risk management systems, there are three mandatory areas and five electives of which Scheme Members are required to choose two to be evaluated.

In evaluating the organisation's Risk Management systems, reference was made to sector baselines, being a minimum standard expected to be in place. Sector baselines were established by a consultative group that included membership from both metropolitan and regional Scheme Members. It is to be noted that the baselines are not all legislative requirements, but a set of minimum requirements that is expected within the Local Government sector. All the criteria within the defined sector baseline must be met in order for the sector baseline to be deemed as being met.

Adelaide Hills Council results against the mandatory and elective question sets are as follows:

Topics	Total Number of Sector Baselines Evaluated	Sector Baseline Met	Sector Baseline Not Yet Met
MANDATORY AREAS			
Risk Management Systems	3	2	1
Roads and Footpaths	8	0	8
Procurement	7	4	3
ELECTIVES			
Playgrounds	0	0	0
Event Management	6	0	6
Volunteers	0	0	0
Tree Management	3	1	2
Customer Requests & Complaints	0	0	0
Emergency Management	0	0	0
TOTALS	27	7	20
TOTAL %		26%	74%

Risk Evaluation Performance by Sector Baseline

Overall Risk Evaluation Performance
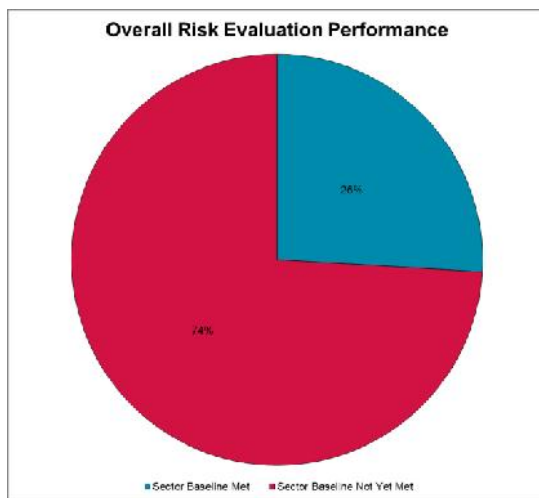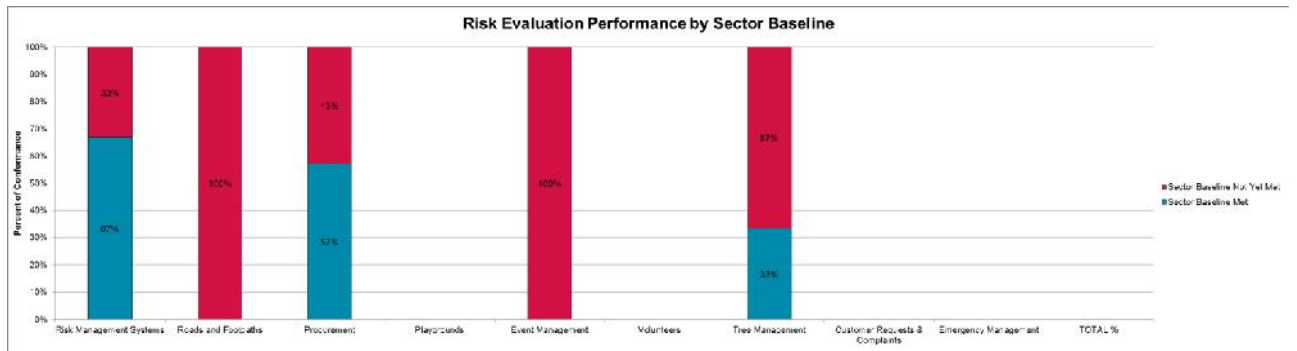
2.1.1.1 Risk Management Systems

Overview of Results – Mandatory Areas - Risk Management Systems

Topics	Total Number of Sector Baselines Evaluated	Sector Baseline Met	Sector Baseline Not Yet Met
MANDATORY AREAS			
Risk Management Systems	3	2	1

Specific Results and Improvement areas – Risk Management Systems

Q #	Risk Management Systems	Summary of Sector Baselines not met and any improvement required	Recommendation
1a	What does Council's Risk Management (RM) approach consist of?	**Sector Baseline Met** Adelaide Hills Council has an adopted Risk Management Policy, Corporate Risk Management Guide, a Corporate risk register (which captures operational risk) and a Strategic Risk Register. The Council is currently consulting on the development of a Risk Management Framework to complement the risk management activities.	N/A
1b	Does Council have a risk register or a tool/repository where risks are actively monitored and maintained on a periodic basis as per their documented approach?	**Sector Baseline Met** The AHC Council has a Strategic Risk Register, as viewed last updated 29 August 2019, by ELT and a Corporate Risk Register as viewed, which identifies a large number of operational risks. Both risk registers are evidenced as being internally adopted and maintained by the organisation and easily accessible to all staff via.	N/A
1c	Is Council's above risk management approach implemented and operational?	**Sector Baseline Not Yet Met** The Council has some great processes around the reporting of its Strategic Risk as identified within the register. The opportunity for improvement is with the monitoring and reporting of the Councils operational risks. The newly drafted framework when implemented should give the foundations to support this reporting. It is also acknowledged that the Council has great WHS training needs identification processes that could be expanded across the organisation to include risk management training needs and alike.	It is recommended that the Council consider the Risk Management Policy, Framework and Guidelines training needs across the organisation and incorporate them into a Corporate Training needs process that expands upon the current WHS needs. It is also recommended that the Council review its current reporting processes for operational risk. As viewed the draft Risk Management Framework documents the processes for monitoring and reporting of operational risk. The opportunity now is to adopt the Framework and implement it across the organisation.

2.1.1.2   Roads and Footpaths

Overview of Results – Mandatory Areas - Roads and Footpaths

Topics	Total Number of Sector Baselines Evaluated	Sector Baseline Met	Sector Baseline Not Yet Met
MANDATORY AREAS			
Roads and Footpaths	8	0	8

Specific Results and Improvement areas – Roads and Footpaths

Q #	Roads and Footpaths	Summary of Sector Baselines not met and any improvement required	Recommendation
2a	Does Council have systems in place to authorise or permit 3rd party alterations to a public road (non-business purposes) in relation to S221 of the LG Act?	**Sector Baseline Not Yet Met** The Adelaide Hills Council does not have defined and documented systems in place for the authorisation of 3rd party alterations to a public road.(S221 permits). There is a permit that outlines the criteria in which a person may apply and this is available on the Councils webpage. There are however no documented protocols about how the Council receives these applications, how they are assessed or any dispute resolution processes around the process. The assessment process does not appear to be consistently applied, covering the same agreed criteria each time.	It is recommended that the Council undertake a review of its S221 permitting processes and ensure that all personnel who may have a role in the receipt of and approval of these permits work together to develop a defined documented system for the processing and subsequent approval. It is also recommended that the personnel who have delegated authority to sign permits have the training need for the processes mapped on a Corporate Training Needs Analysis.
2b	Does the authorisation process or permit consider structures and installations for their safety and suitability?	**Sector Baseline Not Yet Met** The Council were unable to demonstrate that the authorisation process or permit consider structures and installations for their safety and suitability	It is recommended that the Council introduce a documented assessment for all Section 221 permit applications to ensure that there is a documented and consistent approach to the assessment to ensure that the permit consider structures and installations for their safety and suitability.

Q #	Roads and Footpaths	Summary of Sector Baselines not met and any improvement required	Recommendation
2c	Does the authorisation or permit include an indemnity from the applicant to the Council?	**Sector Baseline Not Yet Met** The permit identifies the appropriate Indemnity clause: "that the applicant will indemnify the Council, its employees and/or agents against all actions, costs, claims and demands for injury, loss or damage arising out of any negligent act or omission of the Applicant in relation to any activities under the Authorisation or arising out of breach of any condition attaching to the Authorisation" However, the permit as viewed does not ask the applicant to take out and keep current Public Liability Insurance to the value of at least $10 million for the duration of the works.	It is recommend that the Council undertake a review of its Section 221 permitting process and ensure that the permit application and permits issued align. It is also recommended as identified above that the Council develop a documented assessment process to ensure that there is a consistent approach to the receipt, assessment and issuing of these permits.
2d	Does Council have an Infrastructure and Asset Management Plan that covers the management and maintenance of roads and footpaths?	**Sector Baseline Not Yet Met** It appears that the Council is in a transitional phase with its asset management, in particular for roads and footpath assets. During the evidence collected no data was supplied for the questions that relate to Asset Management, Roads and Footpaths. During the course of the evaluation it came to light that the Council did have an Asset Management Plan dated 2012 and was currently working on a new draft plan. It became quite clear that the 2012 plan was not in use and the draft while close had not been adopted by Council or its processes implemented across operations. It is further recognised that the operational assessment tools for inspection and maintenance activities for both roads and footpaths are still in the development stages.	It is recommended that the Council adopt and implement an Asset management Plan for the management and maintenance of its road and footpath assets. Additionally Council needs to continue with the development of assessment tools for both its road and footpaths assets and ensure that key personnel responsible for conducting these assessments are competent in the assessment criteria. It is further recommended that the Council give consideration to how the asset management plan and assessment tools are communicated and operationally used by key maintenance staff responsible for the on the ground operational maintenance of footpaths and roads.
2e	Does Council have an inspection and maintenance regime (or schedule) to inspect roads and footpaths?	**Sector Baseline Not Yet Met** Council was unable to demonstrate that they have a current and implemented inspection or maintenance regime in place for its road and footpath assets.	As per 2d

Q #	Roads and Footpaths	Summary of Sector Baselines not met and any improvement required	Recommendation
2f	How does Council prioritise roads during scheduling of maintenance/repair?	**Sector Baseline Not Yet Met** It appears that the Council currently prioritises roads reactively, based on receipt of customer complaints and requests.	As per 2d
2g	How does Council prioritise footpaths during scheduling of maintenance/repair?	**Sector Baseline Not Yet Met** It appears that the Council currently prioritises footpaths reactively, based on receipt of customer complaints and requests.	As per 2d
2h	If Council has Railway Interface/s, does Council fulfil its duties as a Road Manager?	**Sector Baseline Not Yet Met** Council have a Railway Interface agreement in place with the relevant rail infrastructure manager (ARTC). However it was evidenced that the documented risk assessments for each interface has still not occurred in line with National Rail Safety Act 2012 S 109)	It is recommended that the Council contact the Rail Authority and commence discussions around the completion of the rail interface risk assessments in the following manner: a) by itself identifying and assessing those risks;(independently) or (b) by identifying and assessing those risks jointly with the other person; or (c) by adopting the identification and assessment of those risks carried out by the other person.

2.1.1.3 Procurement and Contracts

Overview of Results – Procurement and Contracts

Topics	Total Number of Sector Baselines Evaluated	Sector Baseline Met	Sector Baseline Not Yet Met
MANDATORY AREAS			
Procurement and Contracts	7	4	3

Specific Results and Improvement areas – Procurement and Contracts

Q #	Procurement and Contracts	Sector Baseline and Summary of any improvement required	Recommendation
3a	Are there policies, and procedures prepared and adopted for the procurement process, including approach to the market, evaluation of responses and selection of providers?	**Sector Baseline Not Yet Met** The Council has a Procurement Policy revised and effective from 1 October 2019. There is also a Procurement Framework adopted by ELT and has an issue date of October 2019. The documented system provides clear processes for approach to the market,	It is recommended that the Council ensure the implementation of the revised documents, forms and templates to ensure that there are defined processes for the recording of reasons for entering into contracts other than those resulting from a tender.

Q #	Procurement and Contracts	Sector Baseline and Summary of any improvement required	Recommendation
		evaluation of responses and selection of providers. The current Framework as viewed does not identify a process for the recording of reasons for entering into contracts other than those resulting from a tender. It is acknowledged however that the newly revised framework and subsequent guidance materials require that an *Recommendation Report* must be completed for all acquisitions over $10,000 or when a contract is being used, this will be the transparent way of recording moving forward the reason why a supplier was utilised.	
3b	Are there systems in place to identify risks as part of the procurement/ purchasing process?	**Sector Baseline Met** There are some robust systems in place to identify risk as part of the procurement and purchasing process. The Procurement Framework identifies 3.2.3 - that outlines a Risk Assessment must be prepared to assess the supply risk, business risk, management risks, prohibit risk. The Council should be commended on the introduction of new tools and processes outlined within its Procurement Framework.	N/A
3c	Is there evidence that the procurement process is transparent and in accordance with applicable organisation's procurement policy/operational guidance/procedures	**Sector Baseline Met** There was evidence to demonstrate that the Council procurement processes are clear and transparent process and align with the documented systems.	N/A
3d	Have staff who have delegated roles and/or are responsible for procurement and/or contracts been provided with appropriate training?	**Sector Baseline Met** Those with delegated procurement roles are appropriately trained. It was also evidenced that as a result of the newly developed Procurement Framework, training needs and a training program is in its development stages.	Whilst the sector baseline has been deemed met in this instance there is an opportunity to further improve these systems by ensuring that training needs for personnel in relation to procurement are mapped on a Corporate training needs analysis.
3e	Does Council have a process in place to justify the rationale behind, and approval of, variations from standard indemnity, insurance, legal liability and contractor incident notification clauses?	**Sector Baseline Met** The Council has documented processes in place should they need to apply variations from standard indemnity, insurance, legal liability and contractor incident notification clauses in contractual	N/A

Q #	Procurement and Contracts	Sector Baseline and Summary of any improvement required	Recommendation
		documentation.	
3f	Is there evidence of the rationale in 3e being applied during the procurement process including when calling for tenders and developing/writing contracts?	**Sector Baseline Not Yet Met** The Council is using standard contract clauses and can demonstrate application of these as described above for purchases where a purchase order is not being applied. However, the Councils Purchase Orders issued (as viewed) does not document the appropriate terms and conditions.	It is recommended that the Council update its Purchase Order terms and conditions to reflect the following: • The requirement for the supplier to comply with all legislative requirements • Indemnity/liability provisions • Insurance (minimum public liability indemnity) • Warranty (goods and services) • Any sub-contractor prohibition (no engagement without prior approval of Council)
3g	Are there processes in place to administer the contract and manage supplier performance during and after the contract? Note: The criteria in this section are checking to see that there is evidence that these things are actually occurring	**Sector Baseline Not Yet Met** There are documented processes in place to administer the contract and manage supplier performance during and after the contract, however this could not be evidenced as being applied	It is recommended that the Council review the application of its Contractor Management processes to ensure that monitoring of contractor work is documented and that there are documented processes in place and applied to review contractor performance post works.

2.1.1.4   Elective Topics

3   Overview of Results – Elective Areas – E2 Event Management

Topics	Total Number of Sector Baselines Evaluated	Sector Baseline Met	Sector Baseline Not Yet Met
ELECTIVE AREAS			
Event Management	6	0	6

4   Specific Results and Improvement areas – E2 Event Management

Q #	Event Management	Summary of Sector Baselines not met and any improvement required	Recommendation
E2a	Does Council have systems in place for the management of *Council organised* events?	**Sector Baseline Not Yet Met** The Council does not have systems in place for management of Council organised events. There is a Policy and a Toolkit in place that is more focussed on Council permitted	It is recommended that the Council undertake a review of its current processes in place for Council organised events and consider the application of the Events Toolkit and its elements being applied for Council

		events. Whilst it is appreciated that some components may be applied to Council organised events this was evidenced as not being applied in a consistent manner.	organised events. It is further suggested that the Council review its current "events" and determine what constitutes an event, if they are Council permitted or Council organised. By doing this it will assist in the direction of what risk management activities should be in place and by whom.
E2b	Do these systems ensure consistent risk management, and compliance with legislative requirements, of *Council organised* events across all areas of Council?	**Sector Baseline Not Yet Met** As identified in E2a the Councils documented systems are focussed on Council permitted events. Appreciating this, it was evidenced that there are not processes being applied that ensure a consistent approach to risk management for Council organised events to ensure and compliance with legislative requirements.	It is recommended that the Council consider the application of the Events Toolkit and elements being applied for Council organised events. It is also further suggested that the Council look to develop a simple checklist to support the key risk management activities for Council organised events to ensure that each event manager has the tools to ensure the consistent application.
E2c	As part of the risk management process, are all arrangements with other parties documented, including suitability of contractors, and responsibilities (indemnities and insurances) for the risks they manage?	**Sector Baseline Not Yet Met** The Council was unable to demonstrate that a risk management approach is applied consistently across Council organised events to ensure there is a process to ensure suitability of contractors, and responsibilities (indemnities and insurances) for the risks they manage.	As above
E2d	Has Council assessed the number of, and skills required for, Council staff and Volunteers working at the event?	**Sector Baseline Not Yet Met** The Council was not able to demonstrate that they have assessed the number of, and skills required for, Council staff and Volunteers working at events	As above
E2e	Has Council considered Emergency Management provisions for events?	**Sector Baseline Not Yet Met** The Council was unable to demonstrate the consideration and provision of emergency management provision for events consistently.	As above
E2f	Do Council's systems ensure consistent permitting of events by Council?	**Sector Baseline Not Yet Met** The Council has some great processes in place for the permitting of events and have developed an Events Toolkit. The toolkit in principle provides good guidance, however it was unclear if there is a consistency to how Council is assessing and permitting these events.	It is recommended that the Council develop a checklist or like that can be used to track the key risk management activities (review of risk management plans, emergency management plans, insurances and licences) that should be supplied and reviewed during the permitted process.

Overview of Results – Elective Areas – E4 Tree Management

Topics	Total Number of Sector Baselines Evaluated	Sector Baseline Met	Sector Baseline Not Yet Met
ELECTIVE AREAS			
Tree Management	3	1	2

Specific Results and Improvement areas – E4 Tree Management

Q #	Tree Management	Summary of Sector Baselines not met and any improvement required	Recommendation
E4a	Does Council have systems in place to manage existing and new trees?	**Sector Baseline Not Yet Met** The Council has a high level policy in place in regards to trees, the Policy does refer to a number of operation processes that do not appear to be yet in place (inspection, maintenance schedules and registers) It is for this reason that the Sector Baseline has not yet been met.	It is recommend that the Council consider the development of the operational process documents (guidelines or framework) as described within its Policy, maintenance and inspection programs. These guidance documents will provide transparent processes in relation to the management of trees and will assist in ensuring consistent and risk based determinations
E4b	Does the system provide a process for identifying, analysing, assessing, evaluating and treating risks related to trees during development & planning, planting, and maintenance?	**Sector Baseline Not Yet Met** The Council was unable to demonstrate that its tree management system provides a process for identifying, analysing, assessing, evaluating and treating risks related to trees during development & planning, planting, and maintenance	As identified above the Council could benefit from documenting its process in relation to the preventative management of trees.
E4c	Has Council taken "reasonable action" in response to all tree requests regarding street trees in the last 24 months?	**Sector Baseline Met** The Council was able to demonstrate that they are taking 'reasonable action" in relation to request in relation to street trees through the development of the CRM process, mapping of trees (new), service levels and the documented case management approach.	Whilst it is noted that the Sector Baseline has been met for this question there is opportunity to bring together the process of responding to tree request into a documented process (flowchart or operational procedure) This will ensure that there is a consistent systematic approach to this process.

2.2 EXECUTIVE SUMMARY: CONCLUSION

In relation to the risk elements tested, the Council should be commended on the work conducted to date in with the development and implementation of its Risk Management Framework and Procurement processes. It was evident that there has been significant focus in this space and the outcomes of this evaluation is a representation of that. In regards to procurement the development of a guideline, associated tools and process flow together with a planned training program will see the Council in a good space moving forward.

In regards to roads and footpaths, the Council needs to ensure there is a consistent approach to the receipt, assessment and approval of its Section 221 permits. There is also some work to be done in relation to adoption and subsequent implementation of an asset management plan for Road and Footpath assets; and then the application of assessment, inspection and maintenance programs to ensure ongoing management of these assets.

In relation to trees, the documented approach to tree protocols could be developed to provide some clear and consistent guidance in relation to the management of trees from planting, removal, inspection and managing tree requests, it is recognised that there has been some great work conducted to date in the development of CRM process and a tree register and mapping of assets, its now about further developing these processes to ensure a consistent approach.

In regards to event management there has been some great work in the development of an Events and Festivals Toolkit for Council permitted events, this toolkit and the application of it could be also utilised for Council organised events and if applied in a consistent manner would address the risk management approach for Council organised events.

Whilst it may appear that there are a number of areas to follow up on particularly with Roads and Footpaths, Events and Trees. It is recognised that significant system build and improvement is occurring, and providing that Adelaide Hills Council continue to work on the building of these system and making improvements, the system should mature and progress to a compliant level. A system to be effective, needs to be documented, communicated and applied across all of the organisation in a consistent manner, the opportunity for the Council is to start the documenting some of these systems.

The Adelaide Hills Council has undertaken a considerable body of work in the development of their safety systems. It should be recognised that the measures of conformance/observation are based upon all of the necessary components being in place and applied. So, whilst Council has not yet reached this level in many of the areas evaluated, it is recognised that they have made significant progress in many aspects and topic areas and the staff involved are diligently working towards improving their systems and processes.

We would like to thank all those that were involved in the evaluation for their time and honest responses. It is clear that management and workers within the Adelaide Hills Council are keen to move forward on the development of their Risk and WHSMS and are applying resources to make this happen.

With the current WHS and IM Plan (Improvement Plan) due for review in early 2020, it is recommended that management conduct a system review, to identify priorities and programs with safety objectives, targets, measures and supporting actions that will drive the system forward in a way that enables outcomes to be measured and recognised not just in terms of progress but whether the objectives are being met.

The organisation should also focus on a structured and prioritised implementation program for their risk management system that enables integration with the organisation's other planning processes e.g. procurement, project management, strategic and operational planning.

Your allocated LGAWCS/MLS RRC (Mel Cox) can assist you with the system review and action/-implementation plan development.

Management will need to monitor, review and apply accountability for the completion of the planned actions and outcomes from the measures, to make sure that the WHS and risk systems continue to develop and improve in a way that is of the greatest benefit to the organisation.

Please note that action plans for monitoring by the LGAWCS/MLS need to be submitted for review by the end of January 2020 and it is expected that these will extend for a period of two years (until your next risk evaluation).

WHS and risk action plan close out is determined at the end of September each year. These percentages are included in 50% of the WCS rebate calculations. The other 50% is based on IM claims performance

3. Risk Management Report

The evaluation of the Adelaide Hills Council risk management (RM) system included a review of existing documentation and meeting with employees and other workers. Comments and recommendations, including action items will provide management with some suggested ways to improve their systems, however it may be appropriate to implement an alternative action and this is at the discretion of each individual organisation and their management team.

3.1 Summary of the evaluation scope

The Risk Management Evaluation considered the presence and degree of implementation of systems relating to:

- Risk Management Systems
- Roads and Footpaths
- Procurement, Tenders and Contracts
- Tree Management
- Event Management

3.2 Employees and other workers involved in the evaluation process included:

- Steven Watson, Governance and Risk Coordinator
- James Greenfield, Procurement Project Officer
- Anisa Cadd, Events Officer
- Damian Brennan, Horticultural Officer
- Joel Eckerman, Coordinator Civil Operations
- Kylie Caruso, Roads Officer
- John Davey, Projects Officer
- Craig Marshall, Senior Infrastructure Planning Engineer
- David Collins, Manager Sustainable Assets

3.3 Documentation Review

The review included reviewing policies, procedures and supporting documentation within the Council's RM, and supporting organisational systems, as provided by the Auditee prior to and during the evaluation.

Additional evidence provided after the evaluation will only be accepted as evidence for this evaluation if agreed by the evaluator or the Client (i.e. LGAWCS and LGAMLS management).

3.4 Physical Verification

The Risk Management section of this evaluation was conducted in its entirety at the Adelaide Hills Council Administration Building in Stirling. It involved demonstration and interrogation of the live systems to support the desktop evidence supplied.

3.5 Report Findings and Recommendations

Report findings and recommendations for each evaluation question are provided in the following table (in a summary format) and in the audit reports and tool (in more depth).

Further broader system recommendations are provided in the executive overview and conclusion.

It should be recognised that the findings and recommendations of this report should be used for:

- Planning and continuous improvement by Council of their RM Systems

3.6 Risk Evaluation Tool and Findings

Risk Evaluation Tool can be found at:

https://www.lgrs.com.au/documentlibrary/documentnew/index?documentId=6257&fileName=2019-20 Risk Evaluation Tool V1.0 Issued 17-12-2019 Evaluator Comments.pdf&library=59

Contact

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Item:	**7.11**
Originating Officer:	**Lachlan Miller, Executive Manager Governance & Performance**
Responsible Director:	**Andrew Aitken, Chief Executive Officer**
Subject:	**2019/20 External Audit Plan**
For:	**Decision**

SUMMARY

As part of the planning for the 2019/20 Annual Financial Statements and Internal Control Audit, Council's external auditors, Galpins Accountants, Auditors and Business Consultants (Galpins) have prepared an *2019/20 External Audit Plan* (**Appendix 1**).

Under the Audit Committee's Terms of Reference, two of the key roles in relation to External Audit relate to recommending the approval of the auditor's terms of engagement and reviewing and making recommendations regarding the proposed external audit plan.

At the commencement of the 2018/19 External Audit, the Audit Committee recommended to Council, and Council approved, the engagement of Galpins and that engagement is enduring for the subsequent years of the audit contract (**Appendix 2**).

The purpose of this report therefore is to provide the *2019/20 External Audit Plan* for the Committee's review and, if satisfied, to seek the Committee's recommendation to Council for approval.

RECOMMENDATION

The Audit Committee resolves:

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

2.   **To recommend to Council the approval of the *2019/20 External Audit Plan* by Galpins Accountants, Auditors and Business Consultants as contained in Appendix 1.**

1. **GOVERNANCE**

➢ **Strategic Management Plan/Council Policy**

Goal   Organisational Sustainability
Strategy   Risk and responsibility
Strategy   Governance

External audit is a key accountability function to the community regarding the financial governance of the organisation.

➢ **Legal Implications**

Chapter 8 – Administrative and financial accountability, Part 3 – Accounts, financial statements and audit, Division 4 – Audit of the *Local Government Act 1999* and Part 6 - Audit of the *Local Government (Financial Management) Regulations 2011* set out the requirements regarding the appointment of the external auditor and the conduct of the audit*.*

➢ **Risk Management Implications**

The appointment of the external auditor consistent with the requirements of legislation assists in mitigating the risk of:

Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (3D)	Medium (3D)

Note that there are many other controls that assist in mitigating this risk.

➢ **Financial and Resource Implications**

Council makes a budget allocation each year for the expenses associated with the conduct of the external audit.

The external audit function is managed by the Governance & Performance Department although the Finance Services Department is most significantly impacted throughout the external audit process.

➢ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council's accounts are audited by appropriately qualified and independent external auditors.

➢ **Environmental Implications**

Not applicable

> ➢ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Consultation on the development of this report was as follows:

Council Committees: Not Applicable
Workshops: Not Applicable
Advisory Groups: Not Applicable
Administration: Director Corporate Services
  Manager Financial Services
Community: Not Applicable

2.   **BACKGROUND**

The Audit Committee's Terms of Reference set out a number of specific functions, one of which relates to External Audit and contains key roles for the Committee, relevant to the conduct of the 2019/20 Annual Financial Statement and Internal Control Audit, as follows:

- Recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit (clause 3.5.2.2);

- Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services (clause 3.5.2.3)

- Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business) (clause 3.5.2.4); and

- Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement (clause 3.5.4).

On 27 February 2018, Galpins Accountants, Auditors and Business Consultants (Galpins) were appointed by Council for the provision of external audit services for a three year period (with and option of a further period for up to two years) commencing with the audit of the financial year ending 30 June 2018.

At its 18 February 2019 meeting, the Audit Committee considered the Engagement Letter and 2018/19 External Audit Plan and resolved as follows:

6.2.   **External Audit Plan**

Moved Peter Brass
S/- Paula Davies   **3/19**

The Audit Committee resolves:

1.   That the report be received and noted
2.   To recommend to Council the approval of the:
   a.   Audit Engagement Letter between Adelaide Hills Council and Galpins Accountants, Auditors and Business Consultants as contained in Appendix 1; and
   b.   External Audit Plan (Appendix 2) by Galpins Accountants, Auditors and Business Consultants as contained in Appendix 2, with amendments to the timetable and risk assessment commentary.

Carried

Council, as its 27 February 2019 Ordinary meeting, in consideration of the Audit Committee's recommendations, resolved:

12.3   **External Audit Engagement Letter and Plan**

Moved Cr Malcolm Herrmann
S/- Cr Leith Mudge   **32/19**

Council resolves:

1.   That the report be received and noted
2.   To approve the:
   a.   Audit Engagement Letter between Adelaide Hills Council and Galpins Accountants, Auditors and Business Consultants as contained in Appendix 1 and authorise the Chief Executive Officer to execute the Letter on behalf of Council; and
   b.   External Audit Plan (Appendix 2) by Galpins Accountants, Auditors and Business Consultants as contained in Appendix 2.

Carried Unanimously

3.   ANALYSIS

The Engagement Letter, as approved by Council (**Appendix 2**), contains a clause that it remains effective for future years. Galpins have confirmed that there are no changes to the provisions of the letter (other than the obvious applicability to each successive year's audits)

In preparation for the 2019/20 External Audit, Galpins have prepared an External Audit Plan (**Appendix 1**) for the Audit Committee's review and, if satisfied, recommendation to the Council for approval.

The Administration has reviewed the Plan and is agreeable with the scope, methodology and timeframes set out in the Plan.

Tim Muhlhausler (Partner) and Juliano Freitas (Audit Manager) will not be able to attend the Audit Committee meeting on this occasion however any queries can be forward to them by the Administration and responses circulated by email.

Should the Audit Committee determine to recommend to Council to approve both documents, a report will be prepared for the Council's 25 February 2020 meeting.

4.   OPTIONS

The Committee has the following options:

I.   To recommend to Council the scope of work and timing of the 2019/20 External Audit by Galpins Accountants, Auditors and Business Consultants as contained in *Appendix 1*. (Recommended)

II.   To seek amendments to the scope of work and timing of the 2019/20 External Audit by Galpins Accountants, Auditors and Business Consultants as contained in *Appendix 1*. Seeking amendment may impact on the timeliness and/or cost of External Audit service provision (Not Recommended)

5.   APPENDICES

(1)   2019/20 External Audit Plan
(2)   Audit Engagement Letter – Galpins

Appendix 1
2019/20 External Audit Plan

Galpins

Accountants, Auditors & Business Consultants

2019/20 External Audit Plan

Adelaide Hills Council

Adelaide Hills
COUNCIL

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1. AUDIT SCOPE

Opinion on the Financial Report

We are required to audit the financial report of Adelaide Hills Council, which comprises the statement of financial position as at 30 June 2020, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the certification of the financial statements.

We are to provide an audit opinion whether the financial report of Adelaide Hills Council, presents fairly, in all material respects, the Council's financial position as at 30 June 2020 and its financial performance for the year ended on that date in accordance with Australian Accounting Standards, the Local Government Act 1999, and the Local Government (Financial Management) Regulations 2011.

Controls Opinion

We are required to undertake a reasonable assurance engagement on the design and the operating effectiveness of controls established by Adelaide Hills Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, throughout the period 1 July 2019 to 30 June 2020 relevant to ensuring such transactions have been conducted properly and in accordance with law.

We are to provide an opinion whether, in all material respects:

▪ the controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities were suitably designed to ensure such transactions have been conducted properly and in accordance with law; and

▪ the controls operated effectively as designed throughout the period from 1 July 2019 to 30 June 2020.

2. AUDIT METHODOLOGY

Our financial statements Audit Methodology is a risk based methodology consisting of four main stages – Audit Planning, Internal Controls, Substantive Procedures and Completion. The stages are managed in an environment of ongoing monitoring and review and consultation with stakeholders.
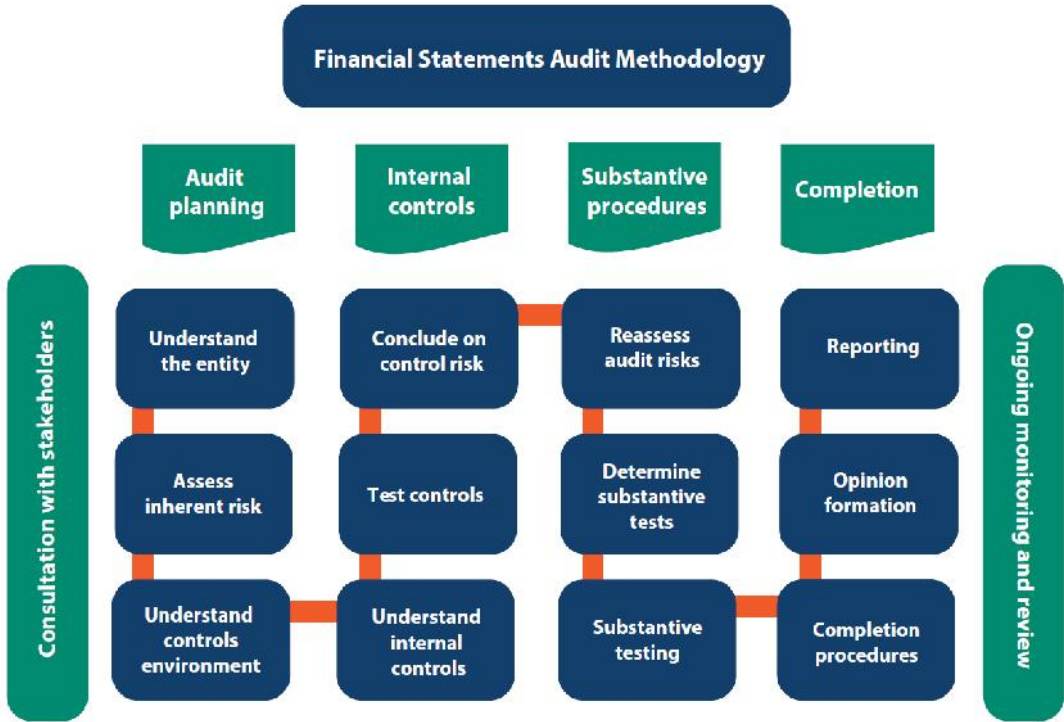
We conduct our audits in accordance with the requirements of Australian Auditing Standards and Auditing Guidance Statements adopted from time to time by CPA Australia and The Institute of Chartered Accountants in Australia.

Audit Planning Stage - the objective of the audit planning stage is to develop a greater understanding of the entity. Based on our understanding of the entity, planning analytical review, structured interviews with management and walkthroughs we identify and rank the inherent risks.

Internal Controls - we obtain an understanding of the internal controls relevant to the financial statements and perform tests of design and effectiveness for these controls. Based on the results of the control testing, we then asses controls risks and design further audit procedures.

Substantive Procedures - From our understanding of the entity, our risk analysis and results of control testing, we are able to design and refine appropriate substantive procedures, including analytical review and test of details. Testing methods include reconciliations, recalculations, 3rd party confirmations, observation and inspection.

Completion - We evaluate the results of the audit testing and determine whether adjustments to the financial statements are required and review the final financial statements to provide support regarding the best presentation of these reports.

3. AUDIT PLANNING STAGE

Understanding the Entity and Inherent Risks
We research and document the Council's nature of operations, industry, regulatory environment, legislative responsibilities, financial reporting environment, understanding of use of information technology, capital investment, critical accounting policies and process of reviewing the Council's financial performance. This understanding enables us to identify the initial inherent risks. Structured interviews with management will also be carried out to identify other inherent risks.

Planning Analytical Review
The planning analytical review will help us to identify the existence of unusual transactions or events that may represent a risk of material misstatement. Our planning analytical review will also assist us to understand the classes of transactions and account balances to be expected in the financial report that should be subject to a specific audit program.

Identification of business cycles and definition of audit approach
The procedures performed when obtaining an understanding of the entity and the planning analytical review will assist us to identify the main business cycles and the account balances expected to be in the financial report. Also, this knowledge will enable us to define our audit approach for each class of transactions or account balances being a controls approach, a substantive approach or a combination of both. Once we have identified all inherent risks based on our understanding of the entity's business, planning analytical review and enquiries of management and have defined our audit approach for each class of transaction and account balances, we will be able to commence the next stage of our audit (Internal controls stage). We designed a table containing our understanding of all classes of transactions, account balances and related business cycles together with our initial understanding of the audit approach to be undertaken based on our initial inherent risk assessment.

The results of our plan are included in the audit plan summary table containing our initial inherent risk assessment related to the account balances, classes of transactions and business cycles identified during our audit planning.

The inherent risks assessment is what drives our audit approach (being controls approach, substantive approach or a combination of both). We usually provide an internal controls approach together with a substantive approach to the areas with high and medium inherent risks.

See a summary of our inherent risk assessment and the audit approach to be provided for each business cycle in the audit plan summary table overpage:

A list of internal controls to be tested for each business with high and medium inherent risks is provided in Appendix 1 of this document.

Audit Plan Summary Table – Statement of Comprehensive Income - Income

Area	2019	2018	Audit approach	Business cycle	Audit Response	Inherent Risk
Rates and charges	36,915,000	35,512,000	**Controls and Substantive**	Rates	Controls and substantive tests	**High**
Statutory charges	1,172,000	1,069,000	**Substantive**	User Pay Income	Substantive tests	**Moderate**
User charges	1,007,000	1,479,000	**Substantive**	User Pay Income	Substantive tests	**Moderate**
Grants	5,123,000	5,508,000	**Substantive**	Grants	Controls and substantive tests	**Moderate**
Investment Income	41,000	30,000	**Substantive**	Investment Income	Substantive tests	**Low**
Reimbursements	516,000	447,000	**Substantive**	Other Revenue	Substantive tests	**Low**
Other Income	648,000	488,000	**Substantive**	Other Revenue	Substantive tests	**Low**
Equity Accounted Businesses	138,000	-	**Substantive**	Other Revenue	Substantive tests	**Low**

Audit Plan Summary Table – Statement of Comprehensive Income – Expenses

Area	2019	2018	Audit approach	Business cycle	Audit Response	Inherent Risk
Employee costs	15,923,000	14,956,000	**Controls and Substantive**	Payroll	Controls and substantive tests	**High**
Materials / Contracts / Other Expenses	19,231,000	19,961,000	**Controls and Substantive**	Purchasing, Procurement and Contracting	Controls and substantive tests	**High**
Depreciation and amortisation	8,826,000	8,246,000	**Controls and Substantive**	Fixed Assets	Controls and substantive tests	**High**
Finance Costs	623,000	646,000	**Substantive**	Other Expenses	Substantive tests	**Low**
Equity Accounted Businesses	6,000	216,000	**Substantive**	Other Expenses	Substantive tests	**Low**

Audit Plan Summary Table – Statement of Comprehensive Income – Other Comprehensive Income

Area	2019	2018	Audit approach	Business cycle	Audit Response	Inherent Risk
Asset Disposals & Fair Value Adjustments	(95,000)	(2,401,000)	**Controls and Substantive**	Fixed Assets	Controls and substantive tests	**High**
Amounts Received Specifically for New or Upgrade Assets	425,000	867,000	**Controls and Substantive**	Grants	Controls and substantive tests	**Moderate**
Physical Resources Received Free of Charge	1,982,000	2,068,000	**Substantive**	Other Revenue	Substantive tests	**Moderate**

Audit Plan Summary Table – Statement of Financial Position – Assets

Area	2019	2018	Audit approach	Business cycle	Audit Response	Inherent Risk
Cash and cash equivalents	2,025,000	491,000	**Controls and Substantive**	Banking	Controls and substantive tests	High
Trade and other receivables	2,541,000	2,853,000	**Controls and Substantive**	Debtors	Controls and substantive tests	Moderate
Inventories	19,000	13,000	**Substantive**	Inventory	Substantive tests	Low
Non-Current Assets Hold for Sale	1,530,000	1,260,000	**Controls and Substantive**	Fixed Assets	Controls and substantive tests	High
Financial Assets – NC	-	50,000	**Substantive**	Loans to Community Groups	Substantive tests	Low
Equity Accounted Businesses - NC	1,350,000	838,000	**Substantive**	Other Assets	Substantive tests	Low
IPPE	424,101,000	370,815,000	**Controls and Substantive**	Fixed Assets	Controls and substantive tests	High
Other Non Current Assets	-	-	**Controls and Substantive**	Fixed Assets	Controls and substantive tests	High

Audit Plan Summary Table – Statement of Financial Position - Liabilities

Area	2019	2018	Audit approach	Business cycle	Audit Response	Inherent Risk
Trade and other payables	5,446,000	8,645,000	**Controls and Substantive**	Accounts Payable	Controls and substantive tests	High
Borrowings	62,000	4,918,000	**Substantive**	Borrowings	Substantive tests	Low
Provisions	3,048,000	3,478,000	**Substantive**	Provisions	Substantive tests	Moderate
Borrowings - NC	10,000,000	10,000,000	**Substantive**	Borrowings	Substantive tests	Low
Provisions - NC	1,398,000	651,000	**Substantive**	Provisions	Substantive tests	Moderate

Audit Plan Summary Table – Statement of Financial Position - Equity

Area	2019	2018	Audit approach	Business cycle	Audit Response	Inherent Risk
Accumulated Surplus	141,348,000	137,081,000	**Substantive**	Other business cycles	Substantive tests	Low
Asset Revaluation Reserves	269,691,000	210,121,000	**Controls and Substantive**	Fixed Assets	Controls and substantive tests	High
Other Reserves	573,000	1,426,000	**Substantive**	Other business cycles	Substantive tests	Low

4. INTERNAL CONTROLS / CONTROLS OPINION

We review the internal controls we consider as key controls to be in place for the purpose of issuing our control opinion. These key internal controls consist of a prioritised list of controls from the Better Practice Model – Internal Financial Controls 2017 (BPM). This list was based on the key business identified during our audit planning and from our planning analytical review and the internal controls listed in the BPM for these business cycles.

The key core controls for the following key business cycles have been identified as critical for the purpose of issuing a controls opinion this financial year:

Business cycles	Account Balance	BPM controls	Inherent Risk
Purchasing and Procurement / Contracting	Materials / Contracts / Other Expenses	10	High
Fixed Assets	IPPE, Depreciation expense, Asset Disposals and FV adjustments, Revaluation Reserves	16	High
General Ledger	All accounts	11	N/A
Accounts Payables	Accounts Payables	13	High
Rates / Rates Rebates	Rates charges	10	High
Payroll	Employee Costs	19	High
Receipting	Debtors	5	Moderate
Credit cards	Materials / Contracts / Other Expenses	5	High
Banking	Cash and cash equivalents	5	High
Debtors	Debtors	6	Moderate
Total number of controls		**100**	

A prioritised list of controls from the better practice model can be seen in Appendix 1. After completing our test of effectiveness of internal controls we perform a controls risk assessment for each account balance. The controls risks are combined with our initial inherent risk assessment performed during our audit planning for determining the risk of material misstatements for each account balance (see more details in item 5 of this document).

5. RISK OF MATERIAL MISSTATEMENTS

Risk of material misstatement consists of the following components:

Risks	Definition
Inherent risks	How susceptible to fraud or error the financial statements assertions are given the nature of the entity, considering external factors such as competency of staff, availability of information, prior period misstatements, accounting systems, level of supervision, etc before consideration of any related controls. The inherent risk assessment is performed during the planning stage when obtaining understanding of the entity's business (please refer to item 3 of this document).
Controls risks	Risk of a misstatement due to error or fraud that could occur and not be prevented or detected by Council's internal controls. The assessment of internal controls risks is performed during the internal controls stage after performing test of internal controls (please refer to item 4 of this document).

The risk of material misstatement will be based on the combination of inherent and controls risks as demonstrated in the table below:

		Inherent Risks		
		HIGH	**MEDIUM**	**LOW**
Controls Risks	**HIGH**	H	H	M
	MEDIUM	H	M	L
	LOW	M	L	L

The risk of material misstatement will determine the nature and extent of our audit procedures and sample sizes to be utilised. Once we assess the risk of material misstatements (RoMM) we will be able to design our substantive audit procedures. Below, a summary of the impact of risk of material misstatements on our audit strategy:

Inherent Risk	Controls Risk	RoMM	Impact on audit strategy
Low	Low	Low	High reliance on controls/minimum level of substantive tests
	Medium	Low	Medium reliance on controls / low level of substantive tests
	High	Medium	No reliance on controls / medium level of substantive tests
Medium	Low	Low	High reliance on controls / low level of substantive tests
	Medium	Medium	Med. reliance on controls/medium level of substantive tests
	High	High	No reliance on controls / high level of substantive tests
High	Low	Medium	High reliance on controls / medium level of substantive tests
	Medium	High	No reliance on controls / high level of substantive tests
	High	High	No reliance on controls / high level of substantive tests

6. SUBSTANTIVE PROCEDURES STAGE

From our risk analysis (please refer to item 3 of this document), we are able to design and refine appropriate substantive procedures, including analytical review and test of details, to address identified risks of material misstatements of financial statements. Testing methods to be applied to account balances and transactions include:
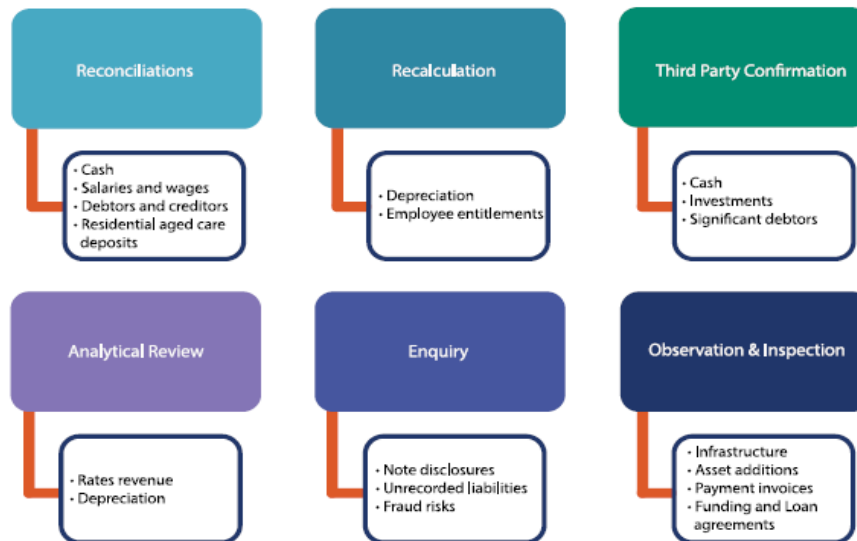
Please refer to the audit timetable indicating the dates for our final visit to perform our final substantive procedures (please refer to the item 8 of this report).

Audit will request authorisation from Council to request an independent confirmation from banks of information such as Council's account balances, securities, treasury management instruments, documents and other related information held by banks on behalf of Council.

We will also require Council to request its lawyers to send a 'Legal Representation Letter' to us (a template of the letter will be provided by the auditors).

7. COMPLETION STAGE

This stage consolidates all the audit work performed during the previous stages. We perform a final risk of material misstatements assessment and conclude whether procedures performed were sufficient to reduce the audit risk to an acceptable level. We evaluate the results of audit testing and determine whether adjustments to the financial statements are required. We also review the final financial statements regarding the best presentation of these reports.

Key deliverables to complete the engagement include:
- Final Management Letter;
- Final report listing key matters addressed during the audit;
- Final auditor's report and controls opinion; and
- List of Immaterial Uncorrected Misstatements.

8. AUDIT TIMETABLE

The following is an indicative for the audit. Actual audit dates will be negotiated with the Council to ensure that dates are convenient.

Audit Activities	Indication of Dates
1. Initial Meeting with Finance Management and Key Staff Members	Late February
2. Detailed Audit Plan / Audit Program Development	5 February
3. Interim Site Visit	6-8 April
4. Interim Management Letter	Early May
5. Final Audit Visit	TBA
6. Final Auditor's Report	TBA
7. Final Management Letter	TBA

9. CONTACT DETAILS

Tim Muhlhausler CA, B Comm, Grad Dip. (ICAA), Registered Company Auditor, MIIA (Aust), Registered SMSF Auditor

Partner

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APPENDIX 1 – CRITICAL INTERNAL FINANCIAL CONTROLS

Purchasing and Procurement

Risks

R1	Council does not obtain value for money in its purchasing and procurement.
R2	Purchases of goods and services are made from non-preferred suppliers.
R3	Purchase orders are either recorded inaccurately or not recorded at all.
R4	Purchase orders are made for unapproved goods and services.

RISKS	Control	Control Type
R1	Council has a Procurement Policy that provides direction on acceptable methods and the process for procurement activities to ensure transparency and value for money within a consistent framework, with consideration of any potential conflicts of interest.	Core
R1,R2	Employees must ensure all purchases are in accordance with Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.	Core
R1	The organisation has a process in place to ensure use of preferred suppliers where relevant to maximise the best value for money to Council	Core
R2,R3	There is a process in place to review purchasing patterns and ensure maximum use of preferred suppliers	Additional
R3	Purchase order numbers are either system generated and/or sequentially numbered.	Core
R3	There is a process in place to ensure all invoices for payment are matched to relevant source documents such as purchase orders where applicable and are in line with Procurement Policy guidelines.	Core
R3	There is a process in place to follow up and action incomplete purchase orders.	Additional

CONTRACTING

Risks

R1	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process.
R2	Council does not obtain value for money in relation to its Contracting.

RISKS	Control	Control Type
R1,R2	There are robust and transparent evaluation and selection processes in place to engage contractors where relevant in accordance with the Code of Conduct, Conflict of Interest and Procurement Policy.	Core
R1	The selection panel is made up of appropriate personnel who have declared any relevant conflict of interest to ensure that informed and objective decision is made when selecting contractors.	Core
R1	Council maintains a current contract register.	Core

FIXED ASSETS		

Risks

R1	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register (FAR) does not remain pertinent.
R2	If fixed assets are not securely stored, they may be subject to damage or theft.
R3	If fixed assets are not valued correctly, the management reports and financial statements will be misstated. For example, incorrect carrying values may result from the use of inappropriate depreciation rates.
R4	Depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes inappropriate useful lives and residuals.
R5	Fixed Asset maintenance and/or renewals are inadequately planned.

RISKS	Control	Control Type
R1	There is a process in place for the verification of fixed assets which is reconciled to the FAR.	Core
R1	Recorded changes to the FAR and/or masterfile are approved by appropriate staff compared to authorised source documents and General Ledger to ensure accurate input.	Core
R1	All fixed asset acquisitions and disposals are approved in accordance with Delegation of Authority and relevant Procurement and Fixed Asset Policies.	Core
R1	Maintenance of the fixed asset register is limited to appropriate staff with consideration to segregation of duties.	Core
R1	Council has an asset accounting policy which details thresholds for recognition of fixed assets which is monitored to ensure adherence.	Core
R1	Reconciliation of fixed assets to the General Ledger is performed in accordance with schedule of review or procedure.	Core
R1	Asset register calculations are reviewed for accuracy.	Core
R1	Fixed assets are recorded on acquisition, creation or when provided free of charge to facilitate accurate identification of assets and recording of details with regards to the Asset Accounting Policy.	Core
R1	Asset maintenance is planned and monitored with relevant staff in accordance with the Asset Management Plans	Additional
R2	Where appropriate, fixed assets are secured and access is restricted to appropriate staff and authorised users.	Core

RISKS	Control	Control Type
R2	Where appropriate, identification details are recorded for portable and attractive assets such as IT and fleet assets, on acquisition to facilitate accurate identification.	Additional
R3	Relevant staff review useful lives, residuals, valuations, depreciation methodology and test for impairment as required by Accounting Standards and legislation to ensure that methods used are still appropriate and significant changes are incorporated into Asset Management Plans.	Core
R3	Profit or loss on disposal calculations can be substantiated and verified with supporting documentation.	Core
R4	Depreciation charges are calculated in accordance with the asset accounting policy and compliant with relevant accounting standards, including the useful life, depreciation method and residual values.	Core
R5	Asset Management Plans are prepared and renewal expenditure and programmed maintenance required is reviewed periodically to reflect changing priorities, additional asset data and other relevant factors.	Core
R5	Asset Management Plans for all major asset classes are adopted and reviewed by Council as required by the Local Government Act 1999.	Core

GENERAL LEDGER

Risks

R1	General Ledger does not contain accurate financial information
R2	Data contained within the General Ledger is permanently lost.

RISKS	Control	Control Type
R1,R2	All major updates and changes to General Ledger finance system are authorised, tested and documented.	Core
R1,R2	Access to General Ledger maintenance is restricted to appropriately authorised personnel.	Core
R1	Reconciliation of all balance sheet accounts are completed in accordance with a schedule of review and/or procedure.	Core
R1	All balance sheet reconciliations are reviewed by a person other than the preparer at least annually.	Core
R1	Journal entry access is restricted to appropriately authorised personnel.	Core
R1,R2	Financial data is backed up and stored offsite.	Core
R1	Finance system does not allow posting of unbalanced journals or if it does regular reviews are conducted on the suspense account and discrepancies investigated and actioned.	Core
R1	Amendments to the structure of the General Ledger framework and accounts are reviewed and approved by appropriately authorised personnel.	Core
R1,R2	General Ledger policies and procedures are appropriately created, updated and communicated to relevant staff.	Core
R2	Formal disaster recovery plan is in place and communicated to relevant staff.	Core
R1	There is a process in place to review actual vs budget and significant variances investigated.	Core

ACCOUNTS PAYABLE

Risks

R1	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all.
R2	Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all.
R3	Disbursements are not authorised properly.
R4	Accounts are not paid on a timely basis.
R5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.

RISKS	Control	Control Type
R1,R2,R4	Statements received from suppliers are reconciled to the supplier accounts in the accounts payable subledger regularly and differences are investigated.	Additional
R3	Records must be maintained of all payments with supporting documentation.	Core
R1	Payments are endorsed by relevant staff separate to the preparer, who ensures that they are paid to the correct payee.	Core
R5	Access to the supplier masterfile is restricted to authorised staff	Core
R2,R5	Separation of Accounts Payable and Procurement duties.	Core
R3	All invoices and payment requests are approved in accordance with relevant policies and/or Delegations of Authority.	Core
R1	Predetermined variances between Purchase Orders and Invoices are assessed and payment released only after verification by the officer with delegation to do so.	Additional
R1	Payments are verified to appropriate supporting documentation and are in line with Delegations of Authority.	Core
R4	Relevant staff to review aged payables listing on a predetermined basis and investigate where appropriate.	Core
R5	Recorded changes to the supplier master file are compared to authorised source documents to ensure that they were input accurately.	Core

RISKS	Control	Control Type
R5	Requested changes or additions to supplier masterfile are verified independently of source documentation.	Additional
R4	There is a system generated report detailing supplier invoices due for payment at any one time.	Core
R5	There is a process in place to ensure the supplier master file is periodically reviewed for ongoing pertinence.	Additonal

RATES / RATES REBATES

Risks

R1	Council does not raise the correct level of rate income.
R2	Rates and rate rebates are either inaccurately recorded or not recorded at all.
R3	The Property master file data does not remain pertinent.
R4	Rates are not collected on a timely basis.

RISKS	Control	Control Type
R1,R2	Rates are automatically generated by the rate system, including the calculation of rate rebates and other parameters as applicable.	Core
R2	Rates are generated and tested for accuracy of calculation methodology prior to the rates billing run	Core
R1	All software changes to rate modelling functionality fully tested and reviewed by relevant staff.	Core
R1	There is a rating policy in place that is reviewed annually that provides clear guidance on rating methodology and relevant rebates and remissions in line with legislation.	Core
R2	Annual valuation update is balanced prior to the generation of rates; all mismatches resolved prior to finalising rate generation.	Core
R2	All rate rebates and adjustments including write offs are appropriately authorised, with reference to Delegations of Authority and source documents.	Core
R4	There is a process in place to ensure that rates are collected in a timely manner and overdue rates are followed up.	Core
R3	Recorded changes to property master file data and any rate adjustments are compared to authorised source documents to ensure that they were input accurately. An audit trail is maintained for all changes.	Core
R3	Access to the Property master file is restricted to appropriately designated personnel, with a process in place to ensure changes are in line with policies and procedures.	Core
R2	Employees responsible for processing rate payments and rebates cannot process their own payments or rebates unless the transaction is approved by someone independent of the process	Core

PAYROLL

Risks

R1	Payroll expense is inaccurately calculated.
R2	Payroll disbursements are made to incorrect or fictitious employees.
R3	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.
R4	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.
R5	Voluntary and statutory payroll deductions are inaccurately processed or without authorisation.
R6	Employees termination payments are not in accordance with statutory and enterprise agreements.

RISKS	Control	Control Type
R1	Where possible standard programmed formulae perform payroll calculations.	Core
R1, R3	There is a process to ensure all overtime is verified and approved by relevant appropriate staff.	Core
R1	All calculations for generating payroll payments are verified for accuracy.	Core
R4,R5	Managers periodically review listings of current employees within their departments and variances are investigated.	Additional
R1	Payroll is periodically reconciled to the General Ledger accounts.	Additional
R2	The payment for the payroll must be reconciled to a system generated report detailing amount and employee prior to payment.	Core
R2	There is a process to ensure an independent review of proposed payroll payments by authorised staff.	Additional
R2	The payment of the payroll is authorised by appropriate staff not involved in the preparation of the payroll.	Core
R2	Employee records to include employment details and/or contract terms and conditions, authorisations for payroll deductions and leave entitlements.	Core
R2	There is a process to ensure employees are made inactive in payroll records upon termination	Core

RISKS	Control	Control Type
R5	All payroll deductions must be approved by the relevant employee.	Core
R3	Relevant staff are required to complete timesheets and/or leave forms, authorise them and have approved by the relevant supervisor.	Core
R2	There is a segregation of duties from those preparing the payroll to those responsible for preparation of source documents (e.g. timesheets, leave requests etc).	Core
R2	Payroll system generates audit reports detailing all payroll changes and there is a process in place to ensure all changes are reviewed and verified against source documents.	Core
R2	There is a process in place to ensure employees are not added to the payroll masterfile, nor details amended or amounts paid without receipt of the appropriate forms which have been authorised by relevant staff.	Core
R5	Access to the payroll deduction listing is restricted to authorised staff.	Core
R6	There is a process in place to ensure termination payments comply with relevant policies, procedures and legislation.	Core
R3	Time recording and attendance exceptions such as TOIL or flexitime are based on relevant policies/agreement are identified, monitored and corrected.	Core
R4	The ability to access, modify or transfer information contained in the payroll master files is restricted to authorised staff.	Core

CREDIT CARDS

Risks

R1	Credit Cards are issued to unauthorised employees.
R2	Credit Cards are used for purchases of a personal nature.
R3	Credit Card limits are set at inappropriate levels.

RISKS	Control	Control Type
R1,R3	There is a process in place to ensure there are appropriate approvals prior to the issuing of Credit Cards and limits.	
R1,R2	Credit card holders sign a declaration confirming compliance with Council policy and procedures prior to the Credit Card being released.	
R2	There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage.	
R2	Cardholders must check their statement to ensure all transactions are correct and identify any transactions of a personal nature which must be reimbursed to Council.	
R3	There is a process in place to ensure credit card limits and usage is reviewed for operational efficiency.	

BANKING

Risks

R1	Banking transactions are either inaccurately recorded or not recorded at all.
R2	Fraud (i.e. misappropriation of funds)

RISKS	Control	Control Type
R1,R2	There is a process in place to ensure all cash, blank cheques and/or cheque signing machine are adequately safeguarded.	Core
R1	Access to EFT Banking system is restricted to appropriately designated personnel.	Core
R1,R2	Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated.	Core
R2	Cash transfers between bank accounts and investment bodies are undertaken by appropriate staff.	Core
R2	There is a process in place to ensure all cash collected is adequately recorded and banked regularly.	Core

DEBTORS

Risks

R1	Debtors are either inaccurately recorded or not recorded at all.
R2	Rebates and credit notes to debtors are either inaccurately recorded or not recorded at all
R3	An appropriate provision for doubtful debts is not recorded
R4	Debtors are either not collected on a timely basis or not collected at all
R5	The Debtors master file data does not remain pertinent.

RISKS	Control	Control Type	CSA Importance Weighting
R1, R4	Debtor's reconciliation performed on a regular basis to the General Ledger and reviewed by an independent person.	Core	4
R1	Council maintains a Debt Collection Policy.	Core	5
R2, R3, R4	Management and/or Council review and approve all rebates, credit notes, bad debt write-offs and movements in the provision for doubtful debts, in accordance with delegations of authority and Local Government Act.	Core	5
R3, R4	Management reviews debtors ageing profile on a regular basis and investigates any outstanding items.	Core	4
R5	Access to the debtor's master file is restricted to appropriately designated personnel and is reviewed by management for accuracy and on-going pertinence.	Core	5
R5	Recorded changes to debtor's master file data are compared to authorised source documents or confirmed with customers/ratepayers to ensure that they were input accurately.	Core	4

RECEIPTING

Risks

R1	Receipts are either inaccurately recorded or not recorded at all.
R2	Receipts are not deposited at the bank on a timely basis.

RISKS	Control	Control Type
R2	Prior to and during the banking process, cash is stored securely at all times.	Core
R1	Customers are provided with a system generated or pre-numbered (manual) sequential tax compliant receipt detailing payment made.	Core
R1	There is a review process for the authorisation of the reversal of transactions.	Additional
R1	Receipt transactions are reconciled to the daily takings and out-of-balance banking is corrected promptly.	Core
R2	Receipts are deposited regularly at the bank by a person independent from the initial recording of the cash receipts.	Additional

Appendix 2
Audit Engagement Letter – Galpins

13 February 2019

Mr Andrew Aitken
CEO
Adelaide Hills Council
PO Box 44
Woodside SA 5244

Dear Andrew,

AUDIT ENGAGEMENT LETTER

Scope

You have requested that we audit the financial report of Adelaide Hills Council (the Council) which comprises the balance sheet as at 30 June 2019, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and Council certificate. You have also requested that we provide an audit of the compliance of the Council with the requirements of Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2018 to 30 June 2019 have been conducted properly and in accordance with law. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of expressing an opinion on the financial report and financial controls in place.

The responsibilities of the auditor

We will conduct our audit of the financial report of the Council in accordance with Australian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

We will conduct our audit of the compliance of the Council with the requirements of Section 125 of the *Local Government Act 1999* in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls specified above for the period 1 July 2018 to 30 June 2019. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards

In making our risk assessments, we consider internal control relevant to the Council's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that we have identified during the audit.

The responsibilities of the Council and management

Our audit will be conducted on the basis that the Council and management acknowledge and understand that they have responsibility:

(a)   for the preparation of the financial report that presents fairly in accordance with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards;

(b)   for such internal control as the Council and management determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error;

(c)   for the identification of risks that threaten compliance with section 125 of the *Local Government Act 1999*;

(d)   for design of the system, comprising controls which will mitigate those risks so that those risks will not prevent achievement of compliance with section 125 of the *Local Government Act 1999*;

(e)   for ensuring that the financial controls established by the Council were suitably designed to ensure compliance with section 125 of the *Local Government Act 1999*;

(f)   for operation of the controls as designed throughout the period;

(g)   to provide us with:

    (i)   access to all information of which the Council and management are aware that is relevant to the preparation of the financial report and compliance with section 125 of the *Local Government Act 1999* such as records, documentation and other matters;

(ii) additional information that we may request from the Council and management for the purpose of the audit of the financial report and the controls opinion;

(iii) unrestricted access to persons within the Council from whom we determine it necessary to obtain audit evidence;

(h) for adjusting the financial report to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial report as a whole;

(i) for informing us of your knowledge of any allegations of fraud or suspected fraud affecting The Adelaide Hills Council received in communications from employees, former employees, regulators, or others;

(j) for identifying and ensuring that the Council complies with applicable laws and regulations.

As part of our audit process, we will request from the Council and management written confirmation concerning representations made to us in connection with the audit.

We look forward to full cooperation from your staff during our audit.

Quality control

The conduct of our audit in accordance with Australian Auditing Standards means that information acquired by us in the course of our audit is subject to strict confidentiality requirements. Information will not be disclosed by us to other parties except as required or allowed for by law or professional standards, or with your express consent.

Our audit files may, however, be subject to review as part of the quality control review program of CPA Australia and/or The Institute of Chartered Accountants in Australia which monitors compliance with professional standards by its members. We advise you that by signing this letter you acknowledge that, if requested, our audit files relating to this audit will be made available under this program. Should this occur, we will advise you. The same strict confidentiality requirements apply under this program as apply to us as your auditor.

Independence

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the Australian professional accounting bodies or any applicable code of professional conduct in relation to the audit of the financial report. In conducting our audit of the financial report, should we become aware that we have contravened the independence requirements, we shall notify you on a timely basis.

To assist us in meeting the independence requirements, and to the extent permitted by law and regulation, we request you discuss with us:

(a) the provision of services offered to you by us prior to engaging or accepting the service; and

(b)   the prospective employment opportunities of any current or former partner or professional employee of our firm prior to the commencement of formal employment discussions with the current or former partner or professional employee.

Communication

We may communicate with you or others via email transmission. Due to the nature of email transmission, we cannot guarantee that emails from us will be properly delivered and/or read only by the addressee. Therefore, we accept no liability or responsibility for any loss or damage to any person or entity resulting from the use of email transmissions in connection with this engagement.

Limitation of liability

Our liability is limited by a scheme approved under Professional Standards Legislation. Further information on the scheme is available from the Professional Standards Councils' website: http://www.professionalstandardscouncil.gov.au.

Paperless files

We advise that our firm maintains paperless files. Necessary documents that we need will be retained as scanned copies only. We will not keep original documents belonging to you – these will be scanned and returned to you. If documents are required by you in future for any purpose, we will only be able to provide scanned copies.

Presentation of audited financial report on the internet

The Council may intend to publish a hard copy of the audited financial report and auditor's report for members, and to electronically present the audited financial report and auditor's report on its internet web site. When information is presented electronically on a web site, the security and controls over information on the web site should be addressed by the Council to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial information on the Council's web site is beyond the scope of the audit of the financial report. Responsibility for the electronic presentation of the financial report on the Council's web site is that of the Council.

Fees

We look forward to full cooperation from your staff and we trust that they will make available to us whatever records, documentation and other information we request in connection with our audit. Audit fees are specified in our tender. Our fees, which will be billed as work progresses, are based on the time required by the individuals assigned to the engagement. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required. The audit fees will be due within 30 days from the end of the month in which the Council receives a correctly rendered tax invoice from Galpins.

Our fee assumes that unaudited data (including trial balance, financial statements and notes to the accounts) are presented for audit in a satisfactory, auditable and timely manner, with full supporting schedules and documentation. While we will use our best endeavours to work with the Council to achieve a positive outcome,

our fee does not allow for rework of the financial report after submission for audit, other than for minor audit adjustments. Where we consider that the quality of data presented will result in additional audit effort, we may need to negotiate an additional fee. In order to maintain audit independence, it is necessary that we avoid providing assistance to the Council to prepare the financial report.

Additional grant audits provided is charged on hourly basis, it depends on the number, size and nature of grants requiring acquittal.

Ownership of documents

All original documents obtained from the client arising from the engagement shall remain the property of the client. However, we reserve the right to make a reasonable number of copies of the original documents for our records. All other documents produced by us in respect of this engagement will remain the property of the firm.

The firm has a policy of exploring a legal right of lien over any client documents in our possession in the event of a dispute. The firm has also established dispute resolution processes.

Other

This letter will be effective for future years unless we advise you of its amendment or replacement, or the engagement is terminated.

Please sign and return this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial report including our respective responsibilities.

Yours sincerely,

Tim Muhlhausler CA, Registered Company Auditor
Partner

Acknowledged and agreed on behalf of Adelaide Hills Council by

Mr Andrew Aitken
CEO

Date 5 / 8 / 2019

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 17 February 2020
AGENDA BUSINESS ITEM**

Item:	**7.12**
Originating Officer:	**Lachlan Miller, Executive Manager Governance and Performance**
Responsible Director:	**Andrew Aitken, Chief Executive Officer**
Subject:	**Internal Audit Quarterly Update**
For:	**Decision**

SUMMARY

This report provides the Audit Committee with an update on progress of internal audits nominated in the 2018/19-22/23 Strategic Internal Audit Plan (the SIAP).

RECOMMENDATION

The Audit Committee resolves to receive and note the report.

1. **GOVERNANCE**

   ➢ **Strategic Management Plan/Council Policy**

   Goal 5   Organisational Sustainability
   Strategy 5.7   Governance

   ➢ **Legal Implications**

   Section 125 of the *Local Government Act 1999* (the Act) requires councils to ensure that appropriate policies, practices and procedures of internal controls are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records.

   The Internal Audit program is an important tool to provide an objective appraisal of the adequacy on internal controls in managing our risk and supporting the achievement of council objectives.

➢ **Risk Management Implications**

The implementation of the internal audit program will assist in mitigating the risk of:

Internal control failures occur which lead to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
High (4C)	Medium (3C)	Medium (3C)

➢ **Financial and Resource Implications**

The Internal Audit budget for this financial year includes funding to resource the proposed audits and enable them to be outsourced under the oversight of the Executive Manager Governance and Performance. Given the range of demands on this role, and the specialised nature of a number of the audits, it is not possible to undertake audits internally and while not necessary, it does promote the objectivity of the audit process.

➢ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate corporate governance processes in place including an effective internal control environment.

➢ **Environmental Implications**

Not applicable

➢ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Consultation in the preparation of the report was as follows:

Council Committees:	Not Applicable
Advisory Groups:	Not Applicable
Workshops:	Not Applicable
Administration:	Director Corporate Services
	Executive Manager Organisational Development
	Manager Financial Services
	Governance & Risk Coordinator
Community:	Not Applicable

2.   **BACKGROUND**

At its November 2019 meeting, the Audit Committee considered a report proposing a one year extension to the SIAP due to minimal progress on the SIAP due to competing priorities (being the Boundary Reform and Local Government Reform legislative changes, a vacancy in the Governance & Performance Department, the commencement of the Strategic Plan Review in 2019/20, and a significantly higher than average number of s270 Internal Reviews of Council Decisions).

The Audit Committee recommended to Council an extension to the SIAP and revisions of the proposed internal audit project timeframes. Council, in consideration of the Audit Committee's recommendation, at its 17 December 2019 meeting resolved to adopt the draft revised SIAP (v1.2a).

While the corporate structure that occurred from 1 January 2020, responsibility for Internal Reviews has now been transferred out to the Governance & Performance Department with two (2) legacy Internal Reviews to be finalised.

3. ANALYSIS

The now adopted SIAP v1.2 is at *Appendix 1*.

Progress to date since the revised SIAP was adopted has been modest due to both extended leave by the Executive Manager Governance & Performance and the resource diversions associated with the Cudlee Creek bushfire response and recovery. Nevertheless draft Terms of Reference have been developed for the audits of recruitment and retention, budgetary management and payroll.

It is anticipated that liaison with auditees and procurement of the suite of audits will occur in Q3 2019/20 with all three audits to be completed by the end of 2019/20.

The major project audit (of the AHBTC Divestment) scheduled for Q4 may be delayed pending a better understanding of the resource impacts of the bushfire recovery.

The proposed Motion on Notice considered earlier in the meeting agenda may also have an impact on the timing of audit conduct.

4. OPTIONS

The Committee has the following options:

I.   To receive and note the status of the SIAP v1.2; or

II.   To identify an alternative course of action.

5. APPENDIX

(1)   Strategic Internal Audit Plan 2018/19 – 22/23 v1.2

Appendix 1

Strategic Internal Audit Plan 2018/19 – 22/23 v1.2

Strategic Internal Audit Plan 2018/19 - 22/23

Audit Engagement	Scope	Strategic/Corporate Risk Linkage	Year 1 2018/19	Year 2 2019/20	Year 3 2020/21	Year 4 2021/22	Year 5 2022/23
Recruitment & Retention Practices	Focusing on the role analysis, authorisation, recruitment process, remuneration determination, reward and recognition processes.	SR9a - Failure to manage, improve and develop the human resources available to the Council.		Q3			
Budgetary Management	Focussing on financial planning, control and reporting. Relationship of budget with LTFP, legislative and regulatory compliance.	SR9c - Failure to manage, improve and develop the financial resources available to the Council.		Q3			
Payroll Function	Focussing on the payroll operation, including a review of the processes, systems, activities, controls and risks. The extent to the audit engagement will consider aspects from commencement of employment to termination of individuals, including payment of wages, leave, changes to position security, administration and payroll reporting. Including PIR from 2014 audit.	SR9c - Failure to manage, improve and develop the financial resources available to the Council.		Q4			
Major Projects Review	Focussing on processes, activities associated with the project, including scoping, planning, implementation, monitoring, post project review, risk management, development of maintenance program and operations.	SR2 - Failure to deliver projects, programs and services in accordance with plans (time, budget, quality).		Q4 (AHBTC Divestment)	Q2	Q2	Q2
Use of Purchase Cards	Focussing on the systems, processes and documentation for the issuing, custody, use, transaction approval and oversight of Purchase Cards	SR9c - Failure to manage, improve and develop the financial resources available to the Council.	Completed				
Capital Works Programming & Delivery	Focussing on the planning, scheduling, approval, monitoring, and reporting processes and practices regarding the Capital Works Program. The procurement and contract management processes will be out of scope due to other scheduled audits on these subjects.	SR2 - Failure to deliver projects, programs and services in accordance with plans (time, budget, quality). SR6 - Failure to provide appropriate infrastructure for the community. SR4 - Failure to take measures to protect the community from natural and other hazards			Q1		
Treasury Management	Focusing on the processes, practices and policies regarding Treasury Management including compliance with legislative obligations.	SR9c - Failure to manage, improve and develop the financial resources available to the Council.			Q1		
Cyber Security	Focussing on the systems, processes and controls associated with securing and protection Council's IC&T network from penetration and data corruption/denial of service from external parties. Including PIR from 2015 audit.	SR9b - Failure to manage, improve and develop the information resources available to the Council.			Q2		
Emergency Management	Focussing on Emergency Management Plans, identification of risks associated with various types of disasters and the controls and processes to mitigate those risks, status of preparedness in the event of an emergency, recovery process and association with the Community and other Emergency Services.	SR4 - Failure to take measures to protect the community from natural and other hazards			Q4		
Business Continuity Plan	Focussing on the review of Business Continuity Plan (Disaster Recovery and Disruption) to key activities of Council including the identification, development, implementation of recovery plans and testing of conditions in the event of a disaster.	SR4 - Failure to take measures to protect the community from natural and other hazards				Q1	
Economic Development Strategy Implementation	Focusing on the strategy development and revisions processes, determination of actions and initiatives, funding of strategy implementation and evaluation of outcomes against strategy objectives.	SR7 - Failure to promote the Council area and provide an attractive climate and locations for the development of business, commerce, industry and tourism.				Q1	
Debt Management	Focusing on the processes, practices and policies regarding Debt Management including compliance with legislative obligations.	SR9c - Failure to manage, improve and develop the financial resources available to the Council.				Q3	
Procurement	Focussing on processes, activities, controls, risk, compliance through stages of the function, including planning, assessment, selection, and contract execution. Including the use of payment methods such as credit cards and petty cash. Including PIR from 2014 & 2015 audits. The contract management processes will be out of scope due to another scheduled audit on this subject.	SR2 - Failure to deliver projects, programs and services in accordance with plans (time, budget, quality). SR9c - Failure to manage, improve and develop the financial resources available to the Council.				Q4	
Training & Development Practices	Focusing of the identification of training and development (T&D needs, sourcing of T&D options, scheduling and support of activities, assessment of transfer into workplace and evaluation of T&D initiatives. This will include development activities such as coaching & mentoring.	SR9a - Failure to manage, improve and develop the human resources available to the Council.					Q1
Asset Operation	Focussing on Asset operation, processes, activities, controls, risk, service levels, planned work, maintenance programs, monitoring performance, asset registers and reporting. Including PIR from 2016 audit.	SR2 - Failure to deliver projects, programs and services in accordance with plans (time, budget, quality). SR6 - Failure to provide appropriate infrastructure for the community. SR8 - Failure to manage and develop public areas vested in, or occupied by the Council.					Q2
Contract Management	Focussing on the post-procurement processes, activities, controls, risk, compliance through stages of the function, including induction, payment approval, monitoring, superintending, reporting, contractual close and evaluation. The procurement processes will be out of scope due to another scheduled audit on this subject.	SR2 - Failure to deliver projects, programs and services in accordance with plans (time, budget, quality). SR11 - Failure to exercise, perform and discharge the powers, functions and duties under legislation, contracts, leases and policies.					Q4
Number of Audits			1	4	5	5	4

Version Control

Date Adopted	Version Comments	No.
30/04/2018	Initial plan considered by Audit Committee	1.0a
22/05/2018	Adopted by Council	1.0
26/02/2019	Amended plan adopted by Council (Purchase Card audit added)	1.1
17/12/2019	Amended plan adopted by Council (Plan extended for a year, projects rescheduled)	1.2

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 17 February 2020
AGENDA BUSINESS ITEM

Item:	**7.13**
Originating Officer:	**Lachlan Miller, Executive Manager Governance & Performance**
Responsible Director:	**Andrew Aitken, Chief Executive Officer**
Subject:	**Audit Actions Implementation Update**
For:	**Information**

SUMMARY

The implementation status of actions arising from previous Internal and External Audits is provided in *Appendix 1*.

RECOMMENDATION

The Audit Committee resolves:

1.	**To receive and note the report.**
2.	**To note the implementation status of Internal and External Audit actions.**

1.	**GOVERNANCE**

➢	**Strategic Management Plan/Council Policy**

Goal 5	Organisational Sustainability
Strategy 5.5	Risk & Responsibility
Strategy 5.7	Governance

Monitoring the implementation of internal and external audit actions facilitates the effective management of risk exposures and improves the overall governance environment.

➢	**Legal Implications**

Accounts, Financial Statement and Audit, *Local Government Act 1999*

Section 125 of the *Local Government Act 1999* (the Act) requires councils to ensure that appropriate policies, practices and procedures of internal controls are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records.

The Internal Audit program is an important tool to provide an objective appraisal of the adequacy on internal controls in managing our risk and supporting the achievement of council objectives.

Testing of Council's transactions and internal controls by the external auditor coincides with Council's own Risk Management Framework. The External Auditor's annual inspection and certification of Council's financial position and performance provides the community with an assurance of Council's internal financial control environment in managing our risk and supporting the achievement of council objectives.

➢ **Risk Management Implications**

The implementation of actions arising from internal and external audits will assist in mitigating the risk of:

Internal control failures occur which lead to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
High (4C)	Medium (3C)	Medium (3C)

Note there are many other controls that contribute to managing this risk.

➢ **Financial and Resource Implications**

Actions arising from internal and external audits are generally accommodated in existing functional budgets. Where an agreed action requires unbudgeted funds, this will be managed through Council's budget review processes

➢ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate corporate governance processes in place including an effective internal control environment.

➢ **Environmental Implications**

Not applicable

➢ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Consultation on the implementation of actions to address the audit findings was as follows:

Council Committees: The Audit Committee receives the reports from each Internal and External Audit conducted.
Advisory Groups: Not Applicable
Workshops: Not Applicable
Administration: Managers and staff with actions allocated from completed audit reports.
Community: Not Applicable

2.   **BACKGROUND**

The Audit Committee was last provided an update of outstanding actions at its August 2019 meeting.

3.   **ANALYSIS**

The status of the outstanding actions from Internal and External Audit is at *Appendix 1*.

4.   **OPTIONS**

The Committee has the following options:

I.   To note the implementation status of the Internal and External Audit actions as presented; or
II.   To identify additional actions to be undertaken.

5.   **APPENDIX**

(1)   Audit Actions Implementation Status – February 2020

Appendix 1

Audit Actions Implementation Status – February 2020

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 1	Formalisation of the planning assessment process	Medium	We recommend management: Formalise and approve the policies and procedures relating to the current planning assessment process; Align the policies and procedures with Section 3(d) of the Act "to establish and enforce cost-effective technical requirements"; Provide training to the relevant responsible officers, including Planners and Administration Officers regarding the requirements of the policies and procedures; and Review the standard operating procedures such as the flowcharts, templates and checklists regularly (at least annually) and when there are changes.	1. Establish the payment of Development Application fees on-line payment portal to reduce gaps between lodgement and payment.	Deryn Atkinson	31/03/2020	In Progress	31/03/2020	Sequel server upgraded In October 2019 for new test environement for Payment Portal testing. As of 10/2/2020 Office Open advised they would be undertaking internal testing 12/2/2020 of the portal to confirm if changes made since previous testing provide a working portal. If successful Open Office will release portal to Council test environment. Completion date changed to reflect further testing before the portal can be made operational.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 1	Formalisation of the planning assessment process	Medium	We recommend management: Formalise and approve the policies and procedures relating to the current planning assessment process; Align the policies and procedures with Section 3(d) of the Act "to establish and enforce cost-effective technical requirements"; Provide training to the relevant responsible officers, including Planners and Administration Officers regarding the requirements of the policies and procedures; and Review the standard operating procedures such as the flowcharts, templates and checklists regularly (at least annually) and when there are changes.	3. Review and develop new standard operating procedures for electronic development tasks, including lodgement, initial assessment, referrals, public notification, final assessment and CAP report preparation, decision generation and notification private certification, and fee refunds to achieve improved process consistency and efficiency.	Deryn Atkinson	30/08/2019	Completed	30/11/2019	Completed development of new standard operating procedures for lodgement, initial assessment, referrals, public notification, CAP report preparation, decision generation, private certification and fee refunds. Final planning assessment procedure in progress but yet to be finalised and training to occur 15/10/19 Planning assessment full procedure in final stages - using work flow to define 13/12/2019 Final remaining procedure for site inspections completed and shared/discussed with planning team. Procedures for all parts of the planning process complete.

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 1	Formalisation of the planning assessment process	Medium	We recommend management: Formalise and approve the policies and procedures relating to the current planning assessment process; Align the policies and procedures with Section 3(d) of the Act "to establish and enforce cost-effective technical requirements"; Provide training to the relevant responsible officers, including Planners and Administration Officers regarding the requirements of the policies and procedures; and Review the standard operating procedures such as the flowcharts, templates and checklists regularly (at least annually) and when there are changes.	5. Develop a new assessment process flowchart for staff and customers.	Deryn Atkinson	30/11/2019	Completed	30/11/2019	Flow chart developed and completed for internal workflow. 30/7/19 Planning Flow chart for customers started but not completed to satisfactory standard for website. In process of being revised. 15/10/19 Flow chart for customers developed and Planning Team consulted with and Communications team currenbtly reviewing for publishing. Anticipated release by 30 November 2019 December 2019 - Flowchart now included in Development Process on Council website
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 1	Formalisation of the planning assessment process	Medium	We recommend management: Formalise and approve the policies and procedures relating to the current planning assessment process; Align the policies and procedures with Section 3(d) of the Act "to establish and enforce cost-effective technical requirements"; Provide training to the relevant responsible officers, including Planners and Administration Officers regarding the requirements of the policies and procedures; and Review the standard operating procedures such as the flowcharts, templates and checklists regularly (at least annually) and when there are changes.	7. Provide training for all staff as new standard operating procedures are rolled out and when amended. Document through team meeting agendas.	Deryn Atkinson	30/09/2019	Completed	30/11/2019	Training sesssion held with all of team on 19 September 2018 Training session held with all planners 11 October 2018 on action entry and monitoring and planning inspection recording procedure. Training sessions on action entry and monitoring and building inspection recording procedure scheduled for 1 November 2018. Training undertaken on new procedures with all Development staff 1 July 2019 - refer all of Team Meeting 13/12/2019 Final remaining procedure for site inspections completed and shared/discussed with planning team. Procedures for all parts of the planning process complete.

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 2	Attainment of statutory timelines	Medium	We recommend management: Include the requirements of the statutory timelines into the Council's policies and procedures; Review the system Open Office to ensure the requirements of the statutory timelines are built in; Provide refresher training of the updated procedures and system functions to the relevant responsible officers and ensure they are capable to meet the statutory timeline requirements; and Set up relevant Key Performance Indicators (KPI) to monitor compliance of the statutory timeline requirements.	2. Ensure the statutory timelines are operating in Open Office through enhanced functionality.	Deryn Atkinson	31/03/2020	In Progress	31/03/2020	This is a complex piece of work and whilst progress has been made the statutory timelines are not completely working as of 25/3/19. E-development officer and Open Office are still working on ensuring the front end timeframes are correctly loaded and testing is yet to occur. Bug fixes have occurred and stop the clock is working in Open Office. We need to check we can run reports still and review each time an upgrade is applied. 31/7/19 Open Office fixed reporting bug but reports run are still not populating all the fields previously working. Follow-up occurring. 15/10/19 Waiting on release of test to live to confirm the stop the clock is working for all development categories. 1/2/2020 Stop the clock not
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 3	Tracking the progress of applications	Medium	We recommend management: • Effectively and consistently apply the "Action" function in Open Office to monitor and track the progress of the applications; • Perform regular (at least quarterly) monitoring and reporting of the status and number of applications in the system, and the time of applications by type to complete assessment or milestones, etc.; and • Continuously investigate the monitoring and reporting functions of the system and utilise them consistently to meet the legislative requirements and improve the efficiency of the process and customer satisfaction.	2. All planners to be trained in monitoring their overdue action requests.	Deryn Atkinson	27/12/2019	In Progress	1/05/2020	Staff are progressively adapting to working from a list of actions. This is work in progress. Overdue actions for Further Information was the focus of action training for planning staff on 11 October 2018. 16/7/19 Work flow actions created and implemented. Monitoring and reporting still requires work by Team Leaders but Open Office reporting has been affected by Open Office Upgrade and this has delayed completion of the action. E-development Officer working to close out overdue actions where decision has been issued as maintenance and planners working on open overdue actions . Investigation intoautomatic close of actions upon decision

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Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 4	Urban Tree Fund management	Low	We recommend management: • Formalise the process focusing on developing a management plan to use the specific reserve Urban Tree Fund, including – Conditions, restrictions and obligations on the use of the fund Options to use the fund for tree maintenance and/or purchase with consideration given to cost, outcome, and time frame etc.; – Comparison of options and consult relevant utility organisations such as SA Power Network where relevant; and – Approval from delegates; • Review and update the management plan on an as needs basis; • Implement the management plan and monitor the use of fund; and • Retain records of and report the fund movements and significant activities to the relevant stakeholders/governance bodies.	2. Implement, monitor & review (as required) the Urban Tree Fund Management Plan.	Chris Janssan	28/02/2020	In Progress	1/04/2020	Policy has been written, income and expense lines need to be created.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 5	Quality review of Open Office	Low	We recommend management: • Enhance controls for the user access in Open Office where possible, such as use expiry dates on user set up; • Review user access on a regular basis using a formal process, at least annually; • Incorporate user deletion as part of termination; • Improve data quality in the system via regular independent review and reporting, at least quarterly; including verifying that the mandatory fields for record entry are accurate and still valid.	4. Improve data quality in the Open Office system with 6 monthly internal performance review and reporting on assessment data accuracy to Manager Development Services Note quarterly reviewing and reporting on data quality is considered onerous and is unable to be resourced. Internal reviews are considered adequate to improve data quality.	Deryn Atkinson	21/11/2019	Completed	31/08/2019	First 6 monthly review scheduled for early January 2019 16/7/19 Open Office data has been cleaned up and work undertaken on categories by Open Office has created a bug. Fix still to occur before review can be undertaken and report prepared. Finalisation of report pushed to November 2019. Internal audit of planning files undertaken and completed 19 September 2019 for planning applications lodged in 2018. This demonstrated some minor discrepancies in the new procedures and the adherence to procedures by planning staff. Timeframes reviewed showed an 18 week average assessment time. the next internal review will be scheduled for March -

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 6	Records Management	Low	We recommend management: • Reinforce the record management policy requirements via induction and refresher training; and • Strengthen the records management via performance review and regular independent quality review within Council.	Record management policy requirements are currently included as part of induction procedures for new staff by record management officers. Note, records management staff do not maintain the Land Management Register, rather this is undertaken by Development staff. Note the performance review of development application records would be covered off in the internal review process action proposed in Finding 5. 1. Review the Land Management Register for accuracy of information and electronic register access rather than reliance on hardcopy information.	Deryn Atkinson	28/02/2020	In Progress	20/04/2020	16/7/19 Resourcing has not permitted this to be undertaken. To be included in the Project Plan for Transition to PDI. Review to be commenced March 2020
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 6	Records Management	Low	We recommend management: • Reinforce the record management policy requirements via induction and refresher training; and • Strengthen the records management via performance review and regular independent quality review within Council.	Record management policy requirements are currently included as part of induction procedures for new staff by record management officers. Note, records management staff do not maintain the Land Management Register, rather this is undertaken by Development staff. Note the performance review of development application records would be covered off in the internal review process action proposed in Finding 5. 2. Review the standard procedure for entering agreements in the Land Management Register annually.	Deryn Atkinson	30/11/2019	Completed	30/11/2019	Review of procedure undertaken and completed 13/11/2019

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Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 6	Records Management	Low	We recommend management: • Reinforce the record management policy requirements via induction and refresher training; and • Strengthen the records management via performance review and regular independent quality review within Council.	Record management policy requirements are currently included as part of induction procedures for new staff by record management officers. Note, records management staff do not maintain the Land Management Register, rather this is undertaken by Development staff. Note the performance review of development application records would be covered off in the internal review process action proposed in Finding 5. 3. Undertake induction and refresher training on the Land Management Agreement Register procedure annually or as required.	Deryn Atkinson	30/11/2019	Not Commenced	30/04/2020	Commence refresher training on LMA procedure once review finalised. 15/10/19 LMA procedure needed to be revisited with the implementation of new SSA mapping.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 6	Records Management	Low	We recommend management: • Reinforce the record management policy requirements via induction and refresher training; and • Strengthen the records management via performance review and regular independent quality review within Council.	Record management policy requirements are currently included as part of induction procedures for new staff by record management officers. Note, records management staff do not maintain the Land Management Register, rather this is undertaken by Development staff. Note the performance review of development application records would be covered off in the internal review process action proposed in Finding 5. 4. Implement annual internal review of the Land Management Agreement Register.	Deryn Atkinson	29/11/2019	Not Commenced	30/04/2020	Commence annual internal review of the LMA register early January 2019 31/7/19 Not commenced yet but to be undertaken as part of the PDI Transition Project.

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Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Finding 6	Records Management	Low	We recommend management: • Reinforce the record management policy requirements via induction and refresher training; and • Strengthen the records management via performance review and regular independent quality review within Council.	Record management policy requirements are currently included as part of induction procedures for new staff by record management officers. Note, records management staff do not maintain the Land Management Register, rather this is undertaken by Development staff. Note the performance review of development application records would be covered off in the internal review process action proposed in Finding 5. 5. Implement a standard procedure for recording site inspections and reasons why a site inspection was unnecessary. Build the system functionality and undertake training of planning officers in the procedure.	Deryn Atkinson	30/11/2019	Completed	30/11/2019	Training session held with all planners 11 October 2018 on planning inspection recording procedure. Training sessions building inspection recording procedure held 1 November 2018. 16/7/19 Refinements to the procedure made earlier in 2019 - and further refinements needed to ensure working satisfactorily. Consideration to the use of Iauditor application on Iphones and incorporation into procedure. 7/8/19 All of Team Meeting discussion and demonstration of Iauditor. 13/12/2019 Final remaining procedure for site inspections completed and shared/discussed with planning team. Procedures for all parts of the planning process complete.
Bentleys Internal Audit Report August 2018 – Planning Assessment Process	Improvement Opportunities	Issuing an invoice	Not Rated	We recommend management • Investigate and implement a system function to issue the invoice with the coordination of the Planner and the Administration Officer; and • Measure and monitor the outcome of the new process to ensure continuous improvement of the efficiency and effectiveness.	3. Review initial assessment process to monitor the efficiency and effectiveness of the new process.	Deryn Atkinson	28/11/2019	Completed	28/11/2019	Review will be undertaken as part of the 6 monthly internal performance scheduled for early January 2019 Performance review scheduled to begin by 1/9/19 Internal audit undertaken and completed 19/9/19.31% of the DA slected had the Prelim action completed prior to the receipt of basic lodgement fee. This is a direct result of the delay with the payment portal
Galpins 2018-19 Audit Completion Report	1. Manual spreadsheets being used as asset registers	Financial Management uses manual spreadsheets as asset registers for plant and equipment. Risk of errors in the asset registers and, consequently, risk of the financial statements being misstated.	Low	Management to consider include all classes of assets in Confirm or another electronic asset register.	Preliminary investigations have not provided a cost effective solution but further work is being undertaken to determine the ability of Confirm to handle Plant & Equipment	Mike Carey	12/02/2020	In Progress	30/06/2020	Preliminary investigations have not provided a cost effective solution but further work is being undertaken to determine the ability of Confirm to handle Plant & Equipment
Galpins 2018-19 Audit Completion Report	2. Plant hire rates are not reviewed on a regular basis	Audit noted an absence of formal processes to ensure that plant hire rates (rates used to calculate the cost of usage of plant items) are reviewed on a regular basis.Risk of capitalised values in internal management reporting and external financial statements being misstated.	Low	Management determines an appropriate frequency for review of the plant hires rates, and conducts reviews in accordance with this determination.	Council to review plant rates on an annual basis to ensure that rates are in accordance with actuals costs	Mike Carey	12/02/2020	Completed	31/01/2020	Plant Rates have been reviewed and work currently being undertaken to reflect revised rates for the 2019-20 financial year

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Galpins 2018-19 Audit Completion Report	3. Employees with excessive annual leave balances	Audit identified ten employees with annual leave balances in excess of 300 hours.Leave balances exceeding the allowable balances under the relevant EB. Staff not taking leave has financial implications as leave is paid at higher rates than it was accrued, and may lead to health safety and welfare issues.	Low	Implement strategies to systematically reduce excessive leave balances, and review monitoring procedures to ensure that employees do not accumulate excessive annual leave balances.	Develop a procedure to enable more effective management of leave. Regular reporting of leave balances to the Executive Leadership Team for proactive follow up. Education across the organisation on expectations on taking leave and management of leave before it becomes excessive.	Megan Sutherland	30/06/2020	In Progress		Currently, employees with high leave balances must work with People Leaders to prepare leave planners to proactively reduce leave each year. To support this a procedure is being developed identifying acceptable limits to enable more effective management of leave.
Galpins Financial Controls Review Interim Management Letter August 2018	2.1.2 Evidence of Procurement Procedures Undertaken	Purchase, Procurement and Contracting	High	All documentation related to procurement procedures undertaken (e.g. request for tenders, tender responses, evaluation forms detailing the decision made, etc) are retained on file. When procurement procedures are not undertaken and an exemption is provided, reasons for the exemption are documented and approved by the appropriate delegated officer in accordance with the procurement policy.	Agree with finding and will ensure Procurement Framework and supporting procedures emphasise the need for appropriate documentation to be retained to substantiate procurement decisions and adherence to process.	James Greenfield	30/09/2019	Completed	30/09/2019	Procurement Framework and supporting procedures will emphasise the need for appropriate documentation to be retained. Currently discussing with Records. Exemption Register has been created. Framework is in place, ptocurement training has occurred emphasising record keeping requirement. Standard templates have been introduced
Galpins Financial Controls Review Interim Management Letter August 2018	2.1.3 Absence of Formal Contracts and Agreements	Purchase, Procurement and Contracting	High	Council ensures that procedures to enter into a contract are documented within the new procurement framework currently being developed. Council to ensure that there are formal agreements with suppliers with significant cumulative spend, and that works are not commenced prior to signing of contracts.	Agree with finding and will ensure Procurement Framework and supporting procedures emphasise the need for appropriate documentation to be retained to substantiate procurement decisions and adherence to process.	James Greenfield	30/09/2019	Completed	30/09/2019	Regular review of yearly spending patterns will be undertaken to identify cumulative spend. Currently analysing Data from 2018/2019 Framework has been introduced. Audit Committee 12 August 2019
Galpins Financial Controls Review Interim Management Letter August 2018	2.1.6 Conflict of Interest Declaration	Purchase, Procurement and Contracting	Medium	Panel members are required to provide conflict of interest declarations when assessing a procurement / tendering process.	This requirement will be built into the Framework/procedures documentation.	James Greenfield	30/09/2019	Completed	30/09/2019	Conflict of Interest form has been developed and isincluded in Framework and Procedures. Forms currently being utilised for all new evaluations as of mid september.

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Galpins Financial Controls Review Interim Management Letter August 2018	2.2.2 Asset Management Plan	Fixed Assets	Medium	The Transport Asset Management plan is finalised and adopted by Council. Asset Management Plans are prepared for other major asset classes.	As part of the migration of data into a new asset management system Council has undertaken extensive review of its data and in particular Transport Assets. Council has undertaken an internal review of the Transport Asset Class that has informed current long term planning. Council is currently in the process of formally updating the 2012 Transport Asset Management Plan by January 2019.	David Collins	24/01/2020	In Progress	31/03/2020	Draft Plan has been prepared and for presentation to Audit Committee in first half of 2020 and Council as a draft for community consultation. An external preer eview is underway as part of the consultation process prior to final adoption. Draft Transport updated plan proposed by end of October 2019, peer review to be undertaken by external consultant and workshops with Council in August. September and October proposed. Council is currently in the process of formally updating the 2012 Transport Asset Management Plan - the plan will be broken into asset classes
Galpins Financial Controls Review Interim Management Letter August 2018	2.2.3 Capitalised Asset (Accounting Policy)	Fixed Assets	Medium	The Capitalised Asset (Accounting Policy) is reviewed and updated to reflect current and desired practice.	This document has been removed as a formal Policy of Council but is used as an operational guideline for the capitalisation of assets. It is agreed that this document should be updated to reflect current accounting standards.	David Collins	29/03/2019	In Progress	31/01/2020	A review of the document has comenced in June 2019 and following completion of capitalisation for 2018/19 using confirm will be incorporated. The will be updated following the completion of the capitalisation within the new asset management system. This procedure document has been discussed with Asset Management and it is agreed that the document will be updated as part of the Asset Management Planning update over the next six months.

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Galpins Financial Controls Review Interim Management Letter August 2018	2.2.5 Asset Maintenance	Fixed Assets	Medium	Ensure that maintenance schedules are in accordance with Asset Management Plans, and steps are taken to progress towards more proactive maintenance plans.	Roll out of field devices to Civil Services proposed in 2020 to identify and track maintence interventions on the road network. Idntify methods to better capture expenditure across road segments and work types required. Council has approved additional resources to undertake planning of future maintenance works. Council is reviewing service levels (initial priority – Stormwater) to identify the required maintenance activities to ensure the required performance of those assets. The clarity regarding the agreed service level will allow better planning and the associated scheduling of proactive maintenance. Council is currently ensuring integration between its CRM system (customer requests) and the Confirm Enterprise Asset Management System	David Collins	31/12/2019	In Progress	28/08/2020	A review of road hierarchy for the unsealed road network has been completed and this will be reflaected in the asset management plan. This wil increase the road network covered with patrol grading and reduce the unsealed road resheet. Stormwater Service Levels have been reviewed and informaiton rpeort to Council in June 2019. Other services levels for maintence such as unsealed roads are being reviewed and documented as part of asset management plan updates. Council is currently ensuring integration between its CRM system (customer requests) and the Confirm Enterprise Asset Management System to ensure alignment with reactive requests and planned maintenance. Tree enquiries and Playground enquires are
Galpins Financial Controls Review Interim Management Letter August 2018	2.3.3 Business Continuity Plan	General Ledger	Medium	The Business Continuity Plan is updated.	Following the review of resources and functions in the Governance & Performance Department, the review of the BCP has been scheduled in 2018/19.	Lachlan Miller	26/09/2018	In Progress	29/05/2020	Discussions have commenced with LGRS to access their Business Continuity Planning service, nominally to commence in March 2020.
Galpins Financial Controls Review Interim Management Letter August 2019	2.1.1	Procurement framework providing guidance on the use of purchase orders is still in draft	Not Rated	Council completes and approves the updated procurement framework.	Revised Procurement Policy and Framework to be considered by Audit Committee meeting in August 2019. Subsequent recommendation for the Policy adoption to Council.	Mike Carey	30/08/2019	Completed	30/08/2019	Procurement Policy adopted by Council on 28 August 2019 with effective date of 1 October 2019, after being recommended by Audit Committee for adopted on 12 August 2019. Procurement Framework also adopted on that date after being noted by Audit Committee at its 2 August 2019 Meeting
Galpins Financial Controls Review Interim Management Letter August 2019	2.1.2	Suppliers included in the preferred supplier list have expired public liability insurances recorded	Not Rated	The listing of preferred suppliers is reviewed on a regular basis to identify and follow up any expired or outstanding documents.	As part of the Procurement Framework, we are repositioning the term preferred suppliers to 'prequalified suppliers' to more correctly reflect how Council is accessing these suppliers To ensure that relevant documentation including insurances is up-to-date Council is investigating the use of the SkyTrust software used for WHS purposes to better manage this process through automation	James Greenfield	15/04/2020	In Progress	31/12/2019	Current investigation of utilising Skytrust to manage this manual procedure. Reestablishing this list shall be a joint project with OD.

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Galpins Financial Controls Review Interim Management Letter August 2019	2.1.3	No declaration of conflict of interest documentation on file for the procurement of suppliers	Not Rated	Panel members provide conflict of interest declarations when assessing procurement / tendering process, and these declarations are retained on file.	Council will consider whether specific conflict of interests declarations should be included in Council's evaluation plan	James Greenfield	30/08/2019	Completed	30/08/2019	COI forms have been rolled out are are part of AHC evaluation plans
Galpins Financial Controls Review Interim Management Letter August 2019	2.2.1	Asset management plans overdue for review	Not Rated	The Transport Asset Management plan is finalised and adopted by Council. Asset Management Plans are prepared for other major asset classes.	Draft Plan has been prepared and for presentation to Audit Committee in first half of 2020 and Council as a draft for community consultation. An external preer eview is underway as part of the consultation process prior to final adoption.

Council officers have undertaken significant review of the asset registers and reviewed the programs delivered. This internal review has been included in the LTFP projections. The asset management plan templates are currently being populated utilising the IPWEA NAMS Plus process. The transport asset management plan is in draft. Council workshops on AMP proposed for August, Sept, Oct 2019 with a view to adopt in February 2020 following community consultations. | David Collins | 28/02/2020 | In Progress | 24/04/2020 | Draft Plan has been prepared and for presentation to Audit Committee in first half of 2020 and Council as a draft for community consultation. An external preer eview is underway as part of the consultation process prior to final adoption. Draft Transport updated plan proposed by end of October 2019, peer review to be undertaken by external consultant and workshops with Council in August. September and October proposed. Council is currently in the process of formally updating the 2012 Transport Asset Management Plan - the plan will be broken into asset classes such as Pavements, Seals, Unsealed, Shoulders |
| Galpins Financial Controls Review Interim Management Letter August 2019 | 2.2.2 | The Capitalised Asset (Accounting Policy) document is overdue for review | Not Rated | The Capitalised Asset (Accounting Policy) document is reviewed and updated to reflect current and desired practice. | The document is no longer a Council Policy and is now an operational procedure. The procedure is currently being reviewed to fit in line with the process to be undertaken that incorporates Confirm Enterprise Asset Management system. | David Collins | 31/08/2019 | In Progress | 22/05/2020 | A review of the document has comenced in June 2019 and following completion of capitalisation for 2018/19 (September 2019) using confirm will be incorporated. |

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Galpins Financial Controls Review Interim Management Letter August 2019	2.2.3	Asset maintenance plans not aligned with asset management plans	Not Rated	Ensure that maintenance schedules are in accordance with Asset Management Plans, and steps are taken to progress towards more proactive maintenance plans.	A process is required to identify expenditure and maintenance types on road segments. Stormwater service levels have been reviewed and documented and the hierarcy of unsealed roads has been reviewed. Service levels associated with grading have been realigned to this hierarcy. Council has approved additional resources to undertake planning of future maintenance works. Council is reviewing service levels (initial priority – Stormwater) to identify the required maintenance activities to ensure the required performance of those assets. The clarity regarding the agreed service level will allow better planning and the associated scheduling of proactive maintenance. Council is currently ensuring integration between its CRM system (customer requests) and the Confirm Enterprise Asset Management System to ensure alignment with reactive	David Collins	31/12/2019	In Progress	27/06/2020	A review of the document has comenced in June 2019 and following completion of capitalisation for 2018/19 using confirm will be incorporated. The will be updated following the completion of the capitalisation within the new asset management system. This procedure document has been discussed with Asset Management and it is agreed that the document will be updated as part of the Asset Management Planning update over the next six months.
Galpins Financial Controls Review Interim Management Letter August 2019	2.3.1	Absence of formal review of the IT users' access controls listing	Not Rated	Finance Management performs a formal review of a complete list of users' access rights to ensure adequate segregation of duties within the finance functions in Open Office. Key areas of access that should be considered in this review include: - Banking - Rates - Accounts Payable - Accounts Receivable - Receipting - Payroll - Fixed assets - Purchasing - Approval of purchase orders; and - General ledger	The review of user access rights has been automated to ensure that there is a trigger to produce the relevant reports on the agreed timing of 6 monthly In addition, the procedure has been updated so that the process now requires formal advice from the Manager Financial Services that either: - activities have been reviewed and no change required, or - authority is received for changes to the system user accounts.	Mike Carey	30/08/2019	Completed	30/08/2019	
Galpins Financial Controls Review Interim Management Letter August 2019	2.3.2	Absence of processes to ensure approval of manual journal entries	Not Rated	Manual journal entries are approved before the manual journal entry is posted. Investigate the ability to enable electronic approval of manual journals prior to posting of journals.	Given that any upgrade to the system is some way off, procedures to be updated to indicate that authorisers will manually sign the hard copy of the journal as part of the authorisation process	Mike Carey	1/07/2019	Completed	1/07/2019	Procedures updated and manual processes now in place and
Galpins Financial Controls Review Interim Management Letter August 2019	2.3.2	The Business Continuity Plan is overdue for review	Not Rated	The Business Continuity Plan is updated.	Council has scheduled the review of the Business Continuity Plan to occur in 2019-20 in conjunction with the development of the Emergency Management Plan.	Lachlan Miller	31/03/2020	In Progress	29/05/2020	Discussions have commenced with LGRS to access their Business Continuity Planning service, nominally to commence in March 2020

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Galpins Financial Controls Review Interim Management Letter August 2019	2.4.1	Improvements are necessary in the process of uploading suppliers EFT files into the online banking system	Not Rated	Continue to investigate whether it is possible to implement a way to enable a direct interface between the finance system and the online banking system. Alternatively, Council can investigate ways to ensure that the file is generated as "read-only". If the direct interface cannot be implemented, Management should consider comparing the bank account details provided by the online banking system to a register of supplier's bank accounts provided by the finance system (supplier master file) before authorising each payment batch. This matching does not need to be a manual process as it can be automated, for example using an Excel spreadsheet. In addition, it is recommended that Finance Management review the appropriateness of the users with access to the folder where the EFT file is stored.	We are working with our software provider to set up a secure folder with read only access to allow Creditors and Payroll to auto save bank files to this folder. This would allow upload to the bank but no ability to change the file once produced. In the meantime the Accounts Payable Officer produces the file before the payment run is given to the Manager Financial Services to approve. Once approved it is lifted to the bank and the authorisers, as part of their review, are checking the properties of the bank file to ensure: -⬜ the created date and time match the modified date and time and -⬜ that the time is prior to the time stamp by Manager Financial Services to ensure the details of the signed payment run has not been changed after approval.	Mike Carey	1/08/2019	Completed	1/08/2019	
Galpins Financial Controls Review Interim Management Letter August 2019	2.4.2	The audit trail of changes to the suppliers' master files are not formally reviewed by management.	Not Rated	Management formalises the review of the Creditor Audit Report by Creditor, including providing evidence of review (i.e. the signature of an independent officer). Audit acknowledges that the "Creditor Audit Report By Creditor" contains dozens of pages. For time efficiency, audit recommends Management to only review key changes in the supplier's master file such as changes in bank account details.	The audit report is now produced in excel and saved to allow search and find of changes to bank account details (referenced by BSB_Number and Cred_Bank_Account). These changes are checked against supporting documents which are kept in the Audit Report Folder. The supporting document is signed and dated when the change is made and then checked and counter signed and dated by another Finance Officer on a monthly basis. These signed copies of source documents will provide proof this process of checking the bank account changes has been done.	Mike Carey	1/08/2019	Completed	1/08/2019	

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Galpins Financial Controls Review Interim Management Letter August 2019	2.5.1	Improvements are necessary in the process of uploading payroll EFT files into the online banking system	Not Rated	Continue to investigate whether it is possible to implement a way to enable a direct interface between the finance system and the online banking system. Alternatively, Council can investigate ways to ensure that the file is generated as "read-only". If the direct interface cannot be implemented, Management should consider comparing the bank account details provided by the online banking system to a register of employee's bank accounts provided by the finance system (employee master file) before authorising each payment run. This matching does not need to be a manual process as it can be automated, for example using an Excel spreadsheet. In addition, it is recommended that Finance Management review the appropriateness of the users with access to the folder where the EFT file is stored.	As a result of this matter being raised previously, Council implemented a change in procedure so that payroll control totals checked in the payroll authorisation process were verified by the 2 EFT authorisers in the online banking system to overcome the existing inability to have a direct interface. As such it is considered that controls had been improved to an acceptable level. Separately there is currently work being undertaken by Open Office (Payroll solution provider) on enhancements to the Payroll system to enable the file to be saved into a secure location as "read-only". This functionally is currently being tested on our Test System.	Mike Carey	1/08/2019	Completed	1/08/2019	Satisfactory control already in place
Galpins Financial Controls Review Interim Management Letter August 2019	2.6.1	Absence of approval of reversal of receipts	Not Rated	Reversal of receipts are formally approved by an independent person. Formally review a listing of all reversals performed for the day.	A procedure to validate receipt reversals has been introduced. A review of the cancelled receipts list will be performed on a weekly basis.	Karen Linsner	30/08/2019	Completed	30/08/2019	
Governance Legislative Compliance Audit May 2016	Rec 11	Section 50 - Public Consultation Policy	Low	The Council review the Public Consultation Policy (PCP) to ensure it correctly reflects the requirements of Section 50 throughout.	Programmed into policy review schedule.	David Waters	7/08/2019	Completed	31/12/2019	This has been addressed in the Draft Public Consultation Policy which was adopted by the Council for consultation purposes at its October 2019 meeting. The Policy is now out for consultation and waspresented back to Council for final adoption in January
Governance Legislative Compliance Audit May 2016	Rec 4	Section 43 - Ability of Council to Establish a Regional Subsidiary		Follow up the status of the review of the AHRWMA and SHLGA.	These points will be considered in Status of Charter reviews to be determined	Lachlan Miller	30/09/2018	In Progress	30/06/2020	AHRWMA and SHLGA Charter reviews are both in progress.
ICT Security Risk Assessment - August 2015 - CQR	REC 4	Policy and Governance		Incident Management	ICT to action - create a security incident management procedure	James Sinden	29/12/2017	In Progress	30/06/2020	A draft Incident Management procedure has been developed and reviewed by the Executive Leadership Team. Amendments are in the process of being made at which time the ICT/IS Operational Procedure will be adopted.

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Internal Audit - Asset Management - May 2014 - Creative Auditing	6.1.1.1	Policy	Not Rated	That a procedure be documented on how compliance with the policy is going to be monitored.	The set up and development of the Confirm Asset Management system will consider traking of tasks and actions to align with Policy.	Craig Marshall	30/12/2017	In Progress	17/02/2020	significant data sets being finalised for import to asset system production including all transport and buildings - asset mangement plan review being undertaken by new Senior Infrastructure Planning Engineer transport data AMP currently being prepared for seals/ unsealed and footpaths. For draft review. Awaiting date for Audit Committee.
Internal Audit - Asset Management - May 2014 - Creative Auditing	6.5.1	Asset Condition		That now that the existing condition has been documented, subsequent condition assessments need to be used to reassess the effective life of assets.	ConfirmConnect is being tested with a condiiton audit of our Bus Shelters current underway from Oct 2019. This is the field device and sofware that links direcly with our Enterprise Asset Management System (Confirm) Council is undertaking an external review of its bridge asset data condition and useful lives in 2019/20. A review of Unit rates for roads, retaining walls and footpaths has been completed in 2018/19. A rolling program of audit and condition assessments will be included in updated asset management plans and condition assessment cycles are being implemented in Asset Management system upgrade - for example monthly and 3 monthly observations are occurring on the playground assets. bridge inspection observations are also being testing via the system. Currently Building Asset and CWMS Asset complete. Review of useful lives as part of AMP update. Condition	David Collins	30/06/2017	In Progress	29/11/2019	Revaluation of Road assets undertaken at end of 208/19. The 2017/18 auditor process mapped out condition assessments for asset classes within the register. Sustainable Assets area scheduling in required condiiton audits to align with schedlue. A schedule of asset revaluations has been developed to ensure asset categories are revalued at least every four years. The schedule is now under review given recent appointment of Manager Sustainable Assets. High level review of the Asset Management Plans and associated data was completed in January 2018. Unit rates and useful lives are currently being reviewed as data cleansing is occurring with data specification works associated
Montacute Road Project - September 2017 - Ray Pincombe	REC 1	Emergency Projects Decision Making Process Rules	Medium	Consideration of developing some rules around the decision-making processes in emergency projects and provision of authority for staff and potential partners to act on Council's behalf	Development of mechanism to clarify rules and delegations in regards to Emergency Projects and situations.	Peter Bice	30/06/2020	In Progress	30/06/2020	Council staff are exploring the most effective mechanism to incorporate appropriate rules and delegations, including project and contractor management templates. Seeking examples from LGA and other Councils for

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Montacute Road Project - September 2017 - Ray Pincombe	REC 3	Emergency Management Plan	Not Rated	The current review of the Strategic Management Risk Register has identified the need for an Emergency Management Plan and zone based preventative maintenance programs. This appears to cover the types of events that can impact upon Council assets and infrastructure, though perhaps more emphasis might be placed on flood events given the recent experience	Develop Emergency Management Plan based on LGA Template.	John McArthur	31/07/2019	In Progress	31/08/2020	ELT (3 October 2019) considered and committed to producing Emergency Management Plan through the Council Ready Program for completion by mid 2020 and endorsed the Incident Operations Manual for implementation. 10-02-20 Emergency Management Plan development timeframes may need to be reviewed given Cudlee Creek fire and priority to
Montacute Road Project - September 2017 - Ray Pincombe	REC 4	WHS & IM arrangements with external project managers	Medium	As WHS & IM is the responsibility of the asset owner, Council could consider the development of an agreement in similar situations to ensure the protection of the people involved in projects in these circumstances	Develop protocols around clarifying roles and responsibilties in Emergency situations where external project managers are involved.	Ashley Curtis	30/06/2020	In Progress	27/12/2019	2/2/20 - update - no change. Council staff are in the process of reviewing Emergency Manaement Planing and developing a Project Management Framework which will incorporate protocols which clarify roles and responsibilties in Emergency situations where external project managers are involved.
Montacute Road Project - September 2017 - Ray Pincombe	REC 5	Post Project Review	Medium	A review could provide good feedback on the beneficial elements of the project and the potential improvements that could be made. The outcome of the review could be used to better inform any potential emergency management planning	Review the learnings from the project to identify potential improvements.	Peter Bice	30/08/2019	In Progress	31/01/2020	Council staff, and other stakeholders are currently reviewing the outcomes of the project. Learnings will help inform the current review of Council's Emergency Planning approach. There has been some delay in progressing the finalisation of this outcome, whilst we have focused significant energies on the Emergency Management Planning and Incident Operations review. With these areas nearing completion , we will increase the focus on delivering this review outome

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Procurement Audit May 2014	4.2.1	Compliance with Applicable Policies and Procedures		That procedures should be documented for: • the use and selection of preferred suppliers • Procurement Committee annual review procedure for preferred suppliers • tender opening • tender evaluation process • Procurement Committee policy compliance review procedures • determination of the staff delegations • approval process from the Procurement Committee if staff wish to deviate from the procurement and purchasing policy	Develop procedures as recommended Framework and Procedures currently in consultation phase. Audit Committee 12 August 2019	James Greenfield	30/09/2019	Completed	30/09/2019	Framework is in place
Procurement Audit May 2014	4.3.2	Use of Preferred Contractors	Low	That a procedure be developed for the acceptance of new suppliers. Council should determine what supplier details are required and who signs off on the Credit Application, which is effectively a council guarantee.	This has ben included in the Procurement framework. Roll out and updating of the form is required	James Greenfield	30/09/2019	In Progress	30/09/2019	To be developed in conjunction with with 4.2.1. This forms part of the Procurement Framework which is proposed to be signed off by ELT in early 2019.. Framework and Procedures currently in consultation phase. Audit
Procurement Audit May 2014	4.8.1	Inventory		That the inventory management procedures for stores, small plant and fuel at the Depot be documented to ensure compliance when the Works Storeman is absent		Chris Janssan	27/12/2019	Completed	31/01/2020	Complete
Use of Purchase Cards August 2019	Improveme nt Oppertuniti es - 5. Policy requirement s of coffee/tea consumptio n	**Coffee/tea consumption outside of Council premises** Coffee/tea appeared a frequent expense; however, there was no policy requirements to regulate it, especially when the coffee/tea purchases are outside of Council premises. Data analysis found that in 2018-19 Council made 100 coffee/tea purchases totalling $6,361 (excluding morning tea of 21 transactions totalling $505). Coffee/tea consumption was identified by the key words (coffee, tea or cafe), merchant group and name. We did not perform the same analysis for 2017-18 as there is no sufficient data available. The majority of the spend has adequate descriptions which highlight that the expenditure largely relates to coffee and tea supplies in a number of Council locations including the library	Not Rated	We recommend management assess the necessity, possibility and feasibility to formalise the coffee/tea consumption outside of Council premises and flower purchase limit into the policy.	Purchase Card Procedures will be updated to ensure that clear guidance is provided to cardholders in relation to the use of coffee/tea consumption outside of Council premises.	Mike Carey	30/09/2019	Completed	31/12/2019	Purchase Card Procedure has been updated for recommendation and final has been presented to ELT for Adoption on 15 Janaury 2020

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Use of Purchase Cards August 2019 Internal Audit	Finding 1 - Robust Policy Framework	Council does not have a robust policy framework to guide appropriate use of purchase cards, especially reflected in the following aspects. Consequently, deficiencies in using purchase cards was increased in 2018-19, compared to 2017-18. **Current processes not documented in policy** Due to the use of FlexiPurchase system since July 2018, the current processes have fundamentally changed from the previously manual processes. However, the current processes, including card issuing, (preferred) weekly transaction reconciliation and approval, and card termination (for details refer to Appendix 8) are not yet documented in any policy. These have increased transactions with issues in 2018-	Medium	We recommend management: Ensure purchase card policies are updated to provide adequate guidance to the organisation including cardholders, especially clearly defining the limitation of card usage.	Council has prepared draft purchase card procedures in accordance with Council's new Procurement Framework. As Council was aware that a purchase card audit was to be conducted at the end of the 2018-19 financial year, it was considered appropriate to delay the finalisation of the procedures until the audit had been completed and findings from the audit taken into account. The procedures will specify the circumstances in which a purchase card must not be used which will include not allowing the use of cards in conjunction with any form of loyalty points program.	Mike Carey	30/09/2019	Completed	31/12/2019	Purchase Card Procedure has been updated for recommendation and final has been presented to ELT for Adoption on 15 Janaury 2020
Use of Purchase Cards August 2019 Internal Audit	Finding 2 - Compliance with Council's Requiremen ts	In absence of the updated policies, the following Council's policies and forms are used to guide cardholders to some degree:Purchase Card Policy (no date);Purchase Card Agreement and Acknowledgement by Cardholder (no date);Credit Card Procedures for Authorised AHC Employees (no date);NAB – Corporate Card Register as at 30 June 2019;Study Assistance Policy (adopted November 2001);Professional Membership Fees (no date); andEmployee Recognition, Functions and Gifts Policy (amended 29 April 2003). However, different requirements in multiple policies and forms are not always relevant and have confused cardholders. Therefore, our sample testing found the following:The requirement of the Credit Card Procedures for Authorised AHC	Low	We recommend management: Ensure that the applicable purchase card policy requirements are followed, especially via strengthening induction of the new cardholders and the regular refresher training to both cardholders and the approvers.	The rollout of the new purchase card procedures will include training and reinforcement of changes to the existing card holder's obligations. It is also proposed that refresher training is conducted on at least an annual basis for cardholders.	Mike Carey	31/10/2019	Completed	31/12/2019	Purchase Card Procedure has been updated for recommendation and final has been presented to ELT for Adoption on 15 Janaury 2020 Now approved, training including refresher training and reinforcement of changes will be conducted

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Use of Purchase Cards August 2019 Internal Audit	Finding 3 - Split Payment	Split payment was identified in the use of purchase cards within the Council in 2018-19, which involve breaking up a high-dollar purchase into smaller payments to circumvent the internal controls limiting maximum dollar amounts for a card. Council does not have specific purchase card policy requirements to prohibit splitting invoice payment. However, the Procurement Policy requires that "Splitting of amounts to bring expenditure within lower limits is not permitted". Sample testing found four split payments (related to two invoices) totalling $11,299 in 2018-19 related to the Local Government Association ("LGA") Executive Leadership Program fee and the Isubscribe annual renewal. These activities do not exceed the card limit;	Low	We recommend management: Enforce the applicable policy requirements via induction and the regular refresher training.	Council will update the purchase card procedures to ensure that it is clear that cardholders are not to split purchases into smaller transactions (ie multiple transactions or over multiple cards) as it can be viewed as an attempt to circumvent expenditure/transactional limits or financial delegations. The response in terms of induction and refresher training is covered in Finding 2	Mike Carey	30/09/2019	Completed	31/12/2019	Purchase Card Procedure has been updated for recommendation and final has been presented to ELT for Adoption on 15 Janaury 2020
Use of Purchase Cards August 2019 Internal Audit	Finding 4 - FlexiPurchase system configuratio n	FlexiPurchase system was initially configured incorrectly so that an approval was not required for all transactions. Sample testing found that 25 transactions between September 2018 and June 2019 (totalling $5,638 made by five cardholders) had no separate approval and was flagged as "No Approval Required". It was advised by management that this system configuration problem was fixed immediately after this audit in July 2019.	Low	We recommend management: Ensure the FlexiPurchase system is configured correctly to require an approval.	The system configuration problem has been resolved. Therefore, no further action is required.	Mike Carey	23/08/2019	Completed	23/08/2019	No action required as identifed requirement immediately fixed.

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Use of Purchase Cards August 2019 Internal Audit	Finding 5 - Record management of transaction description	Transaction description on record was not always sufficient for an independent reviewer to determine whether the purchase is related to business. Sample testing found that 12 transactions of $4,628 in 2018-19 and 23 transactions of $6,963 in 2017-18 with an inadequate transaction description/explanation provided. The description of these transactions is brief (e.g. "program expense/materials", "cruise", "Harvey Norman" etc.) and does not specify the actual purchase purpose. It was confirmed by the Purchase Card Administrators that the delegates approved the expenses after considering the details of them. However, an inadequate transaction explanation can give rise to a number of problems when determining whether policy	Low	We recommend management: Ensure that a transaction description is sufficiently documented to specify the actual purchase purpose.	Under Council's current guidelines, purchase card transactions require approval at the individual transaction level and it is the responsibility of both the cardholder and the card approver to ensure that the description provided is adequate to enable approval of the transaction to occur. It is therefore considered that the items raised are not an issue of non-compliance. Notwithstanding Purchase Card Procedure has been updated for recommendation and final has been presented to ELT for Adoption on 15 Janaury 2020	Mike Carey	31/10/2019	Completed	31/12/2019	Purchase Card Procedure has been updated for recommendation and final has been presented to ELT for Adoption on 15 Janaury 2020
Use of Purchase Cards August 2019 Internal Audit	Improvement Oppertunities - 1. Conflcit of Interest	Five Executive Assistants ("EAs") are cardholders and their approvers are the corresponding Directors or Chief Executive Officer ("CEO"). Sampling test found that the EAs paid for their Directors or CEO's travel, accommodation, and membership (e.g. of Australian Institute of Company Directors) etc. There is a risk of conflict of interest. Therefore, we recommend that the Directors or CEO do not approve their own expenses, especially when the expenses are made via their	Not Rated	We recommend management ensure that the Directors or CEO do not approve their own expenses, especially when their expenses are made via their EAs' purchase cards.	Council has considered these arrangements where purchases are make by EAs on behalf of their Directors or CEO and consider that the current approach is a practical approach to dealing with these transactions while still maintaining appropriate segregation of duties between the procurer and the approver.	Mike Carey	30/09/2019	Completed	30/09/2019	No further action proposed asCouncil has considered these arrangements where purchases are make by EAs on behalf of their Directors or CEO and consider that the current approach is a practical approach to dealing with these transactions while still maintaining appropriate segregation of duties between the procurer and the approver.

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Use of Purchase Cards August 2019 Internal Audit	Improvement Oppertunities - 2. Card Collection	Sampling tests of card termination and purchases found that a cardholder was away for a year but did not return his purchase card. The cardholder (a mechanic) was sick and took long service leave for the entire financial year 2018-19; however, his purchase card was not collected until he retired in June 2019. There was no transaction made by the cardholder. However, there is no legitimate business reason for him to hold a purchase card during the long-term leave. We recommend Council include the relevant requirement of collecting purchase card when the cardholder is away for a long	Not Rated	We recommend management formalise the requirement of collecting purchase card when the cardholder is away for a long period of time and ensure it is implemented.	The draft purchase card procedures include guidance on requirements when purchase cards need to be returned when a cardholder has ceased employment, on extended leave or other circumstances. These will be reviewed in light of Audit Comments to ensure that cardholders and relevant managers are clear on their responsibilities.	Mike Carey	30/09/2019	Completed	31/12/2019	Purchase Card Procedure has been updated for recommendation and final has been presented to ELT for Adoption on 15 Janaury 2020
Use of Purchase Cards August 2019 Internal Audit	Improvement Oppertunities - 3. Card Security	The audit highlighted an improvement opportunity in applying the relevant card security requirements of the Payment Card Industry ("PCI") Data Security Standards ("DSS"), especially Requirement 3.2.2 "Protect stored cardholder data" and Requirement 9 "Restrict physical access to cardholder data". Audit testing did not find any incidents of purchase card security violation. To further improve the use of purchase cards, Council's purchase card policy should refer to the privacy of personal identification numbers ("PIN's") and security of cards.	Not Rated	We recommend management consider including the privacy of PIN's and security of cards into the policy.	Purchase Card Procedures will be updated to ensure that specific mention is made of the need to keep cardholders' PINs confidential at all times.	Mike Carey	30/09/2019	Completed	31/12/2019	Purchase Card Procedure has been updated for recommendation and final has been presented to ELT for Adoption on 15 Janaury 2020

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Use of Purchase Cards August 2019 Internal Audit	Improvement Oppertunities - 3. Transaction and Monthly Limit	This audit highlighted the improvement opportunities in setting up appropriate card limit, including both transaction and monthly. We found that one cardholder has a higher card limit for 2018-19 and 2017-18 (i.e. $8,000) than the limit of Purchase Orders & Invoices (i.e. $2,000) recorded in the Council's Staff Financial Delegations as at 13 September 2018. The Delegations document needs to be updated to reflect the accurate card limit. Currently, Council only applies credit limit per card, which is a monthly limit. Although no one violated their credit limit in 2017-18 and 2018-19, data analysis found an increase trend of high value purchases over $2,000 over two years (details as follows). Therefore, it worth applying transaction limit to	Not Rated	We recommend management:Consider apply appropriate transaction and monthly limit for purchase cards; and Ensure relevant policy requirements are updated without any ambiguity.	Card limits are currently considered appropriate and are regularly reviewed to ensure that they remain adequate.	Mike Carey	23/08/2019	Completed	23/08/2019	No action required as card limits are currently considered appropriate and are regularly reviewed to ensure that they remain adequate.
Use of Purchase Cards August 2019 Internal Audit	Improvement Oppertunities - 6. Record management of cardholders	Review of the manual Transaction List 2017-18, the FlexiPurchase Transaction List 2018-19 and the NAB – Corporate Card Register as at 30/06/2019 found that the cardholder names are not always correctly recorded, and one current cardholder is missed in the Register. Inconsistent cardholder names on record could lead to duplication or mistake in	Not Rated	We recommend management ensure that cardholder names are recorded consistently.	The cardholder names per the register are aligned to Council's payroll system and are therefore considered appropriate.	Mike Carey	23/08/2019	Completed	23/08/2019	No further action proposed as the cardholder names per the register are aligned to Council's payroll system and are therefore considered appropriate.

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Use of Purchase Cards August 2019 Internal Audit	Improvement Oppertunities - 7. System reporting function	Reporting function of the FlexiPurchase system seems not fully familiarised by the Council to assist monitoring and management. The current FlexiPurchase Transaction List does not have the basic information of expense types, description, reconciled date and approved date etc. If the Council's Purchase Card Administrators could further familiarise with the FlexiPurchase system reporting function and fully utilise them, the monitoring and management of purchase card usage would be more efficient.	Not Rated	We recommend management encourage the utilisation of FlexiPurchase system reporting function to efficiently monitor and manage the use of purchase cards.	The current Flexipurchase Administrator who is familiar with the Flexipurchase system reporting function was not available for some period of audit testing. The current procedures have been updated to reflect the use of reports for monitoring and management of purchase cards. These procedures will be reviewed in light of Audit Comments to ensure that they are appropriate. In addition, Council will review training requirements across the team involved in Flexipurchase processing and reporting to ensure that any knowledge gaps are closed by either internal training or external training from Flexipurchase/NAB.	Mike Carey	30/09/2019	Completed	31/12/2019	Purchase Card Procedure has been updated for recommendation and final has been presented to ELT for Adoption on 15 Janaury 2020
Use of Purchase Cards August 2019 Internal Audit	Improvement Oppertunities - 8. Prior approval and fuel purchase description	This audit also highlighted the improvement opportunities in the following two areas to more effectively track and prevent inappropriate use of purchase cards. **Prior approval** Prior approvals are not present for sensitive transactions which include purchases made in the following areas: travel, accommodation, entertainment, alcohol, and flowers etc. Travel and accommodation are sensitive expenses as the relevant rates are normally material and fluctuate, which requires discretional judgement. While entertainment, alcohol and flowers expenses in nature do not have direct link to business purpose. There are higher risks of these transactions resulting in inappropriate use. Our sample testing found that	Not Rated	We recommend management consider formalising the requirements of prior approval for sensitive expenses and fuel purchases description in the policy.	Council's current purchase card procedures do not require any documented prior approval including fuel purchases and as discussed previously, all purchase card transactions require approval at the individual transaction level. Notwithstanding, Council will review its draft purchase card procedures to consider those circumstances where prior approval for particular expenditure is warranted to ensure that there are increased controls for more sensitive expenditure	Mike Carey	30/09/2019	Completed	31/12/2019	Purchase Card Procedure has been updated for recommendation and final has been presented to ELT for Adoption on 15 Janaury 2020

Audit Name	Reference	Issue	Risk Rating	Recommendation	Proposed Action	Responsible Officer	Due Date	Progress	Est. Completion	Comment
Use of Purchase Cards August 2019 Internal Audit	Improvement Opportunities - 5. Policy requirements of flower purchase limit	**Flower purchase limit** Sample testing found the following flower purchases. However, Council has not defined a limit for flower purchases in any policy. This may not provide cardholders sufficient guidance. **Employee IDTransaction DateSupplierAmount DescriptionApproval Date2018-19**8692019-02-11Flowers To Please$ 80library lovers day: flowers2019-03-208272019-05-01Flowers To Please$ 88Maternity FlowersNot reconciled (Finding 1)6882019-06-11Flowers To Please$ 88Staff flowersNot reconciled (Finding 1)**2017-18**11312018-01-29Flowers by Definition$103.5Flowers for Lee Mullins 2018-02-018942018-02-28Flowers To	Not Rated	We recommend management assess the necessity, possibility and feasibility to formalise the coffee/tea consumption outside of Council premises and flower purchase limit into the policy.	In addition, the procedures will be updated to make reference to Council's Employee Recognition, Functions and Gifts Policy. Council's Employee Recognition, Functions and Gifts Policy will be reviewed to provide greater guidance on the required limits on expenditure for items covered under this Policy, including flowers.	Megan Sutherland	20/12/2019	In Progress	27/03/2020	The procedure, when reviewed over the coming months, will include limits for purchase of flowers and other items.

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 17 February 2020
AGENDA BUSINESS ITEM**

Item:	**7.14**
Originating Officer:	**Lachlan Miller, Executive Manager Governance and Performance**
Responsible Director:	**Andrew Aitken, Chief Executive Officer**
Subject:	**Audit Committee Presiding Member's Report 2019**
For:	**Information**

SUMMARY

The Audit Committee Terms of Reference provides that the Presiding Member will attend a meeting of the Council at least once per annum to present a report on the activities of the Committee.

Cr Malcolm Herrmann is the current Presiding Member of the Audit Committee.

The purpose of this report is to provide the Committee with the report that the Presiding memebr provided to Council at its 17 December 2019 Ordinary meeting.

RECOMMENDATION

That the report be received and noted.

1.   **GOVERNANCE**

➢   **Strategic Management Plan/Council Policy**

Goal   Organisational Sustainability
Strategy   Risk and Responsibility
Strategy   Governance

The Audit Committee Presiding Member providing an annual report to the Council of the Committee's business is an important tool in facilitating accountability and transparency with the committee structures.

➢   **Legal Implications**

Section 126 of the *Local Government Act 1999* sets out the functions of an audit committee.

There is no legislative requirement for the Presiding Member of a s41 Committee to report to the Council.

➢ **Risk Management Implications**

The management of action items and the work plan will assist in mitigating the risk of:

Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (3D)	Medium (3D)

Note that there are many other controls that assist in mitigating this risk.

➢ **Financial and Resource Implications**

Not applicable.

➢ **Customer Service and Community/Cultural Implications**

Not applicable.

➢ **Environmental Implications**

Not applicable.

➢ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Council Committees: Not Applicable
Advisory Groups: Not Applicable
Administration: Director Corporate Services
Community: Not Applicable

2.   BACKGROUND

Clause 8.1.2 of the Audit Committee Terms of Reference provides that the Presiding Member will attend a meeting of the Council at least once per annum to present a report on the activities of the Committee

While the Audit Committee's 2019 Work Plan provided for the draft Report to be presented to the Committee's 18 November 2019 meeting, given that the Committee was still required to discharge significant elements of its functions at that meeting, it would have been inappropriate to pre-emptively report of the Committee's performance.

The Committee were advised that the report will be circulated out-of-session following its presentation to Council.

3.   **ANALYSIS**

The Presiding Member structured his report (***Appendix 1***) in accordance with the key functions of the Audit Committee Terms of Reference. The commentary provided demonstrates the manner in which and the activities undertaken by the Committee to fulfil it role.

The report as received at the 17 December 2019 Ordinary Council meeting, with the following resolution:

> **13.3   Audit Committee Presiding Member's Report 2019**
>
> **Moved Cr Malcolm Herrmann**
> **S/- Cr Leith Mudge**   **325/19**
>
> **That the report be received and noted.**
>
> | **Carried Unanimously** |
> | --- |

4.   **OPTIONS**

Council has the following options:

I.   Note and receive the report.
II.   Resolve that other actions are required.

5.   **APPENDIX**

(1)   2019 Audit Committee Presiding Member's Report

Appendix 1
Audit Committee Presiding Member's Report 2019

REPORT TO THE ADELAIDE HILLS COUNCIL
ON THE OPERATIONS OF THE AUDIT COMMITTEE DURING 2019

INTRODUCTION

As outlined in Clause 8.1.2 of the Terms of Reference for the Audit Committee, the Presiding Member will attend a meeting of the Council at least once per annum to present a report on the activities of the Committee. This report provides an overview of the Adelaide Hills Council's Audit Committee operations for the 2019 calendar year.

This report includes:

- A summary of the work the Committee performed during the year aligned to the Committee's Terms of Reference;
- Details of meetings, including the number of meetings held during the period, and the number of meetings attended by each member; and
- Advising the future work scheduled for 2020.

The report is intended to invite comment from the Council on all of the above.

SUMMARY OF WORK PERFORMED AGAINST THE TERMS OF REFERENCE

For 2019, as in previous years, the Audit Committee had established a robust framework for the provision of information to meet the objectives established within the Terms of Reference. As a consequence some 48 reports were considered by the Committee for consideration over five meetings, and where appropriate, recommendations subsequently provided to Council.

The following sections of this report provide a brief summary of the work undertaken by the specific function of the Committee as set out in the Terms of Reference.

Financial Reporting and Prudential Requirements

A review of the *Long Term Financial Plan* (LTFP) was undertaken during February prior to consideration of the draft Annual Business Plan and Budget. The emphasis of the Committee was on the assumptions that had been used in the development of the Plan and alignment against previous versions that had been reviewed.

The Audit Committee reviewed both BR2 2018-19, the End of Year Financial Report 2018-19 and BR1 2019-20 prior to these reports going to Council but was not able to do the same for BR3 2018-19 due to timing issues.

Consideration of the draft *2019-20 Annual Business Plan and Budget* noted that the targets that had been established within the LTFP were met for operating income and expenditure as well as the capital program. The achievement of these targets provided a level of assurance around the ongoing financial sustainability of the Council.

At the 18 November 2019 meeting the Committee had an in depth discussion around the draft Annual Financial Statements that had been presented. The Committee was satisfied that the Statements present fairly the state of affairs of Council in accordance with the *Local Government Act 1999*, the *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards Notwithstanding this, the Committee proposed a number of minor amendments to the Statements that were subsequently incorporated by the administration.

Internal Controls and Risk Management Systems

Internal Controls

From the start of the 2015-16 financial year, Adelaide Hills Council has had additional obligations regarding the development and maintenance of a system of internal financial controls, consistent with the requirements of the *Local Government (Financial Management) Regulations 2011*. This has required Council's external auditors to provide an opinion on internal financial controls in accordance with s129(3)(b) of the Act.

Monitoring against the key risks and controls has been generated from a system called 'Control Track'. This system tracks the recognised 'core' controls and the agreed treatment plans by responsible officers. These have been provided to the Audit Committee on a bi-annual basis.

Risk Management

Throughout the year the Audit Committee has reviewed quarterly updates on the organisation's strategic risks and agreed actions. Further the Audit Committee considered and recommended the revised Risk Management Policy to Council for adoption.

Whilst the Committee is comfortable with the progress being made in oversight of risk, the Committee expressed a need for improved reporting of the risk profile of Council to ensure both operational and strategic risks have appropriate controls and mitigation strategies in place. This resulted in the full Strategic Risk Register being provided to the Audit Committee from the August 2019 meeting onwards. For 2020 this regime will be further expanded with directorate risk profile presentations being made at quarterly meetings in rotation.

At its August 2019 meeting, the Committee received a report on the placement of Council's insurance portfolio.

Council participated in the Local Government Risk Services (LGRS) Risk Evaluation in October with the results to be tabled at the February 2020 meeting.

Debtors

Quarterly reporting on the level of outstanding debtors was commenced in late 2016 to provide additional focus on this key area of control. The Committee has been very pleased to note the ongoing improvement in the level of debtors outstanding, with the most recent report highlighting that long term debt has now reduced by approximately 90% since additional monitoring commenced. There has also been a substantial improvement in the management of historic rate debtors as a result of the development and application of a Debt Recovery Policy.

New Policies

Key areas of interest for the Audit Committee are the procurement and contracting arrangements. At the August 2019 meeting, the Committee considered the Procurement Framework setting out the policies, procedures, tools and training to improve the control, effectiveness and strategic impact of Council's procurement activities. The revised *Procurement Policy* was recommended to Council for adoption.

The Committee also considered a draft *Disposal of Assets Policy* to replace the (then) current *Disposal of Materials* and *Disposal of Land* policies. Again this was recommended to Council for adoption.

Whistleblowing

The *Whistleblowers Protection Act 1993* was repealed during the year and replaced with the *Public Interest Disclosure Act 2018*. The Committee considered the draft *Public Interest Disclosure Policy* and other arrangements required under the provisions of the new legislation.

Internal Audit

At its 18 February 2019 meeting, the Audit Committee discussed the financial and reputation risks associated with purchase card usage in the local government sector. The Committee recommend to Council to amend the Strategic Internal Audit Plan 2018-19 – 2021-22 (SIAP) to include a purchase card audit, Council resolved the change at its February 2019 meeting.

The purchase card audit was conducted in July 2019 and reported to the Committee in August 2019, the audit identified a number of medium and low risk findings and opportunities for improvement. Management responses and agreed actions were prepared for each of the key findings and the Committee provided an opinion on these responses.

The Audit Committee is seeking more progress in the implementation of the SIAP and will be monitoring this closely in 2020.

All agreed actions from internal audits are captured within the Committee's Audit Actions Implementation Register and reported to the Committee on a bi-annual basis to ensure that appropriate actions are being undertaken.

External Audit

At its February 2019 meeting, the Committee considered the External Auditor's Engagement Letter and Audit Plan for the Annual Financial Statement and Internal Financial Control audits. The Committee considered the matter of auditor independence.

At the August 2019 meeting, the External Auditors, Galpins, presented the results of the Interim Audit and advised that the work to date was indicating unqualified audit reports. A number of recommendations were made by Galpins regarding potential improvements to the suite of internal financial controls and management responses and agreed actions adopted.

The Audit Committee met with Galpins in the absence of management at the 18 November 2019 meeting. The auditors advised that the financial management and reporting of council activities was of a very good standard. Galpins did however identify delays in the provision of information, particularly associated with asset revaluations, these delays did adversely impact on the timely completion of the audit.

The Committee also assessed the External Auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services. The Committee is satisfied that for the 2018-19 financial year, there were no relationships between the External Auditor and the Council that compromise audit independence, and this was also confirmed in writing by the external auditor.

In their audit of the Council's Annual Financial Statements, the External Auditors (Galpins) have issued an unqualified audit opinion in the *2018-19 Audit Completion Report* providing the following statement:

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2019, and its financial performance and its cash flow for the year then ended in accordance with the Australia Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

In auditing the internal financial controls, Council's External Auditors have issued an unqualified audit opinion in the *2018-19 Audit Completion Report* providing the following statement:

In our opinion, Adelaide Hills Council has complied, in all material respects, with Section 125 of the Local Government Act 1999 in relation to internal controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2018 to 30 June 2019.

TERMS OF REFERENCE REVIEW

At its November 2019 meeting, the Committee recommended changes to the Terms of Reference for Council's consideration. The changes were relatively minor acknowledging the likelihood of more significant changes arising from the current Local Government Reform process.

DETAILS OF MEETINGS

During 2019, a total of five (5) Audit Committee meetings were held being:

- 18 February 2019
- 15 April 2019
- 13 May 2019
- 12 August 2019
- 18 November 2019

The above meeting cycle is consistent with the requirements of the Committee's Terms of Reference which requires at least four meetings per year to be held.

The Audit Committee member attendance at meetings during the year was as follows:

Name	Attendance	Comments
Cr Malcolm Herrmann	5/5	Presiding Member
Peter Brass	5/5	
Geoff Purdie	4/5	Apology for August meeting
Paula Davies	5/5	
Cr Leith Mudge	5/5	

FUTURE WORK PROGRAM PROPOSAL

At the 18 November 2019 meeting of the Committee a work plan for 2020 was established. This work plan will ensure that the Committee continues to undertake its principal functions as set out in Section 126(4) of *the Local Government Act 1999* which include:

- reviewing annual financial statements to ensure that they present fairly the state of affairs of the Council;
- proposing, and providing information relevant to, a review of the Council's strategic management plans or annual business plan; and

- Liaising with the Council's auditor.

CONCLUSION

The body of work undertaken by the Committee is continuing to develop over time and the Committee is striving to ensure that its work is useful in the context of contributing to Adelaide Hills Council strategic objectives.

The Committee has also completed a self-assessment of its own performance for continuous improvement and invites Council's feedback on the opportunities for continuing development of the Committee's operations.

Finally, I would like to thank the other members of the Committee for their ongoing efforts in ensuring that the work undertaken is done so at both a highly professional and robust level. I would also like to thank those staff involved in preparing the reports and responding to questions at meetings, as their involvement has significantly aided in the review and decisions of the Committee.

Cr Malcolm Herrmann
Presiding Member
Adelaide Hills Council Audit Committee
21 November 2019