



Adelaide Hills
COUNCIL

AUDIT COMMITTEE

NOTICE OF MEETING

To: **Presiding Member** Cr Malcolm Herrmann

Members

David Moffatt
Peter Brass
Pamela Lee
Cr Melanie Selwood

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 16 October 2023
6.00pm

36 Nairne Road, Woodside

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. Meetings will be conducted in accordance with the applicable COVID-19 social distancing guidelines and may result in Members participating electronically in accordance with the provisions of the Committee's Terms of Reference.

A Public notice of the Agenda for this meeting is supplied under Section 88 of the Act.

Greg Georgopoulos
Chief Executive Officer



Adelaide Hills
COUNCIL

AUDIT COMMITTEE

AGENDA FOR MEETING
Monday 16 October 2023
6.00pm

36 Nairne Road, Woodside

ORDER OF BUSINESS

1. COMMENCEMENT

- 1.1. Acknowledgement of Country

Council acknowledges that we meet on the traditional lands and waters of the Peramangk and Kurna people. We pay our respects to Elders past, present and emerging as the Custodians of this ancient and beautiful land. Together we will care for this country for the generations to come.

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 – 21 August 2023

Recommendation

That the minutes of the Audit Committee meeting held on 21 August 2023, as supplied, be confirmed as an accurate record of the proceedings of that meeting.

4. PRESIDING MEMBER'S OPENING REMARKS

5. DELEGATION OF AUTHORITY

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

6. DECLARATION OF CONFLICT OF INTEREST BY MEMBERS OF THE COMMITTEE

7. PRESENTATIONS, ACTION REPORT & WORKPLAN

7.1. Action Report and Work Plan Update

1. *That the Action Report and Workplan Update be received and noted.*
2. *To note and approve the status of the Action Report October 2023 as contained in Appendix 1.*
3. *To note and approve the Audit Committee Work Plan 2023 (Version: 1.3a) as contained in Appendix 2.*

8. OFFICER REPORTS

8.1. Development Services Service Review – Implementation Plan

1. *That the report be received and noted.*
2. *To receive and note the Management Review and Action Plan in response to the Service Review 2022-23 – Development Services, as contained in Appendix 4.*
3. *To note that that the implementation status of the agreed actions will be reported to Audit Committee and Council on a biannual basis, nominally March and August.*

8.2. 2022/23 Annual Financial Statements and End of Year Report

1. *That the 2022/23 Annual Financial Statements and End of Year 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:*
 - i. *the General Purpose Financial Statements of the Council for the financial year ended 30 June 2023 as contained in Appendix 1, and*
 - ii. *the External Auditor BDO' Annual Completion Report as contained in Appendix 2, and is satisfied that the 2022-23 financial statements present fairly the state of affairs of the Council.*
3. *To recommend that the Adelaide Hills Council 2022-23 General Purpose Financial Statements, contained in Appendix 1, may be certified by the Chief Executive Officer and the Mayor.*
4. *To note the confirmation of BDO's Auditor Independence Statement provided at Appendix 2.*
5. *To recommend that the Certification of Auditor Independence statement contained in Appendix 3 may 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.*

8.3. Quarterly Council Performance Report – Q1 2023-24

That the Quarterly Council Performance Report – Q4 2022-23 be received and noted.

8.4. Internal Audit Quarterly Report – Q1 2023-24

That the Internal Audit Quarterly Report be received and noted

9. MOTIONS ON NOTICE

9.1. Local Government Income Protection Fund

I move that the CEO investigates the operation of the Local Government Income Protection Fund (LGIPF) and provides a report to the February 2024 Audit Committee meeting. Among other topics which the CEO may identify, the report should address the following points between 2019/2020 and 2023/2024:

- 1. When did the LGIPF commence;*
- 2. Was it part of an Enterprise Bargaining Agreement process at the time;*
- 3. The premiums paid;*
- 4. The number of claims lodged;*
- 5. The number of claims approved;*
- 6. The amount paid to employees under the provisions of the Plan;*
- 7. The eligibility criteria;*
- 8. The value for money of the Fund to both the council (as the employer) and employees;*
- 9. Whether this form of benefit is common within the SA Public Service, the Local Government Sector, neighboring councils and/or the Group 2 councils;*
- 10. Whether there are alternatives to the current arrangements;*
- 11. If changes are to be considered, whether such changes could be incorporated into the next Enterprise Development Agreement.*

10. QUESTIONS WITHOUT NOTICE

11. CONFIDENTIAL ITEMS

Nil

12. NEXT MEETING

The next Audit Committee meeting will be held at 6.00pm on Monday 20 November 2023 at 63 Mount Barker Road, Stirling.

13. CLOSE MEETING

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 21 AUGUST 2023
63 MT BARKER ROAD STIRLING**

In Attendance**Members:**

Cr Malcolm Herrmann	Presiding Member
Peter Brass	Independent Member
David Moffatt	Independent Member
Pamela Lee	Independent Member
Cr Melanie Selwood	Council Member

In Attendance:

Greg Georgopoulos	Chief Executive Officer
Terry Crackett	Director Corporate Services
David Waters	Director Community Capacity
Liz Packer	A/Manager Financial Services
Lachlan Miller	Executive Manager Governance & Performance
Kira-marie Laverty	Corporate Planning & Performance Coordinator

Guests in Attendance:

Nil

1. COMMENCEMENT

The meeting commenced at 6.00pm.

1.1. Acknowledgement of Country

Council acknowledges that we meet on the traditional lands and waters of the Peramangk and Kaurna people. We pay our respects to Elders past, present and emerging as the Custodians of this ancient and beautiful land. Together we will care for this country for the generations to come.

2. APOLOGIES/LEAVE OF ABSENCE**2.1. Apology**

Nil

2.2. Leave of Absence

Nil

Presiding Member _____ 16 October 2023

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 21 AUGUST 2023
63 MT BARKER ROAD STIRLING**

2.3. Absent

Nil

3. MINUTES OF PREVIOUS MEETINGS

3.1. Special Audit Committee Meeting – 19 June 2023

Moved Peter Brass

S/- Pamela Lee

AC28/23

That the minutes of the Special Audit Committee meeting held on 19 June 2023 as supplied, be confirmed as an accurate record of the proceedings of that meeting.

Carried Unanimously

4. PRESIDING MEMBER'S OPENING REMARKS

1. Peter Bice, Director Infrastructure and Operations has resigned and will leave the Council early October.
2. Country Cabinet meets at Mount Barker on 23/24 August. AHC making a submission on a range of strategic topics.

5. DELEGATION OF AUTHORITY

In accordance with the Audit Committee Terms of Reference, the Committee has no delegated decision-making powers. There are no Recommendations arising to be submitted to Council for consideration.

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

Nil

7. PRESENTATIONS, ACTION REPORT & WORKPLAN

7.1. Community Capacity Risk Presentation – David Waters – Director Community Capacity

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 21 AUGUST 2023
63 MT BARKER ROAD STIRLING**

7.2. Action Report and Work Plan Update

Moved David Moffatt
S/- Cr Melanie Selwood

AC29/23

The Audit Committee resolves:

1. That the Action Report and Work Plan Update be received and noted
2. To note the status of the *Action Report August 2023* as contained in *Appendix 1*.
3. To note the *Audit Committee Work Plan 2023, Version: 1.2* as contained in *Appendix 2*.
4. To approve the proposed changes to the *Draft Audit Committee Work Plan 2023, Version:1.3a* as contained in *Appendix 3*.

Carried Unanimously

8. OFFICER REPORTS – DECISION ITEMS

8.1. End of Financial Year Update

Moved Peter Brass
S/- Pamela Lee

AC30/23

The Audit Committee resolves:

1. That the End of Financial Year Update 2022-23 be received and noted.
2. To note to Council that changes to the 2023-24 Budget as a result of the proposed Carry Forward amounts will result in Financial Sustainability indicators within Council's agreed targets as follows:

a.	Operating Surplus Ratio	2.1%	(Target 1% to 5%)
b.	Operating Surplus Ratio (underlying)	2.2%	(Target 1% to 5%)
c.	Net Financial Liabilities Ratio	54%	(Target 25% to 75%)
d.	Asset Renewal Funding Ratio	100%	(Target 95% to 105%)

Carried Unanimously

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 21 AUGUST 2023
63 MT BARKER ROAD STIRLING**

8.2. Service Review Biannual Report – Civil Services

Moved Peter Brass
S/- Pamela Lee

AC31/23

The Audit Committee resolves that the Service Review Biannual Report – Civil Services be received and noted with the exclusion of Item 4.1.

Carried Unanimously

8.3. Debtors Report

Moved Peter Brass
S/- David Moffatt

AC32/23

The Audit Committee resolves that the Debtors Report – 30 June 2023 be received and noted.

Carried Unanimously

8.4. Quarterly Council Performance Q4

Moved Peter Brass
S/- Pamela Lee

AC33/23

The Audit Committee resolves the Quarterly Council Performance Report – Q4 2022-23 be received and noted.

Carried Unanimously

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 21 AUGUST 2023
63 MT BARKER ROAD STIRLING**

8.5. Placement of Council's Insurance Portfolio

Moved Pamela Lee
S/- Cr Melanie Selwood

AC34/23

The Audit Committee resolves that the Placement of Council's Insurance Portfolio Report be received and noted.

Carried Unanimously

8.6. Risk Management Quarterly Report

Moved Cr Melanie Selwood
S/- Peter Brass

AC35/23

The Audit Committee resolves:

1. That the Risk Management Quarterly Report be received and noted.
2. To recommend to Council that the CEO review internal processes to ensure that reviews of strategic risks are undertaken in a timely manner, and are not overdue by more than 6 months.

Carried Unanimously

8.7. Audit Actions Implementation Report

Moved Cr Melanie Selwood
S/- Pamela Lee

AC36/23

The Audit Committee resolves:

1. That the Audit Actions Implementation Report be received and noted
2. To note the implementation status of Internal and External Audit actions.

Carried Unanimously

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 21 AUGUST 2023
63 MT BARKER ROAD STIRLING**

9. QUESTIONS WITHOUT NOTICE

Nil

10. CONFIDENTIAL ITEMS

Nil

11. NEXT MEETING

The next ordinary meeting of the Audit Committee will be held on Monday 16 October 2023 from 6.00pm at 63 Mt Barker Road, Stirling.

12. CLOSE MEETING

The meeting closed at 8.04pm.

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 16 October 2023
AGENDA BUSINESS ITEM**

Item: 7.1

Responsible Officer: Jody Atkins
Governance and Risk Officer
Corporate Services

Subject: Action Report and Workplan Update

For: Decision

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 *2023 Work Plan v1.3a (Appendix 2)* has three (3) suggested amendments for consideration at this meeting.

RECOMMENDATION

The Audit Committee resolves:

1. That the Action Report and Workplan Update be received and noted.
 2. To note and approve the status of the *Action Report October 2023* as contained in *Appendix 1*.
 3. To note and approve the *Audit Committee Work Plan 2023 (Version: 1.3a)* as contained in *Appendix 2*.
-

1. 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.

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 last adopted an updated Work Plan at its 21 August 2023 meeting.

2. ANALYSIS

Strategic Plan 2020-24 – A brighter future

Goal 5	A Progressive Organisation
Objective O4	We actively represent our community.
Priority O4.3	Attract and develop a diverse and capable elected body that represents, promotes and reflects the composition of the community.
Priority O4.3	Advocate to, and exert influence with, our stakeholders on behalf of our community to promote the needs and ambitions of the region.
Objective O5	We are accountable, informed, and make decisions in the best interests of the whole community.
Priority O5.1	Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations.
Priority O5.2	Make evidence-based decisions and prudently assess the risks and opportunities to our community before taking action.

➤ 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)	Low (3E)	Low (3E)

The Audit Committee Action Report and Work Plan are current controls and therefore the Committee's approval of this item will not impact the Residual or Target Risk ratings.

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.

Resourcing in the Governance & Performance Department has been challenging over the last two quarters with extended leave by the two senior staff for the majority of Q4 2022-23. The resignation of the Governance & Risk Coordinator followed by the recent resignation of the Executive Manager Governance & Performance has impacted on the continuity of all functions, specifically internal audit, and risk management.

Whilst recruitment for the role of Governance and Risk Coordinator is being progressed, Jody Atkins has been seconded into the area to support the delivery of key activities. In addition to this the Department has been transferred to be part of the Corporate Services Directorate to enable to additional support.

➤ **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.

➤ **Sustainability Implications**

Not applicable.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

<i>Council Committees:</i>	Not Applicable
<i>Council Workshops:</i>	Not Applicable
<i>Advisory Groups:</i>	Not Applicable
<i>External Agencies:</i>	Not Applicable
<i>Community:</i>	Not Applicable

➤ **Additional Analysis**

The review by the Audit Committee of the Action Report and Work Plan is an important element of Council's commitment to open and transparent decision making which facilitates public accountability.

Action Report

There are three (3) completed items and one (1) outstanding item on the Audit Committee Action Report (**Appendix 1**) arising from previous Committee meetings. Commentary against the item is provided for the Committee's information.

Work Plan and Reporting Schedule

- 1) As per the 2023 Audit Committee Work Plan and Reporting Schedule v1.3a (**Appendix 2**), the following deferred items outlines a requirement to strategically review current business requirements to ensure accurate alignment with legislation, Council and constituent requirements, and budget availability.

Item	Commentary	Month Scheduled
Financial Reporting		
Long Term Financial Plan (LTFP)		February
Annual Business Plan (draft)		April
Budget Review 1		November
Budget Review 2		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)	Included in this meeting	October
Internal Control and Risk Management		
Placement of Council's insurance portfolio (for noting)		August
Internal Financial Controls update		May
Risk Management Plan update		February/May/ August/November
Results of LGRS Risk Management Review		February (Biennial)
LGRS Risk Evaluation - Action Plan Review		May/November
Internal Audit		
Internal Audit quarterly update	Included in this meeting	February/May/ August/November
Internal audit reports		As Required
Implementation of internal audit actions progress report		February/August
Internal Audit Plan review		November
External Audit		
External audit interim letter		May
Implementation of external audit actions progress report		February/August
External Audit Plan review		February
Meeting attendance by external auditors	Included in this meeting	February/October
Review of auditor independence and legislative compliance	Included in this meeting	October

Audit Committee Completion Report	Included in this meeting	October/November
Public Interest Disclosure		
Public Interest Disclosure Policy review (replaces Whistle-blowers)		April 2024
Public Interest Disclosure Arrangements and Compliance		May 2023
Other Business		
Audit Committee self-assessment review		November
Presiding Member's Report		November
Work Plan and Reporting Schedule		November
Audit Committee Meeting Dates		November
Debtors Report		February/August
Annual Report		November
Action Report & Work Plan Update	Included in this meeting	All Meetings
Audit Committee Terms of Reference	Deferred to enable recruitment of governance support ¹	August
Quarterly Performance Report	Included in this meeting	October/January/ March/June
Directors Presentation	Two presentations deferred following recent organisational changes ²	June/August/ October/November
Other Reports	As required	As Required
Deferral Explanations: ¹ Audit Committee Terms of Reference - deferred to February 2024 due to the recruitment of Governance support. ² Office of Chief Executive and Corporate Services Presentations - deferred pending review of business requirements and recent organisational changes.		

3. OPTIONS

The Audit Committee has the following options:

- I. To note and approve the status of the Action Report at **Appendix 1** (Recommended).
- II. To note and approve the Audit Committee Work Plan 2023 (including deferred notices), Version 1.3a as contained in **Appendix 2** (Recommended).
- III. To alter or substitute elements of the Action Report or Work Plan (Not Recommended).

4. APPENDIX

1. *Audit Committee Action Report – October 2023*
2. *Audit Committee Work Plan 2023 (v1.3a) updated*

Appendix 1

Audit Committee Action Report – October 2023

Meeting Date	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)
19/06/2023	AC27/23	Development Services - Service Review	Nil	That the report be received and noted. To receive and note the Service Review 2022-23 – Development Services, as contained in Appendix 3. To note that the Management Review and Implementation Plan of agreed actions will be reported to Audit Committee and subsequently Council within 4 months of the date of this report.	Greg Georgopoulos	Kira-Marie Laverty	In Progress	16/08/2023	16/10/2023	The Management Review and Implementation Plan of agreed actions is under development and will be tabled at the October 2023 Audit Committee meeting.
21/08/2023	AC29/23	Action Report & Work Plan Update	Nil	That the Action Report and Work Plan Update be received and noted. To note the status of the <i>Action Report August 2023</i> as contained in <i>Appendix 1</i> . To note the <i>Audit Committee Work Plan 2023, Version: 1.2</i> as contained in <i>Appendix 2</i> . To approve the proposed changes to the <i>Draft Audit Committee Work Plan 2023, Version:1.3a</i> as contained in <i>Appendix 3</i> .	Terry Crackett	Jody Atkins	Completed	15/09/2023	10/10/2023	Completed. New Action & Work Plan needs to be developed to align with the strategic business review.
21/08/2023	AC30/23	End of Financial Year Update	Nil	That the End of Financial Year Update 2022-23 be received and noted.To note to Council that changes to the 2023-24 Budget as a result of the proposed Carry Forward amounts will result in Financial Sustainability indicators within Council's agreed targets as follows:Operating Surplus Ratio 2.1% (Target 1% to 5%)Operating Surplus Ratio (underlying) 2.2% (Target 1% to 5%)Net Financial Liabilities Ratio 54% (Target 25% to 75%)Asset Renewal Funding Ratio 100% (Target 95% to 105%)	Terry Crackett	Liz Packer	Completed	23/08/2023	22/09/2023	An End of Financial Year Update was provided to Council.
21/08/2023	AC35/23	Risk Management Quarterly Report	Nil	That the Risk Management Quarterly Report be received and noted.To recommend to Council that the CEO review internal processes to ensure that reviews of strategic risks are undertaken in a timely manner, and are not overdue by more than 6 months.	Greg Georgopoulos	Jody Atkins	Completed	13/09/2023	12/09/2023	The Minutes of the Audit Committee were considered by Council on 12 September where it was resolved that That the Chief Executive Officer review internal processes to ensure that reviews of strategic risks are undertaken in a timely manner, and are not overdue by more than 6 months.

Appendix 2

Audit Committee Work Plan 2023 V1.3a (updated)

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
2023 Work Plan and Reporting Schedule

Terms of Reference		
Financial Reporting & Prudential Requirements	Long Term Financial Plan (LTFP)	Annual
	Annual Business Plan	Annual
	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
	Quarterly Risk Management Report	Quarterly
	LGRS Risk Evaluation - Results	Biennial
	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
	Implementation of external audit actions progress report	Bi-annual
	External Audit Plan review	Annual
	Meeting attendance by external auditors	Annual
	Review of auditor independence and legislative compliance	Annual
	Audit Completion Report	Annual

Public Interest Disclosure	Public Interest Disclosure Policy review (replaces Whistle-blowers)	Triennial
	Public Interest Disclosure Arrangements and Compliance	Annual

Service Review	Service Review Brief	Annual
	Service Review Report	Annual
	Implementation of service review actions progress report	Annual

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
	Action Report & Work Plan Update	All Mtgs
	Audit Committee's Terms of Reference	Annual
	Climate Change Adaptation Governance Assessment Report - July 2019	Bi-annual
	Quarterly Performance Report	Quarterly
	Directorate Risk Profile Presentation	Quarterly
	Other Reports	As required

Version Control:	Version: 1.3a
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2023						
Feb	April	May	June (Special)	Aug	Oct	Nov
	Draft					
2022-2023						2023-2024
		2022-2023				
						2022-2023
		2022-2023				
				2022-2023		
					2022-2023	

					2024	
						Moved from August

			Letter			
					in camera	
					draft	final

	2024					
		Yearly				

					Deferred 1	
Q2 (pre-Council)	Q3 (pre-Council)			Q4 (pre-Council)	Q1 (pre-Council)	
		Corporate Services Moved to October	Development & Regulatory Services	Community Capacity	Deferred 2	Infrastructure & Operations
					Deferred 2	
as required	as required	as required	as required	as required	as required	as required

Deferral Explanations:

- 1 - Audit Committee Terms of Reference - deferred due to the recruitment of Governance support.
- 2 - Office of Chief Executive and Corporate Services Presentations - deferred pending implementation of organisational change and recent organisational changes.

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 16 October 2023
AGENDA BUSINESS ITEM**

Item: 8.1

Responsible Officer: Natalie Armstrong
Director Development & Regulatory Services
Development & Regulatory Services

Subject: Development Services Service Review – Management Response and Draft Action Plan

For: Information

SUMMARY

Council resolved to implement a *Service Review Framework* (the Framework) as part of the *Annual Business Plan 2021-22 (Appendix 1)*. The Framework was adopted by Council at the 26 October 2021 meeting and provides Council with principles and guidelines for conducting an external Service Review to evaluate the adequacy, effectiveness and efficiency of the reviewed services.

The Service Review Brief – Planning and Development Services was presented at the 25 October 2022 Council Meeting (*Appendix 2*), subsequent to which the consultant (BeeSquared Consultants) was appointed and work commenced in early February 2023.

At the Audit Committee of 19 June 2023, the findings and recommendations of the Service Review as detailed in the *Service Review 22-23 – Development Services (Appendix 3)* were presented.

The purpose of this report is to present the Management Review and Action Plan (*Appendix 4*) that has been prepared for the Audit Committee to review in their capacity of providing advice to the Council on the adequacy and effectiveness of the systems and processes regarding financial management and reporting, internal control and risk management, internal audit and governance.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the report be received and noted.**
 - 2. To receive and note the Management Review and Action Plan in response to the Service Review 2022-23 – Development Services, as contained in Appendix 4.**
 - 3. To note that that the implementation status of the agreed actions will be reported to Audit Committee and Council on a biannual basis, nominally March and August.**
-

1. BACKGROUND

Council resolved to implement a *Service Review Framework* (the Framework) as part of the *Annual Business Plan 2021-22*. The Framework (**Appendix 1**) was adopted by Council at the 26 October 2021 meeting and provides Council with principles and guidelines for conducting an external Service Review to evaluate the adequacy, effectiveness and efficiency of the reviewed services. The current budget allocation is for one external Service Review to be conducted per annum.

A Council workshop was held on 16 November 2021 to discuss the criteria for determining the function schedule for Service Reviews over the next 3 years.

Based on the criteria, all functions were scored to provide the following 3 year schedule:

- Year 1 – Civil Services (maintenance)
- Year 2 - Open Space Operations
- Year 3 – Planning and Development

Following the appointment of a new Director Development and Regulatory Services in August 2022, a workshop was held on 13 September 2022 to discuss a proposal to bring forward the service review for Development Services to Year 2, and this was subsequently resolved by Council on 25 October 2022.

12.5 Service Review Brief – Development Services

Moved Cr Linda Green
S/- Cr Ian Bailey

278/22

Council resolves:

1. That the report be received and noted.
2. To adopt the draft *Service Review Brief – Development Services* as contained in *Appendix 1*.
3. That the Chief Executive Officer be authorised to make minor changes to the draft *Service Review Brief – Development Services* arising from the Council's consideration of the matter.
4. That the Chief Executive Officer be authorised to make amendments to the scope of the *Service Review Brief – Development Services* in response to the proposals received in the "request for quote" (RFQ) if required to meet budget.

Carried Unanimously

Following the Request for Quote procurement process being undertaken in November 2022, the consultant (BeeSquared) was appointed, with work commencing in early February 2023.

The objective of the service review of the Development Services function was to facilitate efficiency, effectiveness, and appropriateness in service provision through the analysis of factors such as:

- Service clarity, replicability and quality

- Customer (internal or external) priorities, aspirations and experience
- Alignment to the Council's strategic intent
- Statutory obligations
- Process efficiency and savings opportunities
- Service delivery effectiveness and performance assessment

Review and analysis was undertaken between February & May 2023, with the findings and recommendations captured in the *Service Review 2022-23 – Development Services Report (Appendix 3)*. This was presented to Audit Committee on 19 June 2023.

The Director Development and Regulatory Services, in conjunction with other key staff, has undertaken a review of the final report and has prepared a Management Response and Action Plan for consideration by both the Audit Committee and Council (**Appendix 4**).

The Service Review, Management Response and Action Plan is scheduled to be presented to Council on Tuesday 24 October 2023.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal	A Progressive Organisation
Objective O2	Our customers find it easier to interact and do business with Council and have an improved customer experience.
Priority O2.2	Modernise our services and enhance the customer experience by making service delivery faster, more convenient and more proactive.
Priority 2.4	Continuously strive to measure and improve performance and service delivery across all functions.
Objective O3	Our organisation is financially sustainable for both current and future generations.
Priority O3.4	Assess the range and level of services undertaken to ensure they fulfil Council's legislative and strategic intent.

Council also operates an Internal Audit Program which, while undertaking somewhat similar review activities, has as its main focus to evaluate the adequacy and effectiveness of the systems of internal control within the Council to manage risk.

The Internal Audit Program and this Framework are complementary but separate governance activities.

➤ Legal Implications

Section 8 of the *Local Government Act 1999* (the Act) sets out the principles that a council must enact to uphold and promote observance in the performance of its roles and functions. The following principles are particularly relevant in the context of the Framework:

- (g) manage its operations and affairs in a manner that emphasises the importance of service to the community;
- (h) seek to ensure that council resources are used fairly, effectively and efficiently and council services, facilities and programs are provided effectively and efficiently;
- (i) seek to provide services, facilities and programs that are adequate and appropriate and seek to ensure equitable access to its services, facilities and programs;
- (ia) seek to balance the provision of services, facilities and programs with the financial impact of the provision of those services, facilities and programs on ratepayers;
- (j) achieve and maintain standards of good public administration;
- (k) ensure the sustainability of the council's long-term financial performance and position.

➤ **Risk Management Implications**

Lack of effective strategic planning and resource allocation processes

Inherent Risk	Residual Risk	Target Risk
Extreme (4A)	Low (3E)	Low

The Framework is a mitigation action in addition to the many controls that are already in place for this risk.

➤ **Financial and Resource Implications**

The Corporate Planning & Performance Coordinator coordinated the procurement, conduct and reporting of the Service Review. The cost of the Consultant to conduct the Service Review was \$35,000.

The service review has highlighted a need to review resource allocations in the short to medium term, particularly in relation to the Building Team and Development Compliance roles.

It is proposed to make the following changes to the resourcing structure as a result of the service review:

- Adjust the position description for the Senior Statutory Planner role to include responsibilities to assist with Development Compliance. The intention is to convert one of the current Statutory Planner roles to an additional Senior Statutory Planner role to make up the resource shortfall in Development Compliance highlighted in the Service Review. This increase will be managed within existing budget and will not result in an increase of FTE.
- Convert the contract Statutory Planner role that expires at the end of 2023 from a contract position to a permanent position. This is not an increase to FTE and is budgeted.
- Discontinue with the Cadet Planner role. This was only a 12 month contract position funded by other part time arrangements that have now ceased.
- Create a new permanent position in Building Assessment & Compliance to manage the introduction of the requirement to issue Certificate of Occupancy Certificates for all residential dwellings. This will be an increase of 1 FTE that will assist with both the shortfall of resource identified in the Service Review and the obligation to issue Certificate of Occupancy Certificates. This will be included in the LTFP and budget for 24/25FY and will covered on a contract basis until budget is approved and filled on a permanent basis.

The Service Review highlights a need for “*resource and process management upskilling for Manager and Team Leaders*” and a need to “*validate and align team outcomes, purpose and agree balance of community legislative and applicant outcomes*”. It is proposed to seek external consultant assistance to undertake this process with the Team. Quotes for this action will be obtained and managed through a budget review process.

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

Implementation of the Service Review Report recommendations will facilitate improvements to the customer satisfaction of the Development Services activities.

➤ **Sustainability Implications**

Review and implementation of the agreed Service Review Report recommendations will facilitate improvements to the effectiveness and efficiency of the Development Services activities, including improvements in assessment consistency and the customer experience.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

Council Committees: The Service Review Framework was considered at the Audit Committee meeting on 18 October 2021 where it was resolved to recommend adoption of the Framework to Council.

Council Workshops: The Service Review Framework was discussed in the 26 March 2021 Annual Business Plan and Budget workshop. Following the adoption of the Framework, a further workshop was held on 16 November 2021 to discuss the criteria for determining the function schedule for Service Reviews over the next 3 years. At the workshop on 13 September 2022 it was discussed that it was the preference of staff to bring the Development Services Service Review forward to Year 2. The draft findings and recommendations of the Development Services Service Review were presented at a workshop on 5 June 2023.

Advisory Groups: Not applicable

External Agencies: Not applicable

Community: Not applicable

➤ **Additional Analysis**

Analysis of Report

The finalisation of the draft occurred in late May 2023 with staff feedback subsequently occurring. A detailed review has been undertaken by the Director Development & Regulatory Services in conjunction with the Manager Development Services, Team Leader Planning Services, Team Leader Building Services and Team Leader Development Services Administration. The Management Response and Action Plan has been drafted in response to that review.

In accordance with clause 6.8 of the Service Review Framework (**Appendix 1**), Recommendations from the Service Review that are adopted in the proposed Action Plan will be monitored in Council's Audit Action Register and will be reported on a biannual basis to Audit Committee and Council (nominally March and August).

3. OPTIONS

The Committee has the following options:

- I. To receive and note this report (Recommended).
- II. To receive and note the *Management Response and Action Plan* for the *Service Review 2022-23 – Development Services* at **Appendix 4** (Recommended).
- III. To note that the implementation status of the agreed actions will be reported to Audit Committee and Council on a biannual basis, nominally March and August (Recommended).


4. APPENDICES

- (1) Service Review Framework
- (2) Service Review Brief – Planning and Development Services
- (3) Service Review 2022-23 – Development Services
- (4) Management Response and Action Plan

Appendix 1

Service Review Framework

COUNCIL POLICY

 <p>Adelaide Hills COUNCIL</p>	Service Review Framework
--	---------------------------------

Policy Number:	GOV-24
Responsible Department(s):	Governance and Performance
Relevant Delegations:	As per the Delegations Register and as detailed in this Policy
Other Relevant Policies:	<i>Internal Audit Policy</i>
Relevant Procedure(s):	N/A
Relevant Legislation:	N/A
Policies and Procedures Superseded by this policy on its Adoption:	N/A
Adoption Authority:	Council
Date of Adoption:	26 October 2021
Effective From:	26 October 2021
Minute Reference for Adoption:	Res 225/21, 26 October 2021
Next Review:	No later than October 2024 or as required by legislation or changed circumstances

Version Control

Version No.	Date of Effect	Description of Change(s)	Approval
0.1	8/10/21	Draft for consultation	N/A
1.0	26/10/21	Framework adoption by Council	

Service Review Framework

1. INTRODUCTION

- 1.1 Council has a culture of continuous improvement across all of its services and activities.
- 1.2 In addition to these continuous improvement processes, it is also prudent to periodically conduct an objective and in-depth analysis of Council's key services to assist Council in clarifying the community's service aspirations and assessing how efficiently and effectively those aspirations are being met through the current service ranges and levels. These in-depth analyses are known as Service Reviews (Reviews).
- 1.3 This Service Review Framework (the Framework) provides Council with principles and guidelines for conducting external Service Reviews.

2. OBJECTIVES

- 2.1 The objective of this Service Review Framework is to facilitate 'value for money' in service provision through the analysis of factors such as:
- Service clarity, replicability and quality
 - Customer (internal or external) priorities, aspirations and experience
 - Alignment to the Council's strategic intent
 - Statutory obligations
 - Service delivery modes and alternatives (including outsourcing and shared services)
 - Process efficiency and saving opportunities
 - Service delivery effectiveness and performance assessment

3. DEFINITIONS

- 3.1 A **"Function"** is a group of like services.
- 3.1.1 A **"Service"** is any specific activity undertaken to deliver outcomes for stakeholders as part of carrying out Council's functions and objectives.
- 3.1.2 A **"Functional Area"** is the section or teams in Council where the services are performed.

4. POLICY STATEMENT

- 4.1 Council is committed to implementing and maintaining a Service Review Framework that assures stakeholders that it is fulfilling its responsibilities and meeting the needs of the community through effective and efficient services.
- 4.2 A fundamental component of this Framework is the operation of an objective review that evaluates the adequacy, effectiveness and efficiency of the Council services under review and the extent to which the services delivered met the community's aspirations.

5. SCOPE

- 5.1 The Framework sets out the elements for conducting an external Service Review using a consultant. This Policy does not cover internal Service Reviews or activities which may be conducted within teams as part of their continuous improvement practices.
- 5.2 Council also operates an Internal Audit Program which, while undertaking somewhat similar review activities, has as its main focus to evaluate the adequacy and effectiveness of the systems of internal control within the Council to manage risk.
- 5.3 The Internal Audit Program and this Framework are complimentary but separate governance activities.

6. ELEMENTS OF THE SERVICE REVIEW

6.2 Function vs Service

- 6.2.1 Services within Council have been grouped together into a Function for the purpose of planning, resourcing and performance reporting. There are currently 44 Functions identified within Council.
- 6.2.2 The Service Reviews will be undertaken on a Function and the like Services that are grouped within it. Some Functions have a larger number of Services and therefore not every Service under a Function may be able to be included in a Review.

6.3 Determining the Function(s) to be reviewed

- 6.3.1 Each Function will be scored annually against a series of criteria to determine the priority for review and an indicative schedule of reviews developed for the forthcoming 3 years. The criteria will include, but may not be limited to, the:
- Volume of transactions
 - Resourcing (revenue, expenditure and staffing)
 - Customer feedback (where available)
 - Statutory requirements
- 6.3.2 The criteria and indicative schedule will be reviewed annually and provided to Council.

6.4 Service Review Brief

- 6.4.1 Once the schedule has been determined, a Service Review Brief will be developed setting out the Function and underlying Services being reviewed along with the specific objectives/areas of focus for the Review. The Service Review Brief will be provided to Council.

6.5 Timing

- 6.5.1 The timing for the Review(s) within the financial year will be based on the availability of the consultant and capacity of the Functional Area to participate.

6.6 Methodology

- 6.6.1 The methodology to be utilised by the consultant in the review is based on the *Australian Centre of Excellence for Local Government - Service Delivery Review* guidelines (the

Guidelines). Other business improvement tools and processes (i.e. Lean, Six Sigma, etc.) may be utilised depending on the Review to be conducted.

6.6.2 The Guidelines are built around seven main steps and include suggested tools and resources to assist in service review delivery. The seven main steps are:

- Establish the building blocks
- Set the project up
- Gather existing information
- Analyse services
- Engage stakeholders
- Implement change
- Evaluate and drive continuous improvement

6.7 Review Output

6.7.1 At the conclusion of a Review, the consultant will be required to prepare a report setting out, but not limited to, the following:

- Description of Service(s) (range, level, volumes, inputs, outputs, etc.)
- Customer/stakeholder analysis
- Assessment of Service(s) appropriateness, effectiveness and efficiency (including where applicable, benchmarking data from other comparable organisations)
- Process maps of Service(s)
- Recommendations
 - Refinements to current Service provision quality, effectiveness and efficiency
 - Proposals (as applicable) to change service range, level, delivery modes, etc.
 - Implementation plan including action, responsible officers and due dates

6.8 Implementation Plan Monitoring and Reporting

6.8.1 Recommendations from the Service Reviews that are adopted by Council will be monitored and the progress and evaluation of implementation will be reported to Council on a biannual basis.

6.8.2 Resourcing or other implications arising from Service Reviews will be the subject of separate reports to Council as required.

7. **FUTURE EXPANSION**

7.1 This Framework has the potential to be expanded for additional reviews in the future if additional funding and/or resources are applied

8. **DELEGATION**

8.1 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.

9. AVAILABILITY OF THE POLICY

- 9.1 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.

Appendix 2

Service Review Brief – Planning and Development Services

SERVICE REVIEW PROJECT BRIEF – Adelaide Hills Council

Function	Planning & Development	Directorate	Development & Regulatory Services
Services	<ul style="list-style-type: none"> Development Services Compliance and Inspection Services (subject to RFQ outcome) 		
Key Stakeholders	Director Development & Regulatory Services Manager Planning & Development Development & Regulatory Services Corporate Planning & Performance Coordinator		
Approval			

Objectives	The objective of this Service Review is to facilitate efficiency, effectiveness, and appropriateness in service provision through the analysis of factors such as: <ul style="list-style-type: none"> Service clarity, replicability and quality Customer (internal or external) priorities, aspirations and experience Alignment to the Council’s strategic intent Statutory obligations Process efficiency and saving opportunities Service delivery effectiveness and performance assessment
Scope	The scope of the review will be on the following services: Development Assessment <ul style="list-style-type: none"> - Planning - Building Subject to RFQ outcomes, Compliance/Inspections may be included
Timeframes	<ol style="list-style-type: none"> 1. RFQ Close Date: 30 November 2022 2. Contract Award by 16 December 2022 (indicative subject to no change of scope or budget required) 3. Commencement of consultancy: January-April 2023 Consultant to produce a potential timeline for completion of review by 30 June 2023.
Resourcing & Budget	Council has allocated a budget of \$26,000 to conduct the Service Review. The scope may need to be reviewed based on quotes received from the market. The service review will be coordinated by the Corporate Planning and Performance Coordinator, Kira-marie Laverty, and will include various members of staff and management across the Planning & Development.
Approach	Utilising the methodology from the <i>ACELG Service Delivery Review: A How to Manual for Local Government</i> – by the Australian Centre of Excellence for Local Government OR other similar methodology as agreed.
Deliverables	At the conclusion of a Review, the consultant will be required to <u>prepare and present</u> a report to Council and the Audit Committee setting out, but not limited to, the following: <ul style="list-style-type: none"> Description of Service(s) (range, level, volumes, inputs, outputs, etc.) Analysis of existing customer/stakeholder feedback and data Analysis of targeted customer feedback and data (internal and external)

SERVICE REVIEW PROJECT BRIEF – Adelaide Hills Council

	<ul style="list-style-type: none">• Analysis and assessment of Service(s) appropriateness, effectiveness and efficiency (including where available, benchmarking data from other comparable organisations)• Process maps of Service(s)• Recommendations:<ul style="list-style-type: none">○ Refinements to current Service provision quality, effectiveness and efficiency○ Proposals (as applicable) to change service range, level, delivery modes, etc.○ Proposed Implementation plan actions, including any known recommended responsible officers/areas and suggested timeframes
Communication	<p>Communication by the consultant shall occur through the Corporate Planning and Performance Coordinator, Kira-marie Laverty, ph. (08) 8408 0568, email klaverty@ahc.sa.gov.au.</p> <p>Council’s Corporate Planning and Performance Coordinator will be responsible for liaising with the Consultant to ensure the consultancy is on target and to provide any reasonable assistance.</p>

Appendix 3

Service Review 2022-23 – Development Services

Development Services

Review



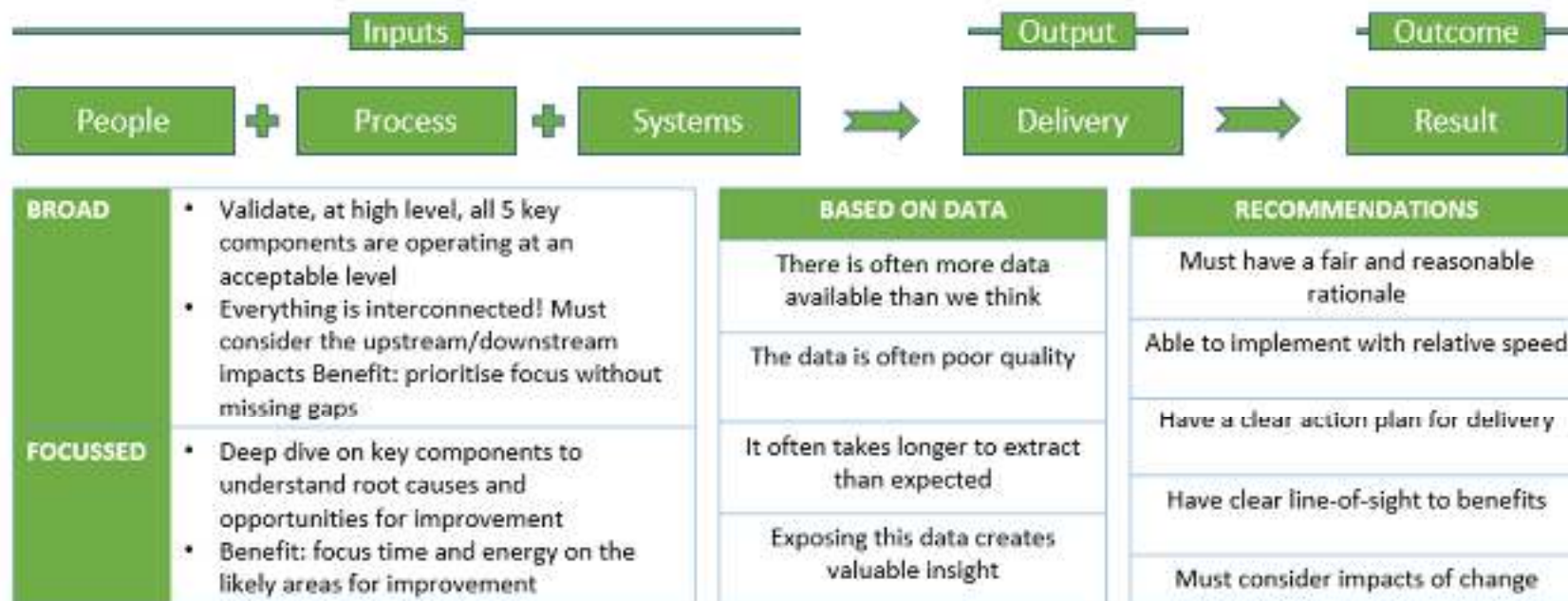
Purpose

Purpose

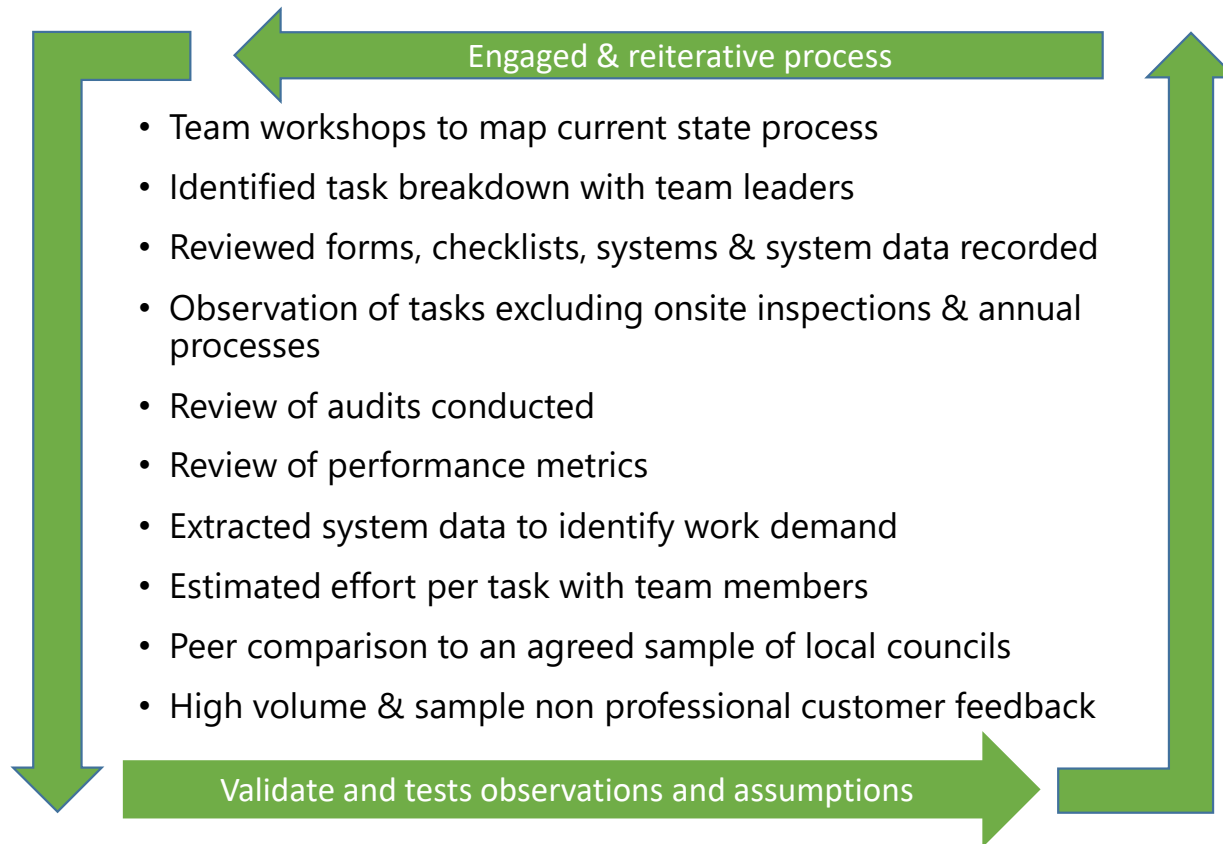
The objective of this Service Review is to facilitate efficiency, effectiveness, and appropriateness in service provision through the analysis of factors such as:

- Service clarity, replicability and quality
- Customer (internal or external) priorities, aspirations and experience
- Alignment to the Council's strategic intent
- Statutory obligations
- Process efficiency and saving opportunities
- Service delivery effectiveness and performance assessment

Approach



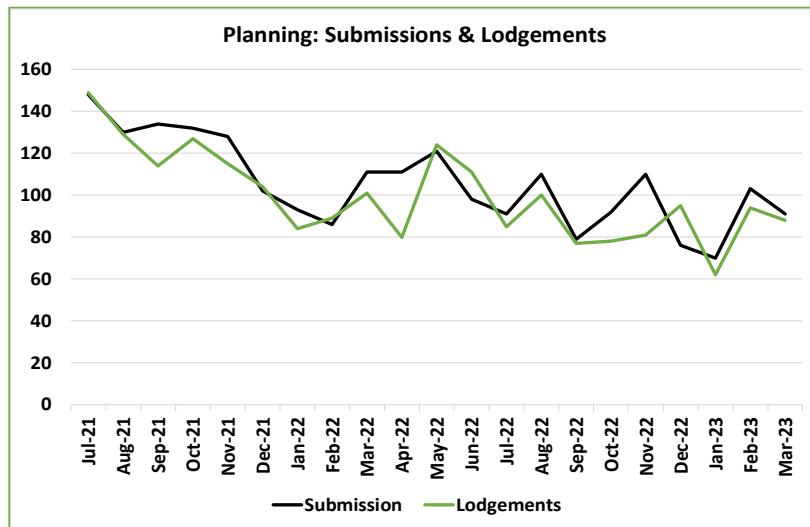
Process



Summary Analysis



Key Environmental Changes

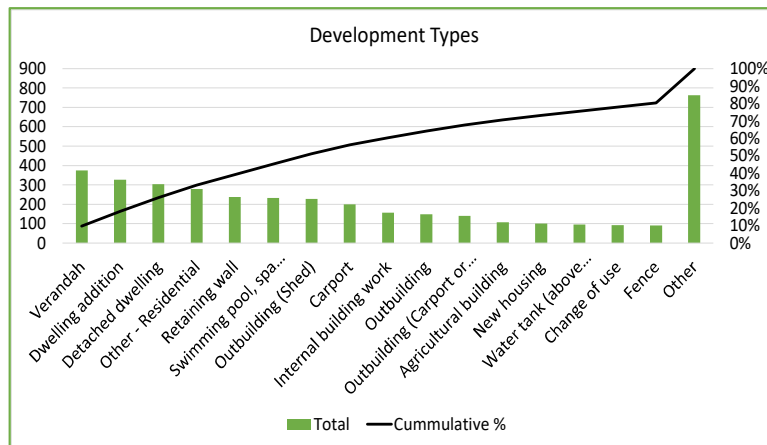
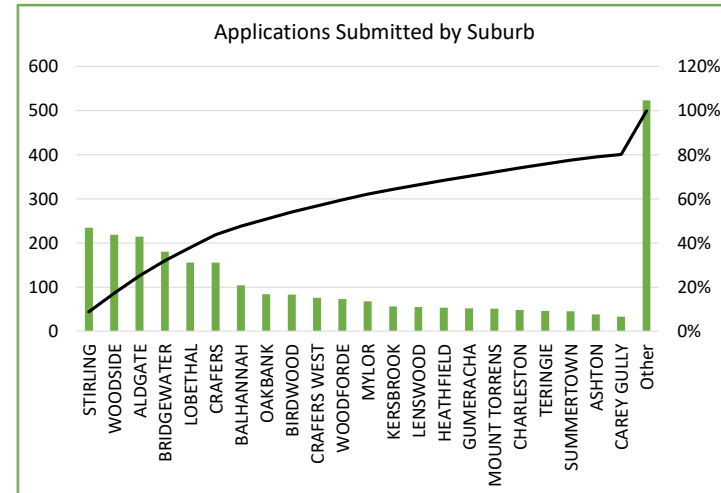
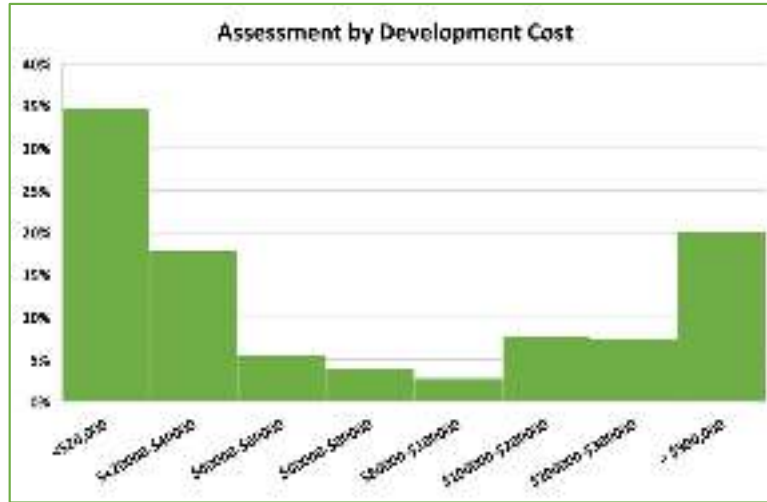


- New Planning Code and system implemented in March 2021
- Changes to process and the new way of working, impacts efficiency as staff and customers learn and adapt to a new process and technology
- Government incentives and bushfires contributed to historical increased & prioritised volumes
- Increase in volume and assessment complexity requires a consistent approach in how the work system is managed, the way work is prioritised, performed and process adapted to meet the specific needs of localised customers.
- Volume of Development Applications submissions is showing a downward trajectory since July 2021

Key Observations

People	Primary team focus on legislative measures and there is a need to balance the end-to-end customer time frame
	Opportunity to utilise active process and resource management in current governance meetings with staff
Process	Internal referral time frames and priority not agreed for all internal referral types
	Opportunity to define and systemise planning reactive compliance process to measure efficiency and effectiveness of activities
	Variation in the planning assessment approach impacting consistency time to decision and customer process expectations
	Opportunity to clarify and align task prioritisation to enable greater consistency when task are in and out of service
	Significant number of overlays requiring referrals to external agencies
	Calls via customer service go to duty planner voicemail. Typically, this will increase workload via call backs and not an ideal customer experience
	Proactive Compliance review to ensure notifications for pools inspections received
	No central register to flag all council building requiring Essential Safety Provisions
System	Preliminary assessment not recorded in system to enable planner to refer historical discussions when undertaking assessment
	All planning compliance activities not recorded in workflow to measure effectiveness and makes it challenging to back fill during leave
	Plan SA underlying data not leveraged to understand the end-to-end customer process experience
	Opportunity to create control reports for compliance activities, to ensure timely and aligned rectification or enforcement activities
	Laptops and phone devices not ideal for all inspections
Operating Model	Focused Planning Compliance role while creates efficiencies with a dedicated focus creates, is a key person risk prioritisation of work agreed during periods of relief. Compliance Role reporting directly to manager can result in having to address more escalated compliance matters.

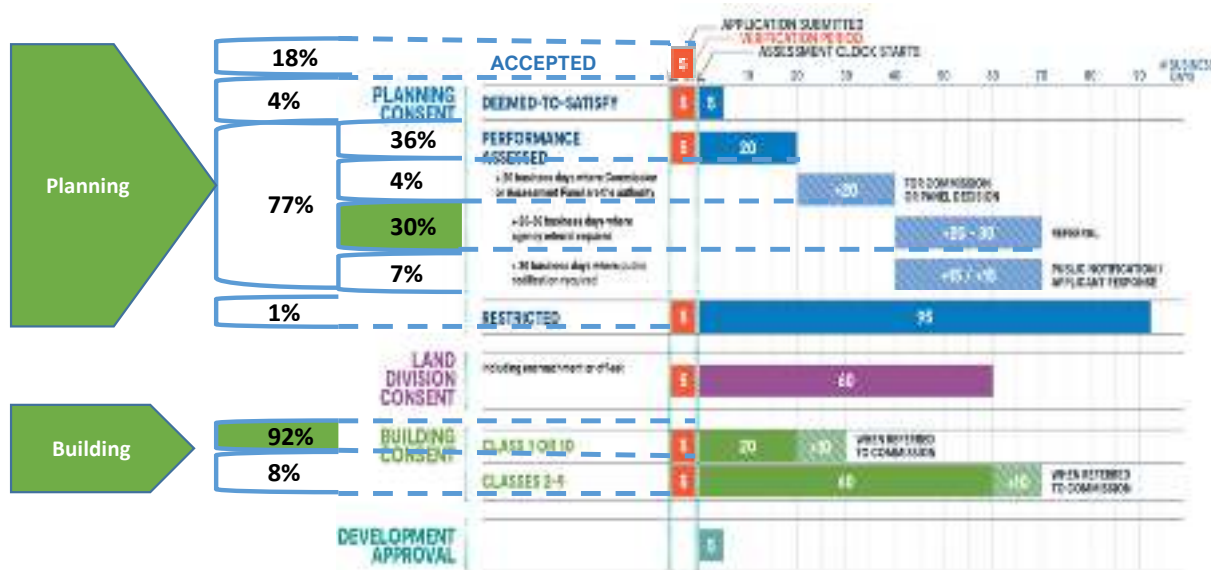
Development Types & Location



- <\$100K development value account for 65%
- Most frequent building types 10a,(45%) which are typically sheds, carports, garages and verandas
- While assumed lower value applications are less complex in nature, the overlays and required referrals need to be undertaken
- Largest clusters are located around Stirling & surrounding suburbs accounting for 35% of applications and Woodside & surrounding suburbs 22%.
- This highlights the consideration co-location of duty planner to able to support in person queries.



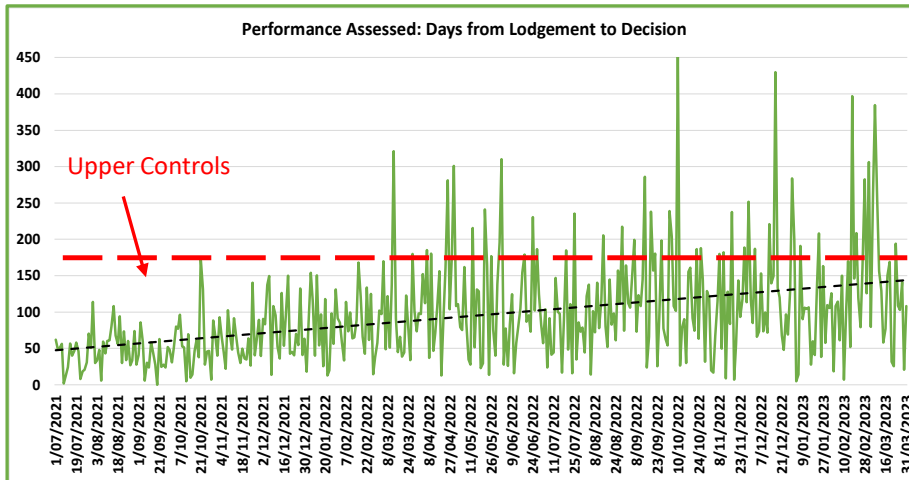
Assessment Pathways



- Most common planning assessment pathway is performance assessed at 77%
- 30% require an additional 30 days to assessment time frame via external referral
- 4% adding up to 50 days for planning consent assuming linear process
- Majority of building assessments are non-commercial
- Opportunity to educate residents/ home builder applicants to set expectations based on the assessment pathway and the required steps

Process Analysis

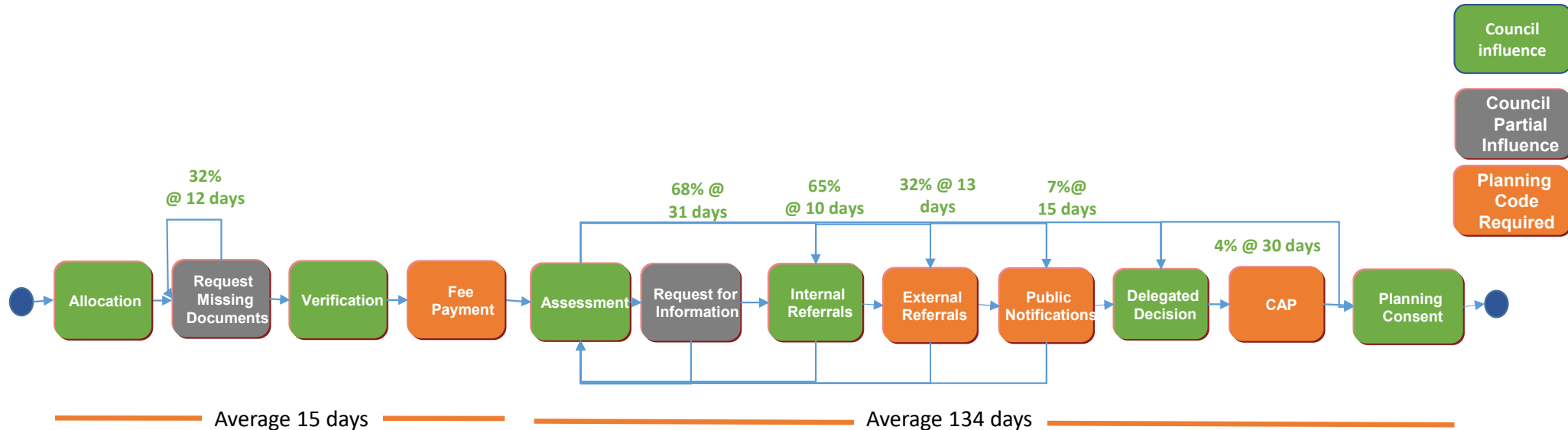
Consents	Pathway	Required Days (Excluding Pauses)	Average Days (Exclude pauses)	% Time Frames Met
Planning	Deemed To Satisfy	5	3	84%
	Performance Assessed - No Public Notification No Referral	20	15	82%
	Performance Assessed - No Public Notification With Referral Required	50	33	
	Performance Assessed - Public Notification No Referral	70	46	
	Performance Assessed - Public Notification With Referral Required	60-70	51	
Planning & Land Division	Performance Assessed - No Public Notification No Referral	60	36	87%
	Performance Assessed - Public Notification Required	70	22	
Building	Class 1 & 10	20	14	88%
	Class 2 to 9	60		



- On ave. assessment legislative time frames being met
- 85% application times frames met with minimal variation on assessment pathway.
- All assessment categories highlight increasing variation in end-to-end customer time.
- Applicants experience can be significantly less or greater than average and required time frame
- Highlights opportunity for alignment on prioritisation of tasks, clarity of internal referral and alignment of RFI details follow up
- Use of controls report to assist in enabling an aligned approach



Planning Assessment Process



- Significant time through the planning process delay is caused by hand-offs
- If application went through every hand-offs process, can equate up to additional **104 days** in addition the assessment time
- Mixture of the hand-offs are legislated and influenced by Council
- Validation and consistency in applicant information request and proactive clarification to support non professional applicants will assist in timeliness of decisions.

Customer Feedback

Value Criteria	Ranking	Performance VS Expectations			VS Other Councils		
		Better	Meet	Worse	Better	Same	Worse
Consistency: time, decisions & information requested	1	0%	40%	60%	0%	40%	60%
Facilitating an Outcome	2	0%	80%	20%	20%	60%	20%
Time	3	0%	80%	20%	0%	60%	40%
Communication	4	20%	40%	40%	20%	80%	0%
Clear Expectations	5	0%	60%	40%	0%	60%	40%
Relationship	6	0%	60%	20%	20%	40%	40%
Transparency of Status	7	0%	100%	0%	0%	100%	0%
Rationale of Decisions	8	0%	80%	20%	0%	80%	20%

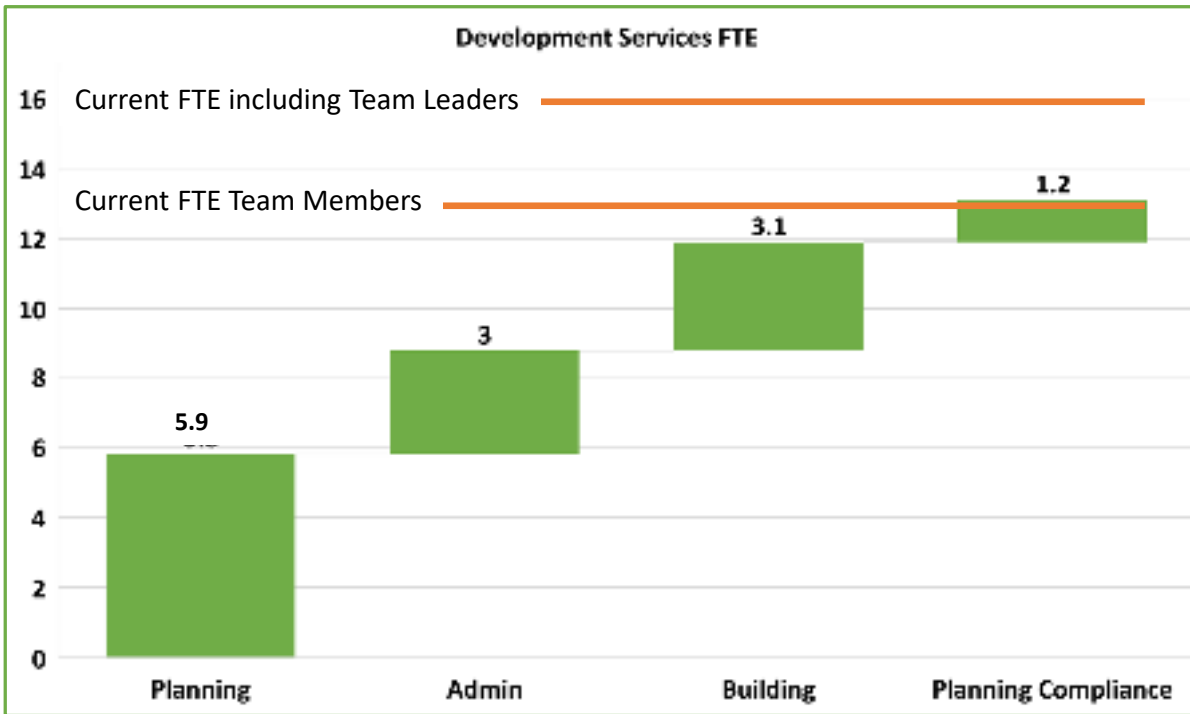
Value Criteria

- Consistency was ranked the most important and not meeting expectation and against other councils.
- Other factors were on par with other councils, with exception of relationships
- Less complex applications valued timeliness and communication more, versus more complicated applications valued facilitating outcomes and consistency

Key Feedback

- Application not held up in verification and timely in comparison to other councils
- Native Vegetation under the new code has complicated the process, but Council can't control this
- Hard to set expectation with their clients with a lack of consistency between planners
- Opportunity for more open discussion and other councils, we often meet regularly to discuss current and future applications.
- Customer service were unable to answer queries on the status of an application and required transfer often going to voicemail and multiple calls.
- Once contacted the support was extremely helpful and informative. Clarity was provided on what was required, next steps and expected time frame, as portal is not always clear.

Effort Summary

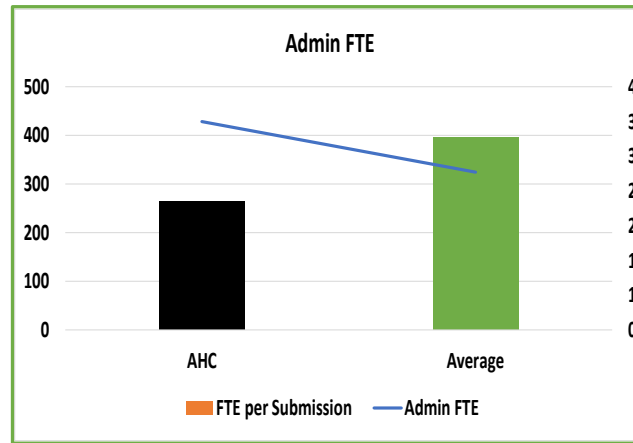
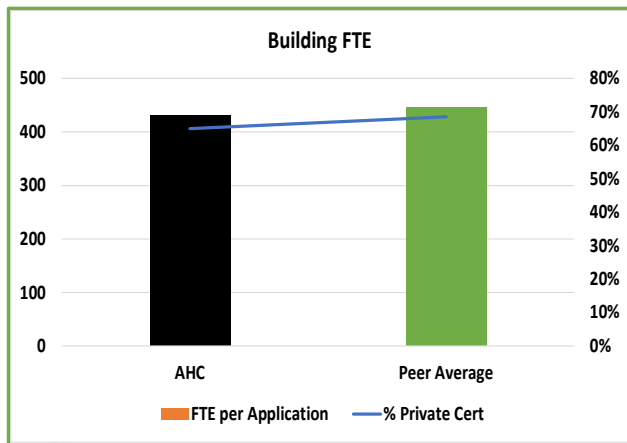
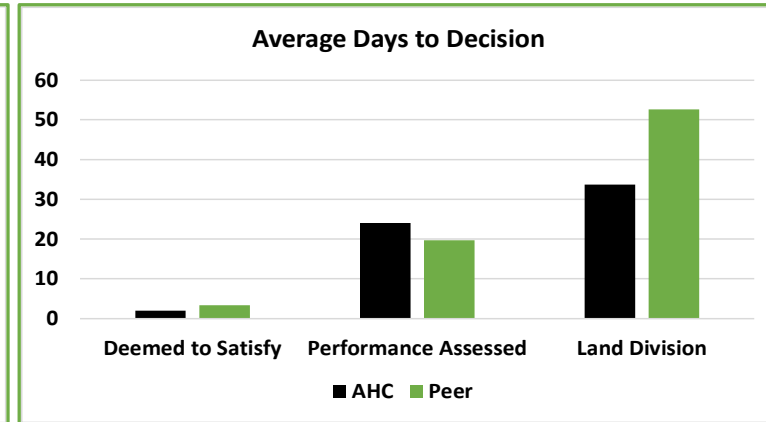
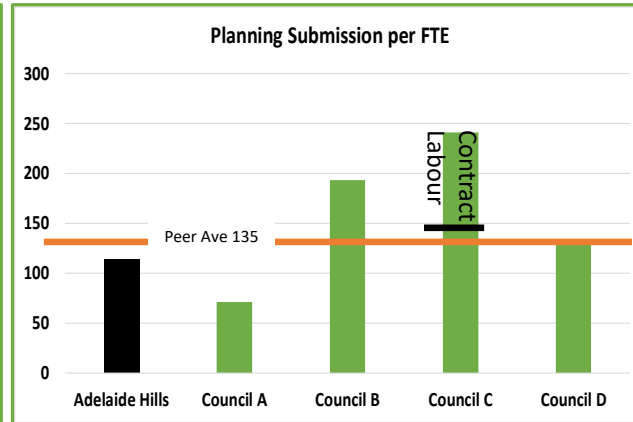
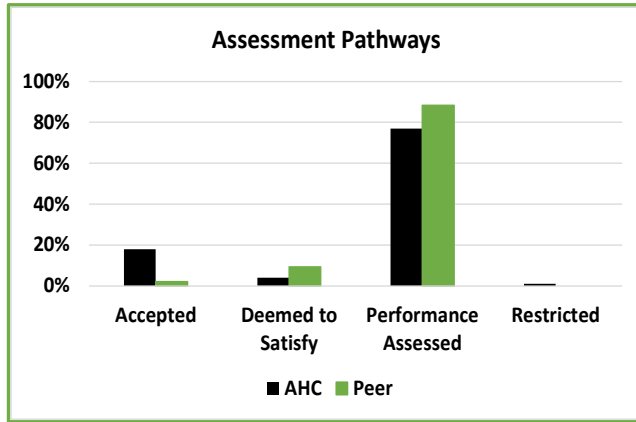


Team	Task FTE	Team FTE
Planning Assessment	5.9	7
Building Assessment & Compliance	3.1	2.8
Planning Compliance	1.2	1
Admin Support	3	2
EA Development & Reg Services		0.2
Total Excluding Leaders	13.2	13
Team Leaders		3
Total		16


- Overall Current FTE is within 0.1 FTE of required effort, with overs and under by team
- Reduction Planning effort required is reflective of reduced FY 23 submissions and lodgments
- Smaller teams require team leader effort and Director EA which is effective. However, an upper limit required, enabling capacity for effective management.
- Planning Compliance is supported by Planning

*Call effort was estimated relevant to each task as unable to be provided system data. Recommend validation of call data upon receipt of data

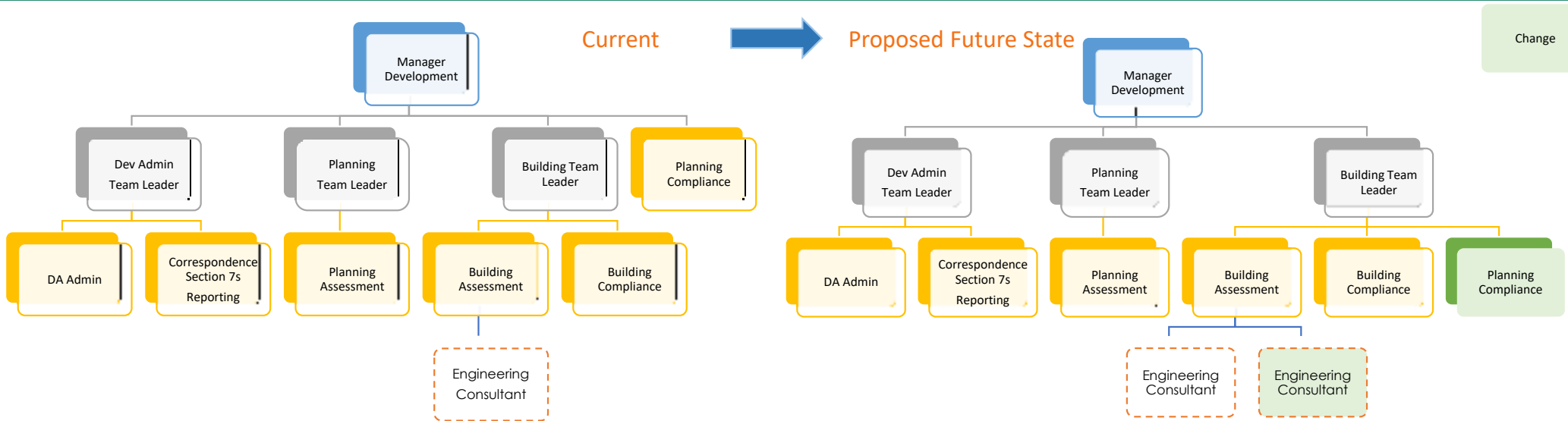
Peer Comparison



- Similar Planning application pathways, AHC has slightly higher Accepted with less Deemed to Satisfy & Performance Assessed
- Peer Ave. planning applications per FTE is 135 vs AHC 114.
- AHC Assessment Time Frame faster for DTS & Land Division. Performance Assessed taking 4 days longer than peers.
- AHC Building FTE per app. is 431 vs Peer 445, however the Private Certs are 4% greater for peers reducing their assessment effort
- Admin highlights more FTE per Submissions than peers, however **can not be** used as a comparisons as tasks significantly varied. Planning Compliance data received was not sufficient for comparison

 *Building data provided was not sufficient at a class level to compare development types and assessment time frames

Operating Model



- **Building Engineer Supplier :**
 - At contract renewal, look to engagement panel/ multiple building engineering suppliers to mitigate key person risk
- **Planning Compliance:**
 - Consider transition Planning Compliance reporting line from Manager to team leader to enable :
 - Manager focus on work system via leverage portal data and active embed operational and process management
 - Support timely reactive inspections with opportunity to minimise travel with other inspector role
 - Leverage and aligned inspections approaches and process management
 - Typically Planning Compliance roles of peer Council reported to the Building Team Leader when team leaders existed.
 - Transition to the Building team is an ideal end state transition, due to current capacity and an interim realignment to Planning or alternative Regulator Services team would provide greater capacity to support



Recommendations

People	Validation and alignment on Team outcomes and purpose, guide process to balance community, legislative and applicant outcomes
	Resource & process management upskilling for Team Leaders and Manager , supported by balanced metrics, governance
Process	Duty planner to answer incoming phone calls
	Trial Developments Services option to customer service IVR to redirect calls.
	Agree internal referral times for all areas to assist planner in setting expectations
	Operational Data based Governance framework to actively monitor and regularly discuss process performance metrics and process alignment
	Creation of ESP register to enable control check that all Form 3s are completed
	Agree Council approach to building inspection with incoming need for Council issuance of Certificate of Occupancy
System	Review and update Planning compliance workflow to enable recorded activities to better measure effectiveness and experience
	Control reports with escalation points for customer queue and compliance, e.g. Notifications/forms note received, open inspection compliance unresolved and customer queries
	Leverage planning portal data to create and actively measure of end-to-end customer times in combination with legislative measures
	Record preliminary advice as application in development apps or alternative for reference for future Assessment
Operating Model	Relationship meeting with high volume applicants , to identify market trends, seek feedback and work to collaborative solutions
	Add additional Building engineering Consultant to reduce sole operator key person risk
	Consideration Planning Compliance to transition reporting line from Manager to Team Leader
	Consider Planning and Building overflow suppliers at points of attrition and Jan 24 Certificate of Occupancy change

Implementation Road Map

	Phase 1	Phase 2	Phase 3	Phase 4
PEOPLE	Validation & alignment on Team outcomes	Manager & TL resource & process management upskilling	Determine Building inspection approach and FTE impact of Jan 24 CoO requirements	
PROCESS	Duty Planner to answer inbound calls	Validate and align of RFI request & follow ups	Trail Dev Service Option on Council IVR	Adopted an aligned Building Compliance Enforcement approach
	Agree all Internal Referral Time Frames	Metrics focused Weekly Governance Meetings	Monitor End to end assessment times	ESP Register
SYSTEM	Record preliminary advice as application in Dev app	Review Plan SA e-mail default & inbox auto filing solution	Upper Control Compliance reports & escalation points	Update Planning Compliance process
OPERATING MODEL	Establish High Volume applicants Relationship Meetings	Add additional Building engineering supplier	Consider overflow supplier at point of Attrition & for Jan 24 CoO impacts	Planning Compliance to report to Team Leader

Project plan and an assessment is required to determine if the skills and capacity exist to implement, along with other organisation priorities to be agreed to determine exact timing.

Appendix 4

Management Response and Action Plan

Development Services Service Review 2022/2023

Management
Response and
Draft Action Plan

August 2023

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1. EXECUTIVE SUMMARY

1.1 Background

Council has resolved to implement a Service Review Framework (the Framework) as part of the Annual Business Plan 2021-22. The Framework was adopted by Council at the 26 October 2021 meeting and provides Council with principles and guidelines for conducting an external Service Review to evaluate the adequacy, effectiveness and efficiency of the reviewed services.

The Service Review Brief – Development Services was presented at the 25 October 2022 Council Meeting, and the consultant (BeeSquared Consultants) was subsequently appointed with investigative work commenced in February 2023.

The Final Report and associated recommendations have now been provided to Council staff, workshopped with Council and presented to the Audit Committee. The Director Development and Regulatory Services, in conjunction with other key staff, has prepared a Management Response to the Recommendations, and a Draft Action Plan for consideration.

(Note: The Recommendations themselves, including title and description have been copied across from the Consultant’s Report).

1.2 Objectives and scope

Service delivery review is a good opportunity to better understand the service needs of local communities and customers, determine the effectiveness and efficiency of services, value and improve the delivery of services which include local infrastructure, local public services and the performance of regulatory functions to local communities and stakeholders.

The review can also help determine the cost effectiveness of funding and governance on the services provided to maximise the service performance.

1.3 Prioritisation

The level of priority assigned to the Recommendations was as below:

Priority	Description
High	Level of impact is high, and should ideally be addressed as a matter of priority.
Medium	Level of Impact is high, however implementation may be less urgent or is reliant on other work being undertaken prior
Low	Lower level of impact, urgency or for consideration in future, pending implementation outcomes of other recommendations

1.4 Service Review Recommendations

The key recommendations from the Development Services Service Review are listed below, along with a proposed priority for addressing the findings:

	Recommendation	H	M	L
People				
1	Validation and alignment on Team outcomes and purpose, guide process to balance community, legislative and applicant outcomes		X	
2	Resource and process management upskilling for Team Leaders and Manager, supported by balanced metrics, governance		X	
Process				
3	Duty Planner to answer incoming calls	X		
4	Trial Development Services option to customer service IVR to redirect calls			X
5	Agree internal referral times for all areas to assist planner in setting expectations	X		
6	Operational Data based Governance framework to actively monitor and regularly discuss process performance metrics and process alignment		X	
7	Creation of ESP Register to enable control check that all Form 3s are completed	X		
8	Agree Council approach to building inspection with incoming need for Council issuance of Certificate of Occupancy	X		
System				
9	Review and update planning compliance workflow to enable recorded activities to better measure effectiveness and experience		X	
10	Control reports with escalation points for customer queue and compliance, e.g. notifications/forms note received, open inspection compliance unresolved and customer queries		X	
11	Leverage planning portal data to create and actively measure of end to end customer times in combination with legislative measures		X	
12	Record preliminary advice as application in development apps or alternative for reference for future assessment	X		
Operating Model				
13	Relationship meeting with high volume applicants, to identify market trends, seek feedback and work to collaborative solutions		X	
14	Add additional building engineering consultant to reduce sole operator key person risk		X	
15	Consideration Planning compliance to transition reporting line from Manager to Team Leader			X
16	Consider Planning and Building overflow suppliers at points of attrition and Jan 24 Certificate of Occupancy change	X		
Total				

2. Management Response to Recommendations

Recommendation 1		M
Title	People	
Description	Validation and alignment on Team outcomes and purpose, guide process to balance community, legislative and applicant outcomes	

Management Response	Action
<p>Customer Experience - develop and enhance consistency of assessment and decision making</p> <p>Feedback received during the service review indicates that there needs to be focus on consistency in assessment process/timeframes, application of legislation and feedback/contact, all of which affect the customer experience.</p> <p>Agreed that this should be an area of focus for the team to discuss and agree upon internal process to create a level of consistency for the customer.</p>	<ul style="list-style-type: none"> • Team to meet and discuss and agree upon internal process and timeframes to create consistency in assessment and decision approach • External consultant to assist the Team to navigate this aspect to ensure clear agreement on these aspects

Recommendation 2		M
Title	People	
Description	Resource & process management upskilling for Team Leaders and Manager, supported by balanced metrics, governance	

Management Response	Action
<p>Indicates that Manager and Team Leaders need to be more focused on strategy, people management and outcomes rather than being so heavily involved in the assessment & compliance process.</p> <p>The data available through the Planning Portal can be used to guide performance, planning and management when considering allocations, leave and replacement of resourcing</p>	<ul style="list-style-type: none"> • Leadership and people management training to assist to effectively mentor and manage team members and workflows • Process mapping review to implement efficiencies

DRAFT

Recommendation 3		H
Title	Process	
Description	Duty planner to answer incoming phone calls	

Management Response	Action
<p>Calls to the Duty Planner currently go to landline that is answered by the Duty Planner if available. If calls come in whilst the Duty Planner is on the phone or is unavailable, the calls go to voicemail.</p> <p>If the Duty Planner is working remotely, the calls go to voicemail.</p> <p>Current IT business system does not provide a solution at this time however with the changeover to utilisation of Teams Calling will enable group calling capacity.</p>	<ul style="list-style-type: none"> • Duty Planner to be office based and to answer calls where practical (implemented) • Set up of new shared calling system through Teams Calling to be rolled out later in 2023.

DRAFT

Recommendation 4		L
Title	Process	
Description	Trial Developments Services option to customer service IVR to redirect calls	

Management Response	Action
<p>Investigate having all calls for planning matters diverted through to Development Admin rather than being answered by the call centre (i.e. like the diversion for EastWaste etc)</p> <p>Consideration needs to be given to resource impacts on the call centre staff and Development Support staff.</p> <p>Query whether this would result in a better customer experience</p>	<ul style="list-style-type: none"> • Investigate options and understand impact of introduction of IVR to both customer service staff and Development Support staff • Low priority • Getting data from the current call centre system to better understand number of calls and therefore resource impacts

DRAFT

Recommendation 5		H
Title	Process	
Description	Agree internal referral times for all areas to assist planner in setting expectations	

Management Response	Action
Timeframes for Council assessment are legislated so internal timeframes need to be agreed with internal Council referral sections.	<ul style="list-style-type: none"> Extrapolate data to understand the quantum of referrals to each other business unit and timeframes needed to be met Business case for additional resource if determined necessary (likely only for Arborist referrals)

DRAFT

Recommendation 6		M
Title	Process	
Description	Operational Data based Governance framework to actively monitor and regularly discuss process performance metrics and process alignment	

Management Response	Action
Plan SA data to be used for better understanding workload, complexity and performance of assessment. Need to have greater interaction between team leaders and staff to understand trends and provide support and feedback	<ul style="list-style-type: none"> • Leadership and people management training for Manager and team leaders • Regular feedback including data and detail (implemented) • Trends to be discussed at regular team meetings (implemented) • One on one meetings if required (implemented)

Recommendation 7		H
Title	Process	
Description	Creation of ESP register to enable control check that all Form 3s are completed	

Management Response	Action
<p>Not currently available through Plan SA portal.</p> <p>High risk buildings that need to be captured and monitored for compliance.</p> <p>Considered an appropriate step</p>	<ul style="list-style-type: none"> Set up of the ESP register has occurred and will be continually updated and monitored for compliance

DRAFT

Recommendation 8		H
Title	Process	
Description	Agree Council approach to building inspection with incoming need for Council issuance of Certificate of Occupancy	

Management Response	Action
<p>Impending resource issue with introduction of Council requirement to undertake COO inspections from 1.1.2024.</p> <p>Council currently undertakes (and charges for) 1 inspection during building, generally at framing stage. Repeat inspections required if deficiencies are found.</p> <p>New obligation to undertake a final COO inspection but without any additional financial subsidy to do that.</p> <p>Not uncommon to find deficiencies at framing stage, more problematic to identify and rectify if not picked up at framing stage.</p>	<ul style="list-style-type: none"> • Analysis has been undertaken on 3 options to cater for this change with a preferred option being the middle position to manage risk and resource appropriately • Business case has been developed and will be progressed subject to budget being allocated in the LTFP & 24/25 FY budget. • Additional responsibilities from 1.1.2024 will be managed using a contract resource until budget confirmed

Recommendation 9		M
Title	System	
Description	Review and update Planning compliance workflow to enable recorded activities to better measure effectiveness and experience	

Management Response	Action
<p>No technical linkages between compliance activities and assessment which creates a gap in shared knowledge.</p> <p>Capture of this information in a central repository enables access for all Development Services staff when undertaking assessment or in periods of leave</p>	<ul style="list-style-type: none"> • Process has been developed to capture compliance activities relevant to particular properties • Team Leader to check compliance actions when reviewing applications for allocation

DRAFT

Recommendation 10		M
Title	System	
Description	Control reports with escalation points for customer queue and compliance, e.g. Notifications/forms note received, open inspection compliance unresolved and customer queries	

Management Response	Action
<p>Control measures to ensure that unresolved matters are escalated if appropriate timeframes are exceeded.</p> <p>Planning Portal provides some oversight to this for applications.</p> <p>Other options to monitor and escalate need to be explored.</p>	<ul style="list-style-type: none"> • Regular monitoring of Planning Portal data to identify applications that may require escalation. • Investigate options for processes that could be put in place to capture other outstanding matters for escalation.

DRAFT

Recommendation 11		M
Title	System	
Description	Leverage planning portal data to create and actively measure of end-to-end customer times in combination with legislative measures	

Management Response	Action
Data is available through the Plan SA portal and should be utilised to monitor end to end assessment timeframes and highlight areas of inconsistency or improvement	<ul style="list-style-type: none"> • Development Support to be trained to pull data into reports for provision to Manager and Team Leaders. • Monthly monitoring

DRAFT

Recommendation 12		H
Title	System	
Description	Record preliminary advice as application in development apps or alternative for reference for future Assessment	

Management Response	Action
<p>Council offers a preliminary advice service for developments of a significant or complex nature to assist the Applicant with identification of concern and likely assessment requirements prior to submission of an application.</p> <p>Information of these meetings is manually recorded and not electronically linked to a property or file.</p> <p>Information provided by the Duty Planner is captured in Records Hub so is available to planners should a development application be lodged subsequent to the advice.</p>	<ul style="list-style-type: none"> • Develop procedure for file notes from prelim advice meetings to be linked to property file ahead of lodgement of an application (implemented) • Develop procedure for holding of prelim advice meetings including who to attend, recording of information and cross check by Team Leader/Manager at assessment stage. • Development Support has drafted a template to record pre-app advice which is being stored electronically – will be linked at file allocation stage.

Recommendation 13		M
Title	Operating Model	
Description	Relationship meeting with high volume applicants, to identify market trends, seek feedback and work to collaborative solutions	

Management Response	Action
Council generally doesn't have a lot of high volume planning applicants but there is a small group of high volume builders and planning consultants that would benefit from regular communication to understand any upcoming applications, issues and explore feedback to better improve our service	<ul style="list-style-type: none"> • Create action list of high volume customers (implemented) • Develop framework to engage with high volume customers including frequency of contact and information to be shared & discussed.

DRAFT

Recommendation 14		M
Title	Operating Model	
Description	Add additional Building engineering Consultant to reduce sole operator key person risk	

Management Response	Action
<p>Council currently uses a sole consultant for building engineering advice which carries a risk of unavailability.</p> <p>Adding another consultant to the approved list enables flexibility to choose consultant based on availability and expertise</p>	<ul style="list-style-type: none"> • Explore if any options on Vendor Panel that can be utilised on a consultant basis that would eliminate the need for a procurement process if under \$10k spend • Undertake process to appoint additional engineering consultant to approved contractor list

DRAFT

Recommendation 15		L
Title	Operating Model	
Description	Consideration Planning Compliance to transition reporting line from Manager to Team Leader	

Management Response	Action
<p>Planning compliance role currently reports to Manager Development Services.</p> <p>This diverts attention of the Manager to compliance matters which creates some inefficiency.</p> <p>Having the Compliance Officer report to a Team Leader in the first instance will provide greater support to the Compliance Officer and opportunities to cover during periods of leave or absence.</p>	<ul style="list-style-type: none"> • Undertake consultation in relation to best structure to support Compliance Officer and change reporting structure • Review Senior Planner role to provide additional support to Compliance Officer (implemented)

DRAFT

Recommendation 16		H
Title	Operating Model	
Description	Consider Planning and Building overflow suppliers at points of attrition and Jan 24 Certificate of Occupancy change	

Management Response	Action
<p>Current FTE resources enable the planning team to meet legislative timeframes including during periods of leave of staff.</p> <p>Other Councils run a structure that doesn't enable the cover of leave without appointing an external consultant to undertake assessment during the leave period. Some Councils do not have capacity to cover leave for more than 1 week without engaging a consultant.</p> <p>Consultants are a more costly option for leave coverage.</p> <p>Ensuring that consideration is given to replacing a team member at the time of attrition is a sound business decision.</p> <p>Based on current workload, the building team do not have capacity to undertake COO inspections as well as framing inspections. From a risk perspective, the desired outcome is for both of these inspections to be undertaken for dwellings.</p> <p>Current resources assessed during the service review include some short term contract roles which will need consideration to be longer term contract or permanent roles to maintain current workloads.</p>	<ul style="list-style-type: none"> • Monitor planning & building workload and consider if roles are required to be replaced at point of attrition, this includes cost benefit of using consultants vs staff. • Analysis has been undertaken on 3 options to cater for the Certificate of Occupancy change with a preferred option being the middle position to manage risk and resource appropriately • Business case has been developed and will be progressed subject to budget being allocated in the LTFP & 24/25 FY budget. Additional responsibilities from 1.1.2024 will be managed using a contract resource until budget confirmed

3. Draft Action Plan

Action	23-24	24-25	25-26
Validation and alignment on Team outcomes and purpose, guide process to balance community, legislative and applicant outcomes	X		
Resource & process management upskilling for Team Leaders and Manager , supported by balanced metrics, governance	X		
Duty planner to answer incoming phone calls	X		
Trial Developments Services option to customer service IVR to redirect calls		X	
Agree internal referral times for all areas to assist planner in setting expectations	X		
Operational Data based Governance framework to actively monitor and regularly discuss process performance metrics and process alignment	X		
Creation of ESP register to enable control check that all Form 3s are completed	X		
Agree Council approach to building inspection with incoming need for Council issuance of Certificate of Occupancy	X		
Review and update Planning compliance workflow to enable recorded activities to better measure effectiveness and experience	X		
Control reports with escalation points for customer queue and compliance, e.g. Notifications/forms note received, open inspection compliance unresolved and customer queries	X		
Leverage planning portal data to create and actively measure of end-to-end customer times in combination with legislative measures	X		
Record preliminary advice as application in development apps or alternative for reference for future Assessment	X		
Relationship meeting with high volume applicants , to identify market trends, seek feedback and work to collaborative solutions	X		
Add additional Building engineering Consultant to reduce sole operator key person risk	X		
Consideration Planning Compliance to transition reporting line from Manager to Team Leader		X	
Consider Planning and Building overflow suppliers at points of attrition and Jan 24 Certificate of Occupancy change	X		
Total	14	2	

It is envisaged that several of the recommendations can be addressed in some form within existing resources and is a matter of reprioritising staff time to achieve them.

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Tuesday 16 October 2023
AGENDA BUSINESS ITEM**

Item:	8.2
Responsible Officer:	Gary Lewis Manager Financial Services Corporate Services
Subject:	2022/23 Annual Financial Statements and End of Year Report
For:	Decision

SUMMARY

The 2022-23 General Purpose Financial Statements are attached (**Appendix 1**) for information and review. They have been prepared in accordance with the model statements prescribed in the *Local Government (Financial Management) Regulations 2011*.

In accordance with Section 126(4)(a) of the *Local Government Act 1999* the Audit Committee needs to review the 2022-23 General Purpose Financial Statements and be satisfied that they present fairly the situation of Council in accordance with the *Local Government Act 1999*, the *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.

Council's external auditor, BDO are in the final stages of completing the audit and have provided their final Audit Completion Report on matters arising from the audit. This Audit Completion Report indicates that BDO intend to issue unmodified opinions for both the Financial Statements and Internal Controls subject to the certification of financial statements and completion of sign off and associated representations related to the statements.

The 2022-23 General Purpose Financial Statements will be presented to Council on 24 October 2023 for endorsement prior to certification by the Mayor and Chief Executive Officer and the Audit Report signed by the external auditors, BDO.

In considering this report an in-camera opportunity will also be provided for members of the Audit Committee to discuss the audit result with BDO.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the 2022/23 Annual Financial Statements and End of Year 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:**

- i. the General Purpose Financial Statements of the Council for the financial year ended 30 June 2023 as contained in Appendix 1, and
 - ii. the External Auditor BDO' Annual Completion Report as contained in Appendix 2, and is satisfied that the 2022-23 financial statements present fairly the state of affairs of the Council.
 3. To recommend that the Adelaide Hills Council 2022-23 General Purpose Financial Statements, contained in Appendix 1, may be certified by the Chief Executive Officer and the Mayor.
 4. To note the confirmation of BDO's Auditor Independence Statement provided at Appendix 2.
 5. To recommend that the Certification of Auditor Independence statement contained in Appendix 3 may 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.
-

1. BACKGROUND

Following the completion of Galpin's appointment as Councils statutory external auditors, BDO have undertaken their first audit for Council. The Annual Financial Statements (or General Purpose Financial Report) in **Appendix 1** have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board and relevant South Australian local government legislation.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5	A Progressive Organisation
Objective O3	Our organisation is financially sustainable for both current and future generations
Priority O3.1	Ensure the delivery of agreed strategic plan requirements whilst meeting endorsed long-term targets for a sustainable operating surplus and level of debt
Objective O5	We are accountable, informed and make decisions in the best interests of the whole community
Priority O5.1	Enhance governance structure and systems to prudently adapt to changing circumstances and meet our legislative obligations
Priority O5.3	Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community.

The Council is committed to open, participative, and transparent decision-making and administrative processes. We diligently adhere to legislative requirements to ensure public accountability and exceed those requirements where possible.

Clause 3.5.3 of the Audit Committee Terms of Reference provide that the Committee shall meet with the external auditor at least once a year, without management being present (i.e. in-camera), to discuss the external auditor’s report and any issues arising from the audit.

Should the Committee wish to avail itself of this opportunity, the Administration will leave the meeting at the request of the Presiding Member and a confidentiality order is not required as the meeting remains open to the public.

➤ **Legal Implications**

Local Government Act 1999

Chapter 8 of the *Local Government Act* addresses Administrative and Financial Accountability under Part 3 Accounts, financial statements and audit.

More specifically:

- Section 126 (4)(a): [Audit Committee] to review the Financial Statements to ensure that they present fairly the state of affairs of the Council.
- Under Section 127, Council must prepare for each financial year financial statements and notes in accordance with standards prescribed by the regulations as soon as is reasonably practicable after the end of the relevant financial year.

Local Government (Financial Management) Regulations

- Regulation 22 of the *Local Government (Financial Management) Regulations 2011* requires:
 - Subregulation 3 – that the Council’s Chief Executive Officer and the Presiding Member of the Audit Committee to provide a statement, on an annual basis, that the Council Auditor is independent of the Council for the relevant financial year; and
 - Subregulation 5 – that the Council’s auditor must provide a statement in the prescribed form regarding their independence in accordance with auditing professional standards and legislative requirements.

➤ **Risk Management Implications**

Failure to complete the year end process in accordance with the endorsed timetable can result in increased financial, compliance and reputational risk.

Inherent Risk	Residual Risk	Target Risk
Medium (4D)	Low (2E)	Low (2E)

➤ **Financial and Resource Implications**

The End of Year Financial Statements are considered to be the most significant output from Council's financial management and reporting processes and are required for inclusion in the Annual Report.

Funding and resources required to prepare the End of Year Financial Statements is provided for as part of the annual budget process.

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

Not applicable.

➤ **Sustainability Implications**

Not applicable.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

Council Committees: A 2022-23 End of Year Update Report was presented to the Audit Committee on 21 August 2023 where the preliminary end of year results were presented.

Council Workshops: Not Applicable

Advisory Groups: Not Applicable

External Agencies: BDO International, Ltd.





Community: Not Applicable

➤ **Financial Analysis**

The completed Financial Statements for 2022/23 are closely in line with those communicated in the End of Financial Year Update provided to the Audit Committee at its meeting on 21 August 2023.

The statements show an annual performance comparable to the prior year and a continuing strong balance sheet.

Key Performance Indicators

Ratio	\$ 000's	Indicator	Target	2022	Variation	
1 Operating Surplus	1,430	2.63%	1% to 5%	2.20%	0.43%	
	54,445					
Adjusted Operating Surplus Ratio*	695	1.3%	1% to 5%	1.00%	0.29%	
	53,710					
2 Net Financial Liabilities Ratio	22,839	41.9%	25% to 75%	46%	-4.05%	
	54,445					
3 Asset Renewal Funding Ratio	10,070	97.8%	95% to 105%	114%	-16.16%	
	10,292					

*The adjustment made to the Operating Surplus Ratio now includes two components. In previous years it solely took into account the timing of the Federal Assistance Grants, which generated \$443k of additional income in FY2022/23. A new adjustment is now included to take account for the Capital Grants that are included in the Operating statement due to the specific accounting rules that dictate where the income is to be reported. This amount increased Operating income by \$292k while being used to fund capital grants.

All of the indicators continue to be within target ranges. Operating Surplus and Net Financial Liability Ratios have improved over the FY 2023 with the only ratio to have weakened being the Asset Renewal Ratio.

It should be noted that the Adjusted Operating Surplus has improved year on year even though the adjustment passed in 2023 has been expended to take into account capital grants reported in operating income which was not adjusted for in prior years.

The reduced level of capital expenditure has a positive impact on the Net Financial Liabilities (NFL) Ratio. Asset expenditure was below the budgeted level which has contributed to the low level of NFL's.

Preliminary End of Year vs End of Year Final Position

At the time of reporting the preliminary result in August, it was noted that there was potential for changes to the estimated result for proposed adjustments regarding leasehold improvements, provisions for landfills, grant recognition, and finalisation of asset revaluations.

As a result of the finalisation of the audit, the proposed adjustment items have been finalised and the impact on the operating result was positive, presenting a favourable position in comparison to the estimate. Refer to **Appendix 4** for details.

The preliminary end of year position was estimated to be a \$1.362m surplus. Compared to a final operating surplus of \$1.430m, there is a favourable variance of \$68k (5.0%).

\$'000	Final 2022/23 \$'000	Preliminary Fav/(Unfav) \$'000	Variance Fav/(Unfav) \$'000
Operating income	54,445	54,265	180
Operating expenditure	53,015	52,903	(112)
Operating Surplus	1,430	1,362	68

Operating Income

A net gain of \$169k from Council’s share of the operating results of East Waste Management Authority (EWMA) and Adelaide Hills Region Waste Management Authority (AHRWMA), and an increase in investment income of \$11k due to the unwinding of the PV discount on landfill monitoring provision.

Operating Expenditure

A \$64k increase in provision expenses for landfill monitoring, additional depreciation expense of \$33k, and a net loss of \$19k from Council’s share of the operating result for the Gawler River Floodplain Management Authority (GRFMA), offset by a reduction of (\$4k) in the expected interest expense for leases.

Actual Result 2022/23 compared to Actual Result 2021/22

The summary of the operating result is as follows.

\$'000	Actual 2022/23 \$'000	Actual 2021/22 \$'000	Variance Fav/(Unfav) \$'000	Variance Fav/(Unfav) %
Operating income	54,445	52,457	1,988	4%
Operating expenditure	53,015	51,315	(1,700)	(3%)
Operating Surplus	1,430	1,142	288	25%

With an economic environment of raised levels of inflation leading to rapidly increasing interest rates it is inevitable that there will be pressure on the cost base and if service levels are maintained costs will rise. The increase in expenses by 3% is in a context of the Adelaide Consumer Price index increasing 7.9% and the Local Government Price Index (Recurrent) rising 4.3% in FY 2022/23.

Operating Expenses

	Actual 2023 \$ 000's	Actual 2022 \$ 000's	Change \$ 000's	Change %
Employee costs	20,693	19,608	1,085	6%
Material, contracts & other	21,273	21,515	(242)	(1%)
Depreciation	10,479	9,820	659	7%
Finance costs	551	306	245	80%
Loss on equity businesses	19	66	(47)	(71%)
Total	53,015	51,315	1,700	3%

The increase in employee costs is driven by a below CPI wage increase during the year of 4.7% and increase in superannuation costs of 0.5%.

The increase in Depreciation costs is mostly due to five changes in four categories of assets, as set out below.

	2023 \$ 000's	2022 \$ 000's	Change \$ 000's	Change %
Buildings	1,357	1,082	275	25%
Footpaths	424	338	86	25%
Roads	4,469	4,334	135	3%
Plant & Equipment	1,090	928	162	17%
All other	3,139	3,139	1	0%
Total	10,479	9,820	659	7%

The changes above will be driven by changes in the portfolio of assets and any reassessment of their condition during the year. Buildings have been subject to revaluations in both 2022 and 2023 and disposals (Bridgewater Retirement Village). Footpaths have had significant additions and revaluations over the last two years. Plant and equipment have had material expenditure across both FY 2022 and FY 2023 (\$4.2m in total). While the dollar value of the change in Roads is material, the relative change is small compared to the overall value of roads.

The level of depreciation is materially the same as the budgeted figure (\$10.5m), this is particularly significant when considering potential changes to future budgets. That there is little variation tends to support the current year budget (FY 2023/24) as being accurate in this regard.

Finance Costs

The RBA cash rate has risen through 2022/23 from 0.85% to 4.1%. This has had a material impact on the cost of funding on Councils variable loans. Variable loans are a key tool for Treasury management however the table below shows the relative impact compared to the fixed loans.

Fixed Rate Loans		Actual 2022/23	Actual 2021/22	Change
Average Loan Fixed \$5m	\$'000	5,000	5,000	
Average rate	%	4.60%	4.60%	
Average Loan Fixed \$3m CF	\$'000	3,000		3,000
Average rate	%	4.45%		4.45%
Total Interest Cost	\$'000	342	230	112

Variable Rate & Balance Loans

Average rate (LGFA)	%	4.17%	1.37%	2.80%
Loan int cost (LGFA)	\$'000	11	22	(11)
Average rate (Westpac)	%	3.75%	0.93%	2.82%
Loan int cost (Westpac)	\$'000	188	38	150
Interest cost	\$'000	199	60	139
Total Finance Costs	\$'000	551	306	245

Prior Year Adjustments

Through 2022/23 two necessary corrections were discovered that have been incorporated in the FY23 financial statements. These relate to misstatements that occurred in preceding years and have been adjusted within the opening balance of the Equity Statement rather than through Other Comprehensive Income. This is the treatment that is required under Australian GAAP.

- Capital Work in Progress included assets of \$960,012 that related to land that Council had disposed of in 2019. The land had been derecognised at the date of disposal, but the associated capital work in progress had not been. This variation was discovered following a review of the carrying value of Work in Progress. Internal controls with regards to Work in Progress will be reviewed and updated accordingly.
- An amount of \$1,208,492 relating to renewal assets that was overstated in 2022 through the Asset Revaluation Reserve. This error was due to a transaction being incorrectly processed in FY22. Discussion with the Auditors have clarified the appropriate treatment going forward.

The impact these changes have made to the opening balances are set out in Note 24. Equity - retained earnings and revaluation reserves adjustments.

Implications of noted variations

The variations to budget that occurred in FY 2022/23 have been reviewed for their potential to influence the financial performance in FY2023/24. These variations do not indicate any necessity to change the FY2023/24 operating budget.

Net Borrowing Position.

The net cash position for Council remains unchanged and no adjustments are being considered for borrowings in FY 2023/24.

	Actual 2022-23 \$'000	Actual 2021-22 \$'000	Variance Fav/(Unfav) \$'000
Cash & Investments	489	3,215	(2,726)
Short term drawdown	(7,025)	(9,206)	2,181
Fixed Term Loans	(7,729)	(5,000)	(2,729)
Total Borrowings	(14,754)	(14,206)	(548)
Net Position	(14,265)	(10,991)	(3,274)

Councils' net requirement to borrow has increased over the year, in line with budget.

Capital variations

	Actual 2022-23 \$'000	Actual 2021-22 \$'000	Variance \$'000
Capital income	2,035	4,580	(2,545)
Capital expenditure - new	(5,200)	(6,102)	902
Capital expenditure - renewal	(10,070)	(12,337)	2,267
Net expenditure - Capital projects	(13,235)	(13,859)	624
Carry forward Capital Expense			(4,325)
Carry forward Capital Income			2,919
Overall Capital Result			(782)

Net capital expenditure is similar year on year but the level of both renewal and new capital expenditure has fallen by \$3m. The level of renewal expenditure is now more in line with long term levels following elevated expenditure in FY22.

Capital income including carry forwards relates primarily to deferred grant income already received for FABRIK (\$955) and funding yet to be received from the Department for Infrastructure and Transport for Council's Black Spot Roads Program (\$2.0m). Projects identified under this program are expected to be completed in 2023-24.

Capital expenditure is impacted by FABRIK projects still in progress and yet to be undertaken, LRCIP projects that have not been started and/or completed and carry forward of capital expenditure relating to approximately 35 projects.

3. 2022-23 Audit Clearance Report

The role of the external auditor is to provide an audit opinion to Council with respect to the General-Purpose Financial Statements. In addition, Council's Auditor BDO is required to provide an opinion on the compliance of the Adelaide Hills Council with the requirements of Section 125 of the *Local Government Act 1999* in relation to the Internal Controls established by the Council.

The Council is responsible for implementing and maintaining an adequate system of internal controls in accordance with Section 125 of the *Local Government Act 1999*.

The Auditor's responsibility is to express a conclusion on the Council's compliance with Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls established by the Council for the period 1 July 2022 to 30 June 2023 to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with law in all material respects.

The Auditors procedures included assessing the controls of Council based on the criteria in the *Better Practice Model—Internal Financial Controls*.

The Auditors are in the final stages of completing the audit and have provided their draft Audit Completion Report on matters arising from the audit. This Annual Completion Report (see **Appendix 2**) indicates that BDO intend to issue unmodified opinions (subject to the satisfactory

completion of the items described in section 1 – Status of our Audit Work of this document) for both the Financial Statements and Internal Controls.

Linh Dao of BDO will be attending the Audit Committee meeting and presenting the Audit Clearance Report.

4. Statement by Auditor of Audit Independence

Regulation 22(5) of the *Local Government (Financial Management) Regulations 2011* requires the auditor of a council to provide a written statement attesting to their independence. Council's Auditor, BDO have provided their signed Audit Independence Declaration, as prescribed in the Regulations (see **Appendix 2**). This Statement to Council will be included in Council's financial statements as part of the finalisation of the audit.

Regulation 21 (2) of the *Local Government (Financial Management) Regulations 2011* requires the Council's Chief Executive Officer and the Presiding Member of the Audit Committee to provide a statement, on an annual basis, that the Council Auditor is independent of the Council for the relevant financial year (see **Appendix 3**).

5. OPTIONS

The Committee has the following options:

- I. To review and recommend to Council that the Financial Statements present fairly the financial position of Adelaide Hills Council as of 30 June 2023.
- II. To note the Certification of Auditor Independence to be signed by the Chief Executive Officer of Adelaide Hills Council and the Presiding Member of the Audit Committee.
- III. To make additional comments or suggestions for finance staff to include prior to completing the Financial Statements.
- IV. To recommend to Council that the Chief Executive Officer and the Mayor of Adelaide Hills Council certify the Financial Statements in their final form.

6. APPENDICES

- (1) 2022-23 Draft Financial Statements
- (2) Annual Completion Report and Auditor Independence Statement
- (3) Draft Certification of Auditor Independence
- (4) 2022-23 Actual to Budget Comparison

Appendix 1

2022-23 Draft Financial Statements

Adelaide Hills Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023



General Purpose Financial Statements

for the year ended 30 June 2023

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General Purpose Financial Statements

for the year ended 30 June 2023

Certification of Financial Statements

We have been authorised by the Council to certify the financial statements in their final form.

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2023 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

Gregory Georgopoulos
Chief Executive Officer

Jan-Claire Wisdom
Mayor

Date

Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	Restated 2022
Income			
Rates	2a	44,401	41,504
Statutory charges	2b	1,428	1,430
User charges	2c	901	884
Grants, subsidies and contributions - capital	2g	292	1,263
Grants, subsidies and contributions - operating	2g	6,090	6,404
Investment income	2d	37	59
Reimbursements	2e	306	197
Other income	2f	821	583
Net gain - equity accounted council businesses	19(a)	169	133
Total income		54,445	52,457
Expenses			
Employee costs	3a	20,693	19,608
Materials, contracts and other expenses	3b	21,273	21,515
Depreciation, amortisation and impairment	3c	10,479	9,820
Finance costs	3d	551	306
Net loss - equity accounted council businesses	19(a)	19	66
Total expenses		53,015	51,315
Operating surplus / (deficit)		1,430	1,142
Physical resources received free of charge	2h	551	4,072
Asset disposal and fair value adjustments	4	(1,300)	(1,693)
Amounts received specifically for new or upgraded assets	2g	2,283	1,905
Net surplus / (deficit)		2,964	5,426
Other comprehensive income			
Changes in revaluation surplus - I,PP&E	9a	47,645	1,606
Share of other comprehensive income - equity accounted council businesses	19	23	1
Other Equity Adjustments - Equity Accounted Council Businesses	19(a)i	43	6
Total other comprehensive income		47,711	1,613
Total comprehensive income		50,675	7,039

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	Restated 2022
ASSETS			
Current assets			
Cash and cash equivalent assets	5a	489	3,215
Trade and other receivables	5b	3,573	3,025
Inventories	5c	17	32
Total current assets		<u>4,079</u>	<u>6,272</u>
Non-current assets			
Equity accounted investments in council businesses	6	2,631	2,416
Infrastructure, property, plant and equipment	7	492,588	443,289
Total non-current assets		<u>495,219</u>	<u>445,705</u>
TOTAL ASSETS		<u>499,298</u>	<u>451,977</u>
LIABILITIES			
Current liabilities			
Trade and other payables	8a	6,107	9,647
Borrowings	8b	1,721	9,581
Provisions	8c	5,257	4,072
Total current liabilities		<u>13,085</u>	<u>23,300</u>
Non-current liabilities			
Borrowings	8b	13,230	5,200
Provisions	8c	583	1,751
Total non-current liabilities		<u>13,813</u>	<u>6,951</u>
TOTAL LIABILITIES		<u>26,898</u>	<u>30,251</u>
Net assets		<u>472,400</u>	<u>421,726</u>
EQUITY			
Accumulated surplus		150,021	147,004
Asset revaluation reserves	9a	322,268	274,623
Other reserves	9b	111	99
Total council equity		<u>472,400</u>	<u>421,726</u>
Total equity		<u>472,400</u>	<u>421,726</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2023					
Balance at the end of previous reporting period		147,004	274,623	99	421,726
Net surplus / (deficit) for year		2,964	–	–	2,964
Other comprehensive income					
- Gain (Loss) on Revaluation of I,PP&E	9a	–	47,645	–	47,645
Share of OCI - equity accounted council businesses		23	–	–	23
Other equity adjustments - equity accounted council businesses	19(a)i	42	–	–	42
Other comprehensive income		65	47,645	–	47,710
Total comprehensive income		3,029	47,645	–	50,674
Transfers between reserves		(12)	–	12	–
Balance at the end of period		150,021	322,268	111	472,400
2022					
Balance at the end of previous reporting period		142,182	273,017	448	415,647
Adjustments (correction of prior period errors)	23a	(960)	–	–	(960)
Net surplus / (deficit) for year		5,426	–	–	5,426
Other comprehensive income					
- Gain (Loss) on Revaluation of I,PP&E	9a	–	1,606	–	1,606
Share of OCI - equity accounted council businesses		1	–	–	1
Other equity adjustments - equity accounted council businesses	19(a)i	6	–	–	6
Other comprehensive income		7	1,606	–	1,613
Total comprehensive income		5,433	1,606	–	7,039
Transfers between reserves		349	–	(349)	–
Balance at the end of period		147,004	274,623	99	421,726

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Cash flows from operating activities			
<u>Receipts</u>			
Rates receipts		44,446	41,289
Statutory charges		1,428	1,430
User charges		901	884
Grants, Subsidies and Contributions (operating purpose)		5,832	8,225
Investment receipts		37	59
Reimbursements		306	197
Other receipts		404	292
<u>Payments</u>			
Finance payments		(551)	(306)
Payments to employees		(20,502)	(19,191)
Payments for materials, contracts and other expenses		(22,682)	(19,972)
Net cash provided by (or used in) operating activities	11b	<u>9,619</u>	<u>12,907</u>
Cash flows from investing activities			
<u>Receipts</u>			
Grants utilised for capital purposes		292	1,263
Amounts Received Specifically for New/Upgraded Assets		538	2,552
Sale of replaced assets		427	756
Sale of surplus assets		778	9
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(10,070)	(12,337)
Expenditure on new/upgraded assets		(5,200)	(6,102)
Net cash provided (or used in) investing activities		<u>(13,235)</u>	<u>(13,859)</u>
Cash flows from financing activities			
<u>Receipts</u>			
Proceeds from Borrowings		2,729	–
Proceeds from bonds and deposits		71	–
Proceeds from aged care facility deposits		645	–
<u>Payments</u>			
Repayment of lease liabilities		(374)	(400)
Repayment of aged care facility deposits		–	(76)
Net cash provided by (or used in) financing activities		<u>3,071</u>	<u>(476)</u>
Net increase (decrease) in cash held		<u>(545)</u>	<u>(1,428)</u>
plus: cash & cash equivalents at beginning of period		(5,991)	(4,563)
Cash and cash equivalents held at end of period	11a	<u>(6,536)</u>	<u>(5,991)</u>

Additional information:

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

(1) Basis of preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared on a going concern basis using the historical cost convention in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011*.

1.2 Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in applying Council's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

1.3 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

1.4 Estimates and assumptions

COVID-19 is not expected to have a material financial impact on Council operations. Council has determined that there is no material uncertainty that casts doubt on Council's ability to continue as a going concern.

(2) The local government reporting entity

Adelaide Hills Council is incorporated under the South Australian Local Government Act 1999 and has its principal place of business at 63 Mount Barker Road, Stirling. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

Other entities in which Council has an interest but does not control are reported in Note 19.

(3) Income recognition

Income recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

The Council recognises revenue under *AASB 1058 Income of Not-for-Profit Entities* (AASB 1058) or *AASB 15 Revenue from Contracts with Customers* (AASB 15) when appropriate.

In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when it transfers control of a product or service to a customer). Revenue is measured based on the consideration to which the Council expects to be entitled in a contract with a customer.

In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case where a financial asset has been received to enable the council to acquire or construct a recognisable non-financial asset that

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

is to be controlled by the council. In this case, the council recognises the excess as a liability that is recognised over time in profit and loss when (or as) the entity satisfies its obligations under the transfer.

In recent years the payment of untied financial assistance grants from the Commonwealth Government has varied from the annual allocation as shown in the table below:

	Cash Payment Received	Annual Allocation	Difference
2019-20	\$1,640,046	\$1,564,152	+\$75,894
2020-21	\$1,516,052	\$1,581,658	- \$65,606
2021-22	\$2,304,241	\$1,661,744	+\$642,497
2022-23	\$2,253,435	\$1,810,018	+\$443,417

As these grants are untied, the Australian Accounting Standards require that these payments be recognised upon receipt.

Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

The Operating Surplus Ratio disclosed in Note 15 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

Construction contracts

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

For works undertaken on a fixed price contract basis, revenues are recognised over time using the input method, with costs incurred compared to total expected costs used as a measure of progress. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(4) Cash, cash equivalents and other financial instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the *Local Government Act 1999*. Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition, except for trade receivables from a contract with a customer, which are measured at the transaction price. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13.

(5) Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

(6) Infrastructure, property, plant and equipment**6.1 Initial recognition**

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.

Examples of capitalisation thresholds applied during the year are given below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Furniture & Fittings and Plant & Equipment for Retirement Villages	\$1,000
Office Furniture & Fittings	\$3,000
Other Plant & Equipment	\$3,000
Building Fixture and Fittings	\$5,000
Building Structures	\$5,000
Paving & Footpaths, Kerb & Gutter	\$5,000
Road construction & reconstruction	\$5,000
Stormwater, Gravity mains and Culverts	\$5,000
All Other Assets	\$5,000
Artworks	\$5,000

6.3 Subsequent recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties, and of existing valuations, methods and valuers are provided at Note 7.

6.4 Depreciation of non-current assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Major depreciation periods for each class of asset are listed below. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

Plant, Furniture & Equipment

Office Furniture and Equipment	5 to 10 years
Vehicles and Heavy Plant	8 to 16 years
Other Plant & Equipment	5 to 10 years

Building & Other Structures

Buildings – masonry	50 to 100 years
Buildings – other construction	20 to 40 years
Benches, seats, etc	10 to 20 years
Park Structures – masonry	50 to 100 years
Park Structures – other construction	20 to 40 years
Playground equipment	5 to 15 years

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

Infrastructure

Bores	20 to 40 years
Bridges	80 to 100 years
Culverts	50 to 75 years
CWMS Pipes	70 to 80 years
Dams and Lagoons	80 to 100 years
Flood Detention Systems	80 to 100 years
Irrigation Pipes and Systems	25 to 75 years
Paving & Footpaths, Kerb & Gutter	40 to 100 years
Pumps & Telemetry	15 to 25 years
Road Pavement	65 to 180 years
Sealed Roads – Surface	15 to 25 years
Stormwater and Gravity Mains	80 to 100 years
Unsealed Roads	10 to 20 years

Other Assets

Artworks	indefinite
Right-of-Use Assets	2 to 5 years

6.5 Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing.

Other assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

6.6 Borrowing costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

(7) Payables

7.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

7.2 Payments Received in Advance & Deposits

Amounts other than grants received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

(8) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables"

(9) Employee benefits

9.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Hostplus Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

(10) Provisions for reinstatement, restoration and rehabilitation

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation and rehabilitation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs and are carried at the net present value of estimated future costs.

Although estimated future costs are based on a closure plan, such plans are based on current environmental requirements which may change. Council's policy to maximise recycling is extending the operational life of these facilities, and significant uncertainty exists in the estimation of the future closure date.

(11) Leases

Accounting policy applicable from 01 July 2019

The Council assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

11.1 Council as a lessee

The Council recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

i) Right-of-Use-Assets

The Council recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and the estimate of costs to be incurred to restore the leased asset. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Computers & IT Equipment	3 to 5 years
Building Occupancy	Up to 3 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies above - Impairment of non-financial assets.

ii) Lease Liabilities

At the commencement date of the lease, the Council recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Council uses its incremental borrowing rate or the interest rate implicit in the lease.

iii) Short-term leases and leases of low-value assets

The Council applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(12) Equity accounted Council businesses

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Council's interests in cooperative arrangements, which are only recognised if material, are accounted for in accordance with AASB 128 and set out in detail in Note 19.

(13) GST implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a net basis.

(14) New accounting standards and UIG interpretations

In the current year, Council adopted where relevant, all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

(15) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(16) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

Note 2. Income

\$ '000	2023	2022
(a) Rates		
General rates		
General rates	41,549	39,123
Less: mandatory rebates	(303)	(300)
Less: discretionary rebates, remissions and write-offs	(75)	(274)
Total general rates	41,171	38,549
Other rates (including service charges)		
Community wastewater management systems	1,694	1,676
Landscape levy	1,118	970
Separate and special rates	5	5
Stirling Business Association Separate Rate	95	97
Total other rates (including service charges)	2,912	2,748
Other charges		
Penalties for late payment	246	204
Legal and other costs recovered	72	3
Total other charges	318	207
Total rates	44,401	41,504
(b) Statutory charges		
Animal registration fees and fines	524	465
Development Act fees	658	731
Health and septic tank inspection fees	99	101
Other licences, fees and fines	41	31
Parking fines / expiation fees	48	36
Searches	58	66
Total statutory charges	1,428	1,430
(c) User charges		
Cemetery Fees	308	418
Community centres	165	97
Lobethal Woollen Mill Precinct	149	142
Retirement Villages	66	32
Sundry	213	195
Total user charges	901	884
(d) Investment income		
Interest on investments		
- Local Government Finance Authority	2	1
- Banks and other	24	4
Unwinding of premiums and discounts	11	54
Total investment income	37	59

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

Note 2. Income (continued)

\$ '000	2023	2022
(e) Reimbursements		
Lobethal Woollen Mill Precinct	224	172
Other Properties	18	13
Private works	18	11
Other	46	1
Total reimbursements	306	197
(f) Other income		
Insurance and other recoupments - infrastructure, property, plant and equipment	107	309
Other (settlement proceeds)	500	–
Significant Environmental Benefit Credits	18	–
Sundry	196	274
Total other income	821	583
(g) Grants, subsidies and contributions		
Amounts received specifically for new or upgraded assets	2,283	1,905
Total	2,283	1,905
Other grants, subsidies and contributions - capital		
Local Roads & Community Infrastructure Program	292	1,043
Sport & Recreation Community Facilities Grants	–	220
Total Other grants, subsidies and contributions - capital	292	1,263
Other grants, subsidies and contributions		
Annual		
Community Home Support Program Grants	987	953
Community Wastewater Management Systems Contributions	25	37
Library and communications	295	273
Roads to Recovery	650	699
Sundry	404	288
Supplementary Local Roads Funding	343	344
Untied - Financial Assistance Grant	2,253	2,304
Ad hoc / One Off		
Community Recovery Grants	6	36
Community Resilience Grants	750	186
Local Roads & Community Infrastructure Program	169	367
Open Space Biodiversity Grants	197	371
Sport & Recreation Community Facilities Grants	–	546
Waste Management Grants	11	–
Total other grants, subsidies and contributions	6,090	6,404
Total grants, subsidies and contributions	8,665	9,572
The functions to which these grants relate are shown in Note 12.		

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 2. Income (continued)

\$ '000	2023	2022
(i) Sources of grants		
Commonwealth Government	5,996	6,405
State Government	2,511	2,544
Other	158	623
Total	8,665	9,572
(ii) Individually significant items		
Grant Commission (FAG) Grant received in advance recognised as Income	1,932	1,488
 (h) Physical resources received free of charge		
Land and improvements	551	4,072
Total physical resources received free of charge	551	4,072

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

Note 3. Expenses

\$ '000	Notes	2023	2022
(a) Employee costs			
Salaries and wages		16,476	15,071
Employee leave expense		2,857	2,907
Superannuation - defined contribution plan contributions	18	1,756	1,589
Superannuation - defined benefit plan contributions	18	189	216
Other employee related costs		79	491
Fringe Benefits Tax		245	238
Personal Income Protection Insurance		311	302
Workers' compensation insurance		455	475
Less: capitalised and distributed costs		(1,675)	(1,681)
Total operating employee costs		20,693	19,608
Total number of employees (full time equivalent at end of reporting period)		200	199
(b) Materials, contracts and other expenses			
(i) Materials, Contracts and Expenses			
Bank Fees		78	89
Contractors		5,367	4,351
Contractors - Cleaning		335	329
Contractors - Tree Management		558	975
Consultants		108	-
Contributions & Donations		720	785
Contract Labour		312	587
Energy		581	451
Grant Related Expenditure		252	452
Heathfield High School Contribution		233	1,123
Insurance		800	712
Landfill Remediation		539	739
Legal expenses		354	183
Levies - other		267	232
Levies Paid to Government - Landscape Levy		1,117	968
Licencing - ICT		788	775
Pandemic Response		-	21
Parts, accessories and consumables		2,109	2,064
Professional services		138	66
Return of LGA CWMS Contribution		1	348
Stirling Business Association		95	95
Sundry		444	409
Telephone (incl data)		249	293
Water		196	221
Waste		4,856	4,461
Work-in-Progress Write-off		124	230
Less: capitalised and distributed Costs		(87)	(87)
Subtotal - Material, Contracts & Expenses		20,534	20,872

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

Note 3. Expenses (continued)

\$ '000	2023	2022
(ii) Prescribed Expenses		
Auditor's remuneration		
- Auditing the financial reports	11	24
- Other auditors	10	23
Bad and doubtful debts	1	–
Elected members' expenses	467	456
Election expenses	14	13
Lease expense - low value assets / short term leases	236	127
Subtotal - prescribed expenses	739	643
Total materials, contracts and other expenses	21,273	21,515

(c) Depreciation, amortisation and impairment

Depreciation and Amortisation

Buildings	1,357	1,082
Infrastructure		
- Bridges	297	293
- Cemeteries	29	33
- Community Wastewater Management Systems	317	411
- Footpaths	424	338
- Guardrails	104	99
- Kerb & Gutter	537	528
- Playgrounds	101	100
- Retaining Walls	171	169
- Roads	4,469	4,334
- Sport & Recreation	390	324
- Stormwater	633	591
- Street Furniture	83	86
- Traffic Controls	38	36
- Other Infrastructure	3	–
Furniture and fittings	70	66
Plant and equipment	1,090	928
Right-of-use assets	366	402
Total depreciation, amortisation and impairment	10,479	9,820

(d) Finance costs

Charges on finance leases	10	16
Interest on loans	342	230
Interest on overdraft and short-term drawdown	199	60
Total finance costs	551	306

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 4. Asset disposal and fair value adjustments

\$ '000	2023	2022
Infrastructure, property, plant and equipment		
(i) Assets renewed or directly replaced		
Proceeds from disposal	427	756
Less: Carrying Amount of Assets Sold or Disposed of	(2,162)	(2,367)
Other sale costs	(5)	–
Gain (loss) on disposal	(1,740)	(1,611)
(ii) Assets surplus to requirements		
Proceeds from disposal	778	9
Less: other amounts relating to the sale of surplus assets	(101)	(91)
Less: carrying amount of surplus assets disposed of	(1,395)	–
Add: liabilities forgiven upon sale of surplus assets	1,158	–
Gain (loss) on disposal	440	(82)
Net gain (loss) on disposal or revaluation of assets	(1,300)	(1,693)

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

Note 5. Current assets

\$ '000	2023	2022
(a) Cash and cash equivalent assets		
Cash on hand and at bank	467	2,845
Short Term Deposits	22	370
Total cash and cash equivalent assets	489	3,215
(b) Trade and other receivables		
Rates - general and other	1,648	1,714
Council rates postponement scheme	186	165
Accrued revenues	1,159	262
Debtors - general	251	269
GST recoupment	–	463
Prepayments	329	152
Total trade and other receivables	3,573	3,025
(c) Inventories		
Stores and materials	17	32
Total inventories	17	32

Note 6. Non-current assets

\$ '000	Notes	2023	2022
Equity accounted investments in council businesses			
Adelaide Hills Regional Waste Management Authority (AHRWMA)	19i	1,392	1,241
Eastern Waste Management Authority (EWMA)	19i	148	121
Gawler River Floodplain Management Authority (GRFMA)	19i	1,091	1,054
Total equity accounted investments in Council businesses		2,631	2,416

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

Note 7. Infrastructure, Property, Plant & Equipment

Infrastructure, property, plant and equipment

\$ '000	Fair Value Level	as at 30/06/22				Asset movements during the reporting period										as at 30/06/23				
		At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Impairment Loss (recognised in Equity) (Note 9)	WIP Transfers	Adjustments & Transfers	Other Physical Resources Free of Charge	RoU Additions	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
Capital work in progress		–	3,564	–	3,564	5,200	10,070	–	–	–	(12,157)	(124)	–	–	–	–	–	6,552	–	6,552
Land - community	3	87,980	–	–	87,980	–	–	(1,290)	–	–	–	–	–	–	–	19,281	105,971	–	–	105,971
Buildings	3	62,989	–	(23,940)	39,049	–	–	(664)	(1,357)	–	1,512	–	–	–	–	7,376	75,619	–	(29,703)	45,916
Infrastructure																				
- Bridges	3	21,351	–	(12,296)	9,055	–	–	(14)	(297)	–	300	–	–	–	–	368	22,463	–	(13,052)	9,411
- Cemeteries	3	1,934	–	(969)	965	–	–	–	(29)	–	89	–	–	–	(10)	–	1,960	–	(946)	1,014
- Community Wastewater Management Systems	3	21,036	–	(7,135)	13,901	–	–	(174)	(317)	–	276	–	–	–	–	10	21,914	–	(8,218)	13,696
- Footpaths	3	19,412	–	(6,721)	12,691	–	–	(175)	(424)	–	798	–	148	–	–	1,628	20,082	–	(5,417)	14,665
- Guardrails	3	5,040	–	(1,378)	3,662	–	–	(2)	(104)	–	93	–	–	–	–	143	5,316	–	(1,524)	3,792
- Kerb & Gutter	3	43,260	–	(19,252)	24,008	–	–	(13)	(537)	–	91	–	145	–	–	7,585	43,515	–	(12,236)	31,279
- Playgrounds	3	2,070	–	(837)	1,233	–	–	–	(101)	–	–	–	13	–	–	20	2,117	–	(952)	1,165
- Retaining Walls	3	12,242	–	(3,678)	8,564	–	–	(71)	(171)	–	37	–	–	–	(406)	–	11,822	–	(3,869)	7,953
- Roads	3	272,569	–	(94,694)	177,875	–	–	(632)	(4,469)	–	5,532	–	245	–	–	9,147	289,871	–	(102,174)	187,697
- Sport & Recreation	3	20,340	–	(9,826)	10,514	–	–	(105)	(390)	–	614	–	–	–	–	410	20,593	–	(9,549)	11,044
- Stormwater	3	58,475	–	(22,091)	36,384	–	–	(37)	(633)	–	338	–	–	–	–	1,950	61,830	–	(23,828)	38,002
- Street Furniture	3	2,538	–	(876)	1,662	–	–	(61)	(83)	–	241	–	–	–	–	37	2,728	–	(931)	1,797
- Traffic Controls	3	2,030	–	(613)	1,417	–	–	–	(38)	–	–	–	–	–	–	57	2,111	–	(675)	1,436
- Other Infrastructure	3	–	2,196	(628)	1,568	–	–	–	(3)	–	–	–	–	–	–	19	–	2,232	(648)	1,584
Right-of-use assets		–	1,521	(956)	565	–	–	–	(366)	–	–	–	–	(4)	–	–	–	1,517	(1,322)	195
Plant and equipment		–	13,615	(5,387)	8,228	–	–	(319)	(1,090)	–	2,181	–	–	–	–	23	–	14,943	(5,920)	9,023
Furniture and fittings		–	692	(288)	404	–	–	–	(70)	–	55	–	–	–	–	7	–	754	(358)	396
Total infrastructure, property, plant and equipment		633,266	21,588	(211,565)	443,289	5,200	10,070	(3,557)	(10,479)	–	–	(124)	551	(4)	(416)	48,061	687,912	25,998	(221,322)	492,588
Comparatives		614,990	20,924	(202,322)	433,592	4,839	12,337	(2,367)	(9,820)	–	–	(232)	4,072	227	(2,023)	4,837	633,266	21,588	(211,565)	443,289

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 7. Infrastructure, Property, Plant & Equipment (continued)

Valuation of Infrastructure, Property, Plant & Equipment

Valuation of assets

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refer to Note 7(a) for the disclosure of the Fair Value Levels of Infrastructure, Property, Plant and Equipment Assets.

Information on valuations

Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

There is no known market for buildings, infrastructure and other assets. These assets are valued at depreciated current replacement cost. This method involves:

- The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.
- The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

Other information

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to *AASB 1.D5* to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent addition at cost, this remains as the basis of recognition of non-material asset classes.

Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with *AASB 13 Fair Value Measurement*: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, current replacement cost is taken to be the fair value.

Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 7. Infrastructure, Property, Plant & Equipment (continued)

Transition to AASB 13 - Fair Value Measurement

The requirements of AASB 13 Fair Value Measurement have been applied to all valuations undertaken since 1 July 2013 as shown by the valuation dates by individual asset classes below.

Land & Land Improvements

Council being of the opinion that it is not possible to attribute value sufficiently reliably to qualify for recognition, land under roads has not been recognised in these reports.

Land - Level 3: Crown Land which is subject to restriction for its use or sale has been valued by Council officers based on the Valuer General's site values as at 1 January 2022 less allowances for the restriction on sale (requiring Ministerial consent) which are unobservable inputs that have a significant effect on valuation.

Buildings & Other Structures

- Basis of valuation: Fair Value
- Date of valuation: 1 July 2017
- Valuer: APV Valuers & Asset Management

Council discloses Buildings as a separate class of Infrastructure Assets for the purposes of AASB 13 Fair Value Measurement, and the level of fair value hierarchy to be Level 3, as no relevant observable inputs (Markets) are available.

- Council commenced a Building Audit and Revaluation in the 2022-2023 financial year, however, delays in the final reports and validation of all the assumptions has resulted in a combination of adjustments to the Building assets.
- There were \$5.8m of Building assets that were previously not valued and these have been included in the revaluation.
- The remainder of the assets have been adjusted manually in line with the Australian Bureau of Statistics Time Series data, Table 17 (Construction Industries) movements specific for Adelaide.
- This adjustment was done as at 1 July 2022.
- Finalisation of the Building Asset revaluation will be completed in 2023-2024 with revaluation to occur at 1 July 2023.

Infrastructure

Council discloses Infrastructure Assets for the purpose of AASB 13 Fair Value Measurement as level 3 as no relevant observable inputs (markets) are available.

- There were no assets valued where it was considered that the highest and best use was other than its current use.

Bridges

- Basis of valuation: Valuation was undertaken using modern equivalent asset principles as per the International Infrastructure Management Manual (IIMM 6th edition, 2020) and included a condition audit.
- The assets were indexed in between independent valuation and the latest indexation was for 30 June 2023.
- Date of valuation: June 2021
- Valuer: ARRB Group

Community Wastewater Management Systems (CWMS)

- Basis of valuation: Fair Value
- Date of valuation: 1 July 2022
- Valuer: APV Valuers & Asset Management

Footpaths & Retaining Walls

- Basis of valuation: Fair Value
- Date of valuation: 1 July 2022
- Valuer: Private Public Property
- During 2021-2022 and 2022-2023 Council officers undertook a condition audit of the asphalt, concrete and paver footpaths. This condition data was used to undertake a revaluation of these assets at 1 July 2022.

Kerb & Gutter and Guardrails (safety barriers)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 7. Infrastructure, Property, Plant & Equipment (continued)

- Basis of valuation: Fair Value
- Date of valuation: 1 July 2022
- Valuer: Private Public Property
-
- During 2021-2022 and 2022-2023 Council officers undertook a condition audit of the concrete kerbing. This condition data was used to undertake a revaluation of these assets at 1 July 2022.

Roads

- Valuations were derived as at June 2019 referencing individual rates in Rawlinsons and Council Contracts to determine an overall rate for Council assets including road seal and road pavement by Steve Walker, Principal, Asset Engineering.
- Road Seals rates were established by using Council's recent contract rates for resealing which includes profiling, raising top stones, supply and laying of asphaltic concrete and supply and laying of spray seal
- Road Pavement rates were established by using rates from Rawlinsons applicable to the reconstruction of road pavements and compared against Council's actual costs
- During 2019-20 Council undertook a review of its sealed road components following an external review by Jeff Roorda, TechnologyOne, regarding components for road pavements. The assessment resulted in road pavement being componentised into a pavement base-course (layer immediately under the seal component) and a sub-base (bottom layer of road pavement). The base course layer retained the same useful life and the sub-base useful life was increased based on industry knowledge and standards. Given this useful life change, the sub-base was subsequently revalued from the asset construction date and hence the written down value of the assets adjusted downwards. As part of this process, the overall unit rate was also reallocated between the base-course and sub-base components.
- Since the detailed valuation using unit rates undertaken at June 2019, valuations have been updated by Council Officers at depreciated current replacement cost based on Australia Bureau of Statistics Time Series data, Table 17 (Construction Industries) movements specific to Adelaide for the period since valuation to July 2022.

Stormwater

- Valuations have been updated by Council officers at depreciated current replacement cost based on Australian Bureau of Statistics Time Series data, Table 17 (Construction Industries) movements specific to Adelaide for the period to July 2022.

Cemeteries, Playgrounds, Sport and Recreation Facilities (S&R), Street Furniture, Stormwater and Traffic Controls

- Valuations were performed by Council Officers at depreciated current replacement cost as at 1 July 2022 based on Australia Bureau of Statistics Time Series data, Tables 17 (Construction Industries) specific to Adelaide for July 2022.

Plant & Equipment

- Basis of valuation: Historic Cost

Furniture & Fittings

- Basis of valuation: Historic Cost

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 8. Liabilities

\$ '000	2023 Current	2023 Non Current	2022 Current	2022 Non Current
(a) Trade and other payables				
Accrued expenses - employee entitlements	1,096	-	925	-
Accrued expenses - other	1,187	-	1,044	-
Aged care facility deposits	-	-	514	-
Deposits, retentions and bonds	78	-	7	-
Goods and services	2,753	-	4,172	-
Payments received in advance	986	-	2,989	-
Other	7	-	(4)	-
Total trade and other payables	6,107	-	9,647	-

\$ '000	Notes	2023 Current	2023 Non Current	2022 Current	2022 Non Current
(b) Borrowings					
Bank overdraft		1,000	6,025	9,206	-
Lease liabilities	17b	160	37	375	200
Loans		561	7,168	-	5,000
Total Borrowings		1,721	13,230	9,581	5,200

All interest bearing liabilities are secured over the future revenues of the Council

(c) Provisions

Employee entitlements (including oncosts)	3,663	261	3,669	235
Future reinstatement / restoration, etc ¹	1,594	322	403	1,516
Total provisions	5,257	583	4,072	1,751

(1) At the reporting date, Council made provision for its monitoring and rehabilitation obligations regarding 3 formal landfill sites. The provision represents Council's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 9. Reserves

\$ '000	as at 30/06/22		Transfers	Impairments	as at 30/06/23	
	Opening Balance	Increments (Decrements)			Closing Balance	
(a) Asset revaluation reserve						
Land - community	60,814	19,281	–	–		80,095
Buildings	30,464	7,376	–	–		37,840
Infrastructure						
- Bridges	4,055	368	–	–		4,423
- Cemeteries	2,202	(10)	–	–		2,192
- Community Wastewater Management Systems	6,048	10	–	–		6,058
- Footpaths	–	1,628	–	–		1,628
- Guardrails	1,774	143	–	–		1,917
- Kerb & Gutter	21,743	7,585	–	–		29,328
- Playgrounds	124	20	–	–		144
- Retaining Walls	4,951	(406)	–	–		4,545
- Roads	113,766	9,147	–	–		122,913
- Sport & Recreation	2,205	410	–	–		2,615
- Stormwater	24,652	1,950	–	–		26,602
- Street Furniture	1,040	37	–	–		1,077
- Traffic Controls	557	57	–	–		614
- Other Infrastructure	–	19	–	–		19
Plant and equipment	–	23	–	–		23
Furniture and fittings	–	7	–	–		7
JV's / associates - other comprehensive income	228	–	–	–		228
Total other assets	228	–	–	–		228
Total asset revaluation reserve	274,623	47,645	–	–		322,268
Comparatives	273,017	1,606	–	–		274,623

\$ '000	as at 30/06/22		Tfrs to Reserve	Tfrs from Reserve	Other Movements	as at 30/06/23	
	Opening Balance					Closing Balance	
(b) Other reserves							
Biodiversity SEB Reserve	–	17	–	–	–		17
Scott Creek Progress Association	1	–	–	–	–		1
Significant Trees Reserve	5	–	–	–	–		5
Torrens Valley Community Centre	93	–	–	(5)	–		88
Total other reserves	99	17	–	(5)	–		111
Comparatives	448	2	–	(351)	–		99

Purposes of reserves

Asset revaluation reserves

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non current assets (less any subsequent impairment losses, where applicable).

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 9. Reserves (continued)

Other reserves

Adelaide Hills Council is an Accredited Third Party Provider under Section 25C(12) of the *Native Vegetation Act 1991*. One of Council's conservation reserves is now a formal "SEB Area" (Significant Environmental Benefit) under the *Native Vegetation Act 1991* which allows Council to on-sell SEB credits.

The financial return on these credits will need to be spent in accordance with the SEB Management Plan which outlines what agreed actions will be undertaken in a 10 year period and how the area will be protected into the future.

The funds held will be accessed over the next 10 years in order to invest in the annual bushcare activities as set out in the plan.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 10. Assets subject to restrictions

\$ '000	2023	2022
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The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.

Cash and financial assets

Community Wastewater Management Systems Investigations	–	348
Total cash and financial assets	–	348
Total assets subject to externally imposed restrictions	–	348

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2023	2022
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(a) Reconciliation of cash

Cash assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Total cash and equivalent assets	5	489	3,215
Less: short-term borrowings	8	(7,025)	(9,206)
Balances per Statement of Cash Flows		(6,536)	(5,991)

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

Note 11. Reconciliation to Statement of Cash Flows (continued)

\$ '000	Notes	2023	2022
(b) Reconciliation of change in net assets to cash from operating activities			
Net surplus/(deficit)		2,964	5,426
Non-cash items in income statements			
Depreciation, amortisation and impairment		10,479	9,820
Equity movements in equity accounted investments (increase)/decrease		(150)	(67)
Premiums and discounts recognised and unwound		(11)	(54)
Non-cash asset acquisitions		(551)	(4,072)
Grants for capital acquisitions treated as investing activity		(2,575)	(1,905)
Net (gain)/loss on disposals		1,300	1,693
Other		1,776	(371)
		<u>13,232</u>	<u>10,470</u>
Add (less): changes in net current assets			
Net (increase)/decrease in receivables		(548)	200
Net (increase)/decrease in inventories		15	(9)
Net increase/(decrease) in trade and other payables		(3,097)	1,913
Net increase/(decrease) in unpaid employee benefits		20	144
Net increase/(decrease) in other provisions		(3)	189
Net cash provided by (or used in) operations		<u>9,619</u>	<u>12,907</u>

(c) Non-cash financing and investing activities

Acquisition of assets by means of:

Physical resources received free of charge	2h	551	4,072
Amounts recognised in income statement		<u>551</u>	<u>4,072</u>
Total non-cash financing and investing activities		<u>551</u>	<u>4,072</u>

(d) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank overdrafts	200	200
Corporate credit cards	180	180
Asset Finance - Leasing	750	750
LGFA cash advance debenture facility	8,600	14,800
Westpac Bank Bill Business Loan ¹	9,000	10,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

(1) Council utilises the Westpac bank bill business loan as an overdraft facility which can be paid off at any time at the discretion of the Council

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 12(a). Functions

Income, Expenses and Assets have been directly attributed to the following Functions / Activities.
Details of these Functions/Activities are provided in Note 12(b).

\$ '000	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT AND NON-CURRENT)	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions/Activities										
Council	–	–	–	–	–	–	(292)	(1,263)	499,298	451,977
Community Capacity	2,692	1,970	7,768	7,424	(5,076)	(5,454)	2,397	1,698	–	–
Corporate Services	45,061	42,853	13,178	10,411	31,883	32,442	1,197	1,872	–	–
Infrastructure & Operations	5,161	6,198	27,882	29,476	(22,721)	(23,278)	2,718	4,059	–	–
Development & Regulatory Services	1,531	1,436	4,187	4,004	(2,656)	(2,568)	70	38	–	–
Total Functions/Activities	54,445	52,457	53,015	51,315	1,430	1,142	6,090	6,404	499,298	451,977

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, amounts received specifically for new or upgraded assets and physical resources received free of charge.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 12(b). Components of functions

The activities relating to Council functions are as follows:

COMMUNITY CAPACITY

Communications, Engagement & Events, Community Capacity Director's Office, Community Development, Community Programs, Community Resilience, Cultural Development, Customer Experience, Customer Service, Economic Development, FABRIK Arts and Heritage Hub, Library Services, Positive Ageing (Home and Social Support), Positive Ageing Project (Collaborative), The Summit Community Centre, Torrens Valley Community Centre, Volunteering and Youth Development.

CORPORATE SERVICES

Cemeteries, Corporate Services Director's Office, Financial Services, Governance & CEO Office, Information Services, Lobethal Woollen Mill Precinct, Organisational Development & Work Health & Safety, Property Management, Retirement Villages and Sport & Recreation.

INFRASTRUCTURE & OPERATIONS

Civil Services, Community Wastewater Management System (CWMS), Emergency Management, Infrastructure & Operations Director's Office, Open Space Biodiversity, Open Space Operations, Sustainability, Strategic Assets and Waste.

DEVELOPMENT & REGULATORY SERVICES

Animal Management, Development Assessment & Compliance, Development & Regulatory Services Director's Office, Fire Prevention, Parking and By-Laws, Policy Planning and Public Health.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 13. Financial instruments

Recognised financial instruments

Bank, deposits at call, short term deposits

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost; interest is recognised when earned.

Terms & Conditions:

Deposits are returning fixed interest rates between **4.30%** and **4.60%** (2022: **1.05%** and **1.35%**).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables - rates and associated charges

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Secured over the subject land, arrears attract interest of **6.05%** (2022: **5.05%**). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - fees and other charges

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Unsecured, and do not bear interest. Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - other levels of government

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.

Carrying Amount:

Approximates fair value.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 13. Financial instruments (continued)

Receivables - retirement home contributions**Accounting Policy:**

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Liabilities - creditors and accruals**Accounting Policy:**

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities - retirement home contributions**Accounting Policy:**

To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.

Terms & Conditions:

Pursuant to Commonwealth legislation certain intending residents are required to contribute amounts on an interest free basis. The amounts are subject to certain deductions as prescribed by the legislation, the balance being repaid on termination of tenancy.

Carrying Amount:

Approximates fair value for short tenancies; may be non-materially overstated for longer tenancies.

Liabilities - interest bearing borrowings**Accounting Policy:**

Initially recognised at fair value and subsequently at amortised cost using the effective interest rate.

Terms & Conditions:

Secured over future revenues. Borrowings are repayable upon maturity. Interest is charged at a fixed rate between **4.45%** and **4.60%** (2022: **4.6%**) and paid bi-annually.

Carrying Amount:

Approximates fair value.

Liabilities - leases**Accounting Policy:**

Accounted for in accordance with AASB 16 as stated in Note 17.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 13. Financial instruments (continued)

\$ '000	Due < 1 year	Due > 1 year and ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial assets and liabilities					
2023					
Financial assets					
Cash and cash equivalents	489	–	–	489	489
Receivables	3,245	–	–	3,245	3,244
Total financial assets	3,734	–	–	3,734	3,733
Financial liabilities					
Payables	4,073	–	–	4,073	4,025
Current borrowings	1,000	6,025	–	7,025	7,586
Non-current borrowings	905	7,595	–	8,500	7,168
Lease liabilities	160	37	–	197	197
Total financial liabilities	6,138	13,657	–	19,795	18,976
Total financial assets and liabilities	9,872	13,657	–	23,529	22,709
2022					
Financial assets					
Cash and cash equivalents	3,216	–	–	3,216	3,215
Receivables	2,874	–	–	2,874	2,873
Total financial assets	6,090	–	–	6,090	6,088
Financial liabilities					
Payables	5,735	–	–	5,735	5,733
Current borrowings	9,206	–	–	9,206	9,206
Non-current borrowings	230	5,460	–	5,690	5,000
Lease liabilities	–	–	–	–	–
Total financial liabilities	15,171	5,460	–	20,631	19,939
Total financial assets and liabilities	21,261	5,460	–	26,721	26,027

The following interest rates were applicable to Council's borrowings at balance date:

\$ '000	2023		2022	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Overdraft	4.45%	7,025	1.10%	9,206
Fixed interest rates	4.53%	7,926	4.60%	5,575
		14,951		14,781

Net fair value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 13. Financial instruments (continued)

Risk exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any impairment. All Council investments are made with the SA Local Government Finance Authority and NAB. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor **currency risk** apply.

Liquidity Risk is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 14. Capital expenditure and investment property commitments

\$ '000	2023	2022
Capital commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Infrastructure	418	317
Plant and equipment	57	798
	475	1,115
These expenditures are payable:		
Not later than one year	475	1,115
	475	1,115

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 15. Financial indicators

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021	
Financial Indicators overview				
<i>These Financial Indicators have been calculated in accordance with Information paper 9 - Local Government Financial Indicators prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.</i>				
1. Operating Surplus Ratio				
Operating surplus	1,430	2.6%	2.2%	4.5%
Total operating income	54,445			
<i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i>				
2. Net Financial Liabilities Ratio				
Net financial liabilities	22,836	42%	46%	39%
Total operating income	54,445			
<i>Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.</i>				
Adjusted Operating Surplus Ratio				
Operating surplus	695	1.3%	1.0%	5.3%
Total operating income	53,710			
Adjustments to Ratios				
<i>In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.</i>				
Adjusted Net Financial Liabilities Ratio				
Net financial liabilities	22,836	42%	49%	39%
Total operating income	54,445			
3. Asset Renewal Funding Ratio				
Asset renewals	10,070	98%	114%	85%
Infrastructure and Asset Management Plan required expenditure	10,292			

Asset renewals expenditure is defined as capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 16. Uniform presentation of finances

\$ '000	2023	2022
The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.		
All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.		
The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.		
<u>Income</u>		
Rates	44,401	41,504
Statutory charges	1,428	1,430
User charges	901	884
Grants, subsidies and contributions - capital	292	1,263
Grants, subsidies and contributions - operating	6,090	6,404
Investment income	37	59
Reimbursements	306	197
Other income	821	583
Net gain - equity accounted council businesses	169	133
Total Income	54,445	52,457
<u>Expenses</u>		
Employee costs	20,693	19,608
Materials, contracts and other expenses	21,273	21,515
Depreciation, amortisation and impairment	10,479	9,820
Finance costs	551	306
Net loss - equity accounted council businesses	19	66
Total Expenses	53,015	51,315
Operating surplus / (deficit)	1,430	1,142
Adjusted Operating surplus / (deficit)	1,430	1,142
Net outlays on existing assets		
Capital expenditure on renewal and replacement of existing assets	(10,070)	(12,337)
Add back depreciation, amortisation and impairment	10,479	9,820
Add back proceeds from sale of replaced assets	427	756
	836	(1,761)
Net outlays on new and upgraded assets		
Capital expenditure on new and upgraded assets (including investment property and real estate developments)	(5,200)	(6,102)
Add back amounts received specifically for new and upgraded assets	538	2,552
Add back proceeds from sale of surplus assets (including investment property, real estate developments and non-current assets held for resale)	778	9
	(3,884)	(3,541)
Annual net impact to financing activities (surplus/(deficit))	(1,618)	(4,160)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 17. Leases

(i) Council as a lessee

Set out below are the carrying amounts of right-of-use assets recognised within Infrastructure, Property, Plant and Equipment and the movements during the period:

(a) Right of use assets

\$ '000	ICT Equipment Leases	Property Leases	Total
2023			
Opening balance	325	240	565
Transfer from leased assets (former finance leases)	–	–	–
Additions to right-of-use assets	–	–	–
Adjustments to right-of-use assets due to re-measurement of lease liability	–	(4)	(4)
Depreciation charge	(211)	(155)	(366)
Other	–	–	–
Balance at 30 June	114	81	195
2022			
Opening balance	595	145	740
Transfer from leased assets (former finance leases)	–	–	–
Additions to right-of-use assets	–	235	235
Adjustments to right-of-use assets due to re-measurement of lease liability	–	(8)	(8)
Depreciation charge	(270)	(132)	(402)
Other	–	–	–
Balance at 30 June	325	240	565

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

\$ '000	2023	2022
Balance at 1 July	575	748
Additions	(4)	227
Accretion of interest	10	16
Payments	(384)	(416)
Balance at 30 June	197	575
Classified as:		
Current	160	375
Non-current	37	200

The maturity analysis of lease liabilities is included in Note 13.

Council had total cash outflows for leases of \$384k.

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

Note 17. Leases (continued)

\$ '000	2023	2022
The following are the amounts recognised in profit or loss:		
Depreciation expense of right-of-use assets	366	402
Interest expense on lease liabilities	10	16
Expense relating to short term leases	236	127
Total amount recognised in profit or loss	612	545

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 18. Superannuation

The Council makes employer superannuation contributions in respect of its employees to Hostplus (formerly Local Government Superannuation Scheme and Statewide Super). There are two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

Accumulation only members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (10.5% in 2022-23, 10.00% in 2021-22). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2021-22) of "superannuation" salary.

In addition, Council makes a separate contribution of 3% of ordinary time earnings for Salarylink members to their Accumulation account. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.34(a), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willis Towers Watson as at 30 June 2020. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to other superannuation schemes

Council also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 19. Interests in other entities

All joint ventures and associates are required to prepare Annual Financial Statements that comply with the SA Local Government Model Financial Statements.

\$ '000	Council's Share of Net Income		Council's Share of Net Assets	
	2023	2022	2023	2022
Council's share of net income				
Joint ventures	150	67	2,631	2,416
Associates	–	–	–	–
Total Council's share of net income	150	67	2,631	2,416

((a)i) Joint ventures, associates and joint operations

(a) Carrying amounts

\$ '000	Principal Activity	2023	2022
Adelaide Hills Regional Waste Management Authority	Waste Management	1,392	1,241
Eastern Waste Management Authority	Waste Management	148	121
Gawler River Floodplain Management Authority	Floodplain Management	1,091	1,054
Total carrying amounts - joint ventures and associates		2,631	2,416

Adelaide Hills Regional Waste Management Authority

Adelaide Hills Regional Waste Management Authority is a regional subsidiary pursuant to S43 of the *Local Government Act 1999*. Council has an interest in the assets and liabilities of the Adelaide Hills Regional Waste Management Authority. The other member Councils are Alexandrina, Mt. Barker and Murray Bridge.

Eastern Waste Management Authority

Eastern Waste Management Authority is a regional subsidiary pursuant to S43 of the *Local Government Act 1999*. Council has an interest in the assets and liabilities of the Eastern Waste Management Authority. The other member Councils are Burnside, Campbelltown, Mitcham, Norwood, Payneham & St. Peters, Prospect, Unley and Walkerville.

Gawler River Floodplain Management Authority

Gawler River Floodplain Management Authority is a regional subsidiary pursuant to S43 of the *Local Government Act 1999*. Council has an interest in the assets and liabilities of the Gawler River Floodplain Management Authority. The other member Councils are Adelaide Plains, Barossa, Gawler, Light Regional and Playford.

(b) Relevant interests

	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2023	2022	2023	2022	2023	2022
Adelaide Hills Regional Waste Management Authority	35.34%	34.63%	36.90%	37.10%	20.00%	25.00%
Eastern Waste Management Authority	12.50%	14.29%	12.50%	14.29%	11.11%	14.29%
Gawler River Floodplain Management Authority	5.14%	4.87%	5.14%	4.54%	15.38%	16.67%

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 19. Interests in other entities (continued)

(c) Movement in investment in joint venture or associate

\$ '000	Eastern Waste Management Authority		Gawler River Floodplain Management Authority		Adelaide Hills Regional Waste Management Authority	
	2023	2022	2023	2022	2023	2022
Opening Balance	121	241	1,054	993	1,242	1,108
Share in Operating Result	23	(54)	(20)	(12)	145	133
Share in Other						
Comprehensive Income	18	1	(1)	–	6	–
Adjustments to Equity	(14)	(67)	58	73	(1)	1
Council's equity share in the joint venture or associate	148	121	1,091	1,054	1,392	1,242

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 20. Contingencies and assets/liabilities not recognised in the balance sheet

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but knowledge is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. Land under roads

As reported in the Financial Statements, Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in the reports.

Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

2. Potential insurance losses

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to deductible "insurance excesses", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

3. Legal expenses

The Adelaide Hills Council Assessment Panel and the Assessment Manager are the relevant authorities for planning consent under the *Planning, Development and Infrastructure Act 2016* and building surveyors working for the Council have delegation to determine building consent.

The Adelaide Hills Council Building Fire Safety Committee is the relevant authority to issue building fire safety notices and the administration staff have delegations to issue enforcement notices.

Pursuant to legislation, applicants and land owners have a right of appeal to the Environment Resource and Development Court (ERD Court) against decisions, building fire safety notices or, enforcement notices from relevant authorities.

At 30 June 2023, there was finalisation of a Supreme Court appeal supported by the Elected Council against the 2022 decision of the ERD Court to grant planning and land division consent to a Crafers land division. The Supreme Court required Council to pay the costs of the applicant as part of the determination. All costs have been recognised.

There was one (1) assessment matter and also nine (9) active enforcement matters in the ERD Court at 30 June 2023, with Council seeking to have costs reimbursed from the offending party where the unlawful development is proven through the appeal process.

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

Note 21. Events after the balance sheet date

Events that occur after the reporting date of 30 June 2023, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Council is unaware of any "non adjusting events" that merit disclosure.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 22. Related party transactions

Key management personnel

Transactions with key management personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 25 persons were paid the following total compensation.

\$ '000	2023	2022
The compensation paid to key management personnel comprises:		
Short-term employee benefits	1,759	1,744
Long-term benefits	128	132
Total	1,887	1,876

Amounts paid as direct reimbursement of expenses incurred on behalf of Council have not been included above.

Receipts from key management personnel comprise:

Other than amounts paid as ratepayers or residents (e.g. rates), Council received the following amounts in total:

Planning and building application Fees	-	6
Total	-	6

Elected Members are members of the management committees of the following organisations:

- Activating Bridgewater Inc
- Adelaide Hills (War Memorial) Swimming Centre Inc
- Adelaide Hills Climate Action Group
- Adelaide Hills Reconciliation Working Group
- Adelaide Hills Regional Waste Management Authority (AHRWMA)
- AHC Biodiversity Advisory Group
- AHC Sustainability Advisory Group
- Aldgate Primary School Governing Council
- Australian Labour Party (SA) - Heysen sub-branch & Mayo Federal Electoral Council
- Birdwood CFS
- Eastern Waste Management Authority (East Waste)
- Gawler River Floodplain Management Authority
- Gumeracha & Districts Town Hall
- Gumeracha Sub Branch RSL
- Heathfield High School Governing Council
- Hills Climate Collection
- Lenswood & Forest Range Community Association Inc
- Lobethal Centennial Hall Committee
- Piccadilly CFS
- Piccadilly Valley Community Recreation Centre
- Southern & Hills Local Government Association (SHLGA)
- The Hut Community Centre Inc.
- Torrens Valley Celebration Committee
- Woodside Hall Committee
- Woodside Recreation Grounds Committee Inc.

Council made payments totalling \$5,898,710 to the above organisations for the period ending 30 June 2023.

Notes to and forming part of the Financial Statements for the year ended 30 June 2023

Note 22. Related party transactions (continued)

The most material payments were made to:

- Eastern Waste Management Authority (\$3.923m) for the collection and disposal of waste and recycling materials.
- Adelaide Hills Regional Waste Management Authority (\$1.607m) for the collection and disposal of waste and associated services.
- The Hut Community Centre (\$178k) for the provision of Community Home Support Programs, operating funding, volunteers and event expenditure.

Employees are members of the following Boards/Management Committees

- Adelaide Hills Tourism
- Adelaide Hills Regional Waste Management Authority (AHRWMA)
- East Waste Management Authority
- Gawler River Floodplain Management Authority (GRFMA)
- Southern & Hills Local Government Association (SHLGA)

Council made additional payments totalling \$169,142 to the above organisations for the period ending 30 June 2023.

All Elected Members and employees manage their conflict of interest obligations regarding related parties in accordance with the applicable provisions of the *Local Government Act 1999*.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 23. Equity - retained earnings and revaluation reserves adjustments

Nature of prior-period error

During the year, Council identified that:

Capital Work in Progress included assets of \$960,012 that related to land that Council disposed of in the financial year ended 30 June 2019. The land had been derecognised at the date of disposal, but the associated capital work in progress were carried forward until 30 June 2022 financial year.

Capital Work in Progress and Asset Revaluation Reserve related to partial renewal assets were overstated by \$1,208,492 in the 30 June 2022 financial year.

Both errors were corrected in the current year as prior period adjustments, with comparative information restated accordingly.

Changes to the opening Statement of Financial Position at 1 July 2021**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2021	Impact Increase/ (decrease)	Restated Balance 1 July, 2021
Infrastructure, Property, Plant & Equipment	433,592	(960)	432,632
Total assets	439,819	(960)	438,859
Accumulated Surplus	142,182	(960)	141,222
Total equity	415,647	(960)	414,687

Adjustments to the comparative figures for the year ended 30 June 2022**Statement of Financial Position**

\$ '000	Original Balance 30 June, 2022	Impact Increase/ (decrease)	Restated Balance 30 June, 2022
Adjustment for Infrastructure Property Plant & Equipment	454,149	(2,168)	451,981
Total assets	454,149	(2,168)	451,981
Accumulated Surplus	147,964	(960)	147,004
Asset Revaluation Reserves	275,831	(1,208)	274,623
Total equity	423,894	(2,168)	421,726

General Purpose Financial Statements
for the year ended 30 June 2023

Independent Auditor's Report - Financial Statements

General Purpose Financial Statements
for the year ended 30 June 2023

Independent Auditor's Report - Internal Controls

General Purpose Financial Statements

for the year ended 30 June 2023

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Adelaide Hills Council for the year ended 30 June 2023, the Council's Auditor, BDO has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

Gregory Georgopoulos
Chief Executive Officer

Malcolm Herrmann
Presiding Member Audit Committee

Date:

General Purpose Financial Statements

for the year ended 30 June 2023

Statement by Auditor

I confirm that, for the audit of the financial statements of Adelaide Hills Council for the year ended 30 June 2023, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.

Auditor's Name

Audit Firm Name

Date: dd MMMM yyyy

Appendix 2

*Annual Completion Report and
Auditor Independence Statement*



ADELAIDE HILLS COUNCIL

Annual completion report

YEAR ENDED 30 JUNE 2023

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DR



Dear Audit Committee Members

We are pleased to present this report to the Audit Committee of Adelaide Hills Council (the 'Council') in relation to the 30 June 2023 annual audit.

As at the date of this report, the audit is still in progress and subject to the satisfactory resolution of the matters outlined in the Executive Summary, we expect to issue an unmodified audit report.

We have set out in this document the significant matters arising from our audit. This summary covers those matters we believe to be material in the context of our work.

We look forward to the Audit Committee meeting on 16 October 2023 where we will have the opportunity to discuss this report.

Should you require clarification on any matter in this report before this date, please do not hesitate to contact me on +61 8 7324 6147.

We would like to take this opportunity to extend our appreciation to management for their assistance and cooperation throughout the course of our audit.

Yours faithfully

Linh Dao
Engagement Partner

Adelaide, 12 October 2023





EXECUTIVE SUMMARY

PURPOSE

The purpose of this report is to communicate significant matters arising from our audit to the Audit Committee. This report has been discussed with management.

SCOPE

Our audit was conducted in accordance with Australian Auditing Standards and the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* for the year ended 30 June 2023.

STATUS OF THE AUDIT

Our audit of the financial report is substantially complete. We expect to issue an unmodified audit report, subject to satisfactory completion of the following:

- ▶ Satisfactory finalisation of outstanding audit procedures on Infrastructure, Property, Plant and Equipment for both financial statement and internal control audit opinions
- ▶ Receipt of final draft financial statements and satisfactory review of such financials
- ▶ Completion of engagement quality review
- ▶ Review of subsequent events post 30 June 2023
- ▶ Receipt of written management representation on various matters; and
- ▶ Receipt of formally adopted financial statements and agreement of these to the draft financial statements provided to us to date.

A draft of the proposed audit report is included at [Appendix 1](#).

SUMMARY OF MISSTATEMENTS

We have identified misstatements during our audit. The list of corrected and uncorrected misstatements is included in the respective [section](#) of this report.

AREAS OF AUDIT FOCUS

In performing our audit, we have identified those matters that, in the auditor's judgement, were of the most significance in the audit of the financial report. Our audit procedures also focused on areas that were considered to represent significant and elevated risks of material misstatement. These areas of focus are outlined below:

- ▶ Revaluation of infrastructure, property, plant and equipment
- ▶ Accounting treatment of Capital Work In Progress (WIP)
- ▶ Management override of internal controls
- ▶ Cut-off of grant funding and accuracy of any amounts deferred at 30 June 2023

Refer to the relevant section for details on the significant risk areas and other areas focused on during the audit.

AREAS OF AUDIT FOCUS

In assessing the risks of material misstatement at the planning phase, we used a spectrum of risk based on the likelihood of a misstatement occurring and the magnitude of the misstatement in the context of our materiality. Our audit procedures focused on areas that were considered to represent risks of material misstatement.

We set out the areas that were considered key areas of focus along with an outline of the work performed and a summary of findings.

Revaluation of infrastructure, property, plant and equipment

Description	Audit work performed	Summary of findings
Council's infrastructure, property, plant and equipment is carried at valuation. There is a risk that these balances are misstated as a result of the application and inappropriate valuation methodologies, or incorrect underlying assumptions.	We evaluated the competence, capability and objectivity of the independent valuers, if any, obtained an understanding of their work and evaluated its appropriateness.	<p>Council undertook valuations of infrastructure assets and land & buildings this year using a combination of external experts as well as indexation. This resulted in a net increase of \$47.6mil credited to the asset revaluation reserve.</p> <p>It is noted that Council commenced a building audit and revaluation using an external expert for 2023 financial reporting purposes. However there has been a delay in validating the information provided by the expert and management is still working through this at the date of this report. Consequently, the building assets have been indexed for 30 June 2023 financial year and the external expert's values will be adopted for the financial year ending 30 June 2024 when the validation of their information has been completed. We will continue to monitor the process, undertake the necessary audit procedure and report accordingly.</p> <p>We also noted that the revaluation reserves as disclosed do not fully aligned with classes of assets as presented at Note 7. AASB 116 requires that if an item of property, plant and equipment is revalued, the entire classes of property, plant and equipment to which that asset belongs shall be revalued, and that any revaluation decrement or increment shall be offset against one another within that class but shall not be offset in respect of assets in different classes. Though we were satisfied that Council is in compliance with the measurement requirements of the standards regarding revaluation, we recommend Council revisits the disclosures of Note 7 and 9(a) in future reporting period to ensure consistency between asset and revaluation reserve categorisation.</p>

AREAS OF AUDIT FOCUS *CONTINUED*

Accounting treatment of Capital Work In Progress (WIP)

Description	Audit work performed	Summary of findings
<p>There is a risk that the accounting treatment of items captured within Capital WIP may not be in accordance with Australian Accounting Standards.</p>	<p>We obtained the Capital WIP schedule and reviewed in detail a sample of projects outstanding at the end of the year to ensure they are likely to generate assets. We also reviewed a sample of assets transferred out of the Capital WIP to check that the categorisation and value allocated to the relevant fixed asset class is appropriate.</p>	<p>A restatement of \$2.17mil was made to the Capital WIP at 30 June 2022 comprising:</p> <ol style="list-style-type: none"> \$960k relating to assets that were disposed of during the 2019 financial year that were incorrectly carried forward. This was corrected by restating the Capital WIP and the accumulated surplus at 30 June 2022; and \$1.2mil relating to partial renewal assets that were overstated in the general ledger during FY2022 through Asset Revaluation Reserve (ARR). This was corrected by restating the Capital WIP and ARR at 30 June 2022. <p>We have reviewed the restatements made to the financial statements and were satisfied that such presentation is in accordance with the applicable Accounting Standards.</p>



AREAS OF AUDIT FOCUS *CONTINUED*

Management override of internal controls

Description	Audit work performed	Summary of findings
<p>Australian Auditing Standards require that we presume there is a risk that management has the ability to manipulate accounting records and override control that otherwise appear to be operating effectively.</p>	<p>Our response included a review of key internal controls at the Council to mitigate the risk of management override.</p> <p>We tested the appropriateness of journal entries and other adjustments made in the preparation of the financial report. We also reviewed accounting estimates for bias, and evaluated the business rationale (or lack of) of any significant transactions that are outside of the normal course of business or that otherwise appear to be unusual.</p>	<p>We did not identify any evidence of misstatement due to management override of internal controls.</p>

AREAS OF AUDIT FOCUS CONTINUED

Cut-off of grant funding and accuracy of any amounts deferred at 30 June 2023

Description	Audit work performed	Summary of findings
<p>There is a risk of error in the calculation of grant income recognised and deferred at the end of the year by reference to grant agreements and Australian Accounting Standards.</p>	<p>We obtained the schedule of grant income recognised and deferred at year-end. We selected a sample of grants and obtained the agreements to review in detail and tested that they had been recognised in accordance with AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i>.</p>	<p>AASB 1058 requires an entity to recognise grant in profit or loss when (or to the extent that) the entity satisfies its performance obligation under the grant agreement if:</p> <ul style="list-style-type: none"> • The grant is a transfer to enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity (i.e. capital grant); or • The grant creates enforceable rights and obligations, and includes sufficiently specific performance obligations. <p>Such performance obligations are satisfied either over time or at a point in time.</p> <p>From our sample testing, we noted that during financial year ended 30 June 2022, Council has received \$781k funding relating to LRIC Phase 3 work programs, some of which are capital grants and some are of an operating nature. No progress had been made on these programs by 30 June 2022, however the full amount received had been recognised as income for financial year ended 30 June 2022, which was not in accordance with the requirements of AASB 1058. As overall impact of this cut-off error was not material to the financial statements, it was not corrected and the misstatement relating to the year ended 30 June 2023 has been included in the 'Summary of Uncorrected Misstatements' section of this report.</p> <p>We also noted one instance where a grant agreement could not be located for the relevant funding period, though we have been able to obtain alternative sufficient appropriate audit evidence.</p> <p>We recommend management continue to revise their approach around grant income recognition, including record keeping to ensure compliance with accounting standards and providing useful information to relevant stakeholders.</p>

SUMMARY OF MISSTATEMENTS

UNCORRECTED MISSTATEMENTS

We detail below the uncorrected misstatement which we have identified during the audit, and that was determined by management to be immaterial, both individually and in aggregate to the financial report taken as a whole.

Misstatements have not been included if they are considered to be clearly trivial which we have set at \$47,500. Matters which are clearly trivial are regarded as clearly inconsequential when taken individually or in aggregate.

We will seek representation from management to acknowledge that:

- ▶ Uncorrected misstatement has been brought to their attention by us; and
- ▶ They have considered the effect of any uncorrected misstatements, aggregated during and pertaining to the latest period, on the financial report and consider the misstatements are immaterial individually and in aggregate to the financial report taken as a whole.

Description	Assets	(Liabilities)	Reserves	(Profit)/Loss
Adjustment to recognise grant income as Council satisfies its performance obligations under LRCI programs	\$247,497	(\$238,353)	\$249,677	(\$258,821)
Net effect of uncorrected misstatements	\$247,497	(\$238,353)	\$249,677	(\$258,821)

SUMMARY OF MISSTATEMENTS CONTINUED

CORRECTED MISSTATEMENTS

We identified the following misstatements during the course of our audit which have been corrected:

Description	Assets	(Liabilities)	Reserves	(Profit)/Loss
To recognise the disposal of land as part of the sale of the Bridgewater Retirement Village	(\$900,000)	-	-	\$900,000
To correct overstated depreciation expense recognised for partial renewal assets during the period	-	-	\$438,928	(\$438,928)
Net effect of corrected misstatements	(\$900,000)	-	\$438,928	\$461,072

INTERNAL CONTROL

CURRENT YEAR

In accordance with ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*, we are required to communicate in writing, significant deficiencies in internal control identified during our audit to those charged with governance on a timely basis.

The standard defines a deficiency in internal control as:

1. A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial report on a timely basis; or
2. A control necessary to prevent, or detect and correct, misstatements in the financial report on a timely basis is missing.

Significant deficiency in internal control means a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgement, is of sufficient importance to merit the attention of the Audit Committee.

We have reported below one significant deficiency that in our professional judgment is of sufficient importance to merit the attention of the Audit Committee.

Though we noted three other deficiencies as part of our work for the internal control audit (refer below), we have assessed that these do not have a material impact on the overall internal control audit and we intend to provide an unqualified audit report in relation to the compliance with Section 125 of the *Local Government Act 1999*.

CURRENT PERIOD - SIGNIFICANT DEFICIENCIES

Significant deficiency in internal control	Potential effects	Recommendation	Management comments
1 The year-end process and consequently the audit this year has been significantly impacted by the prolonged IPPE closing process. This was due to the loss of 2 key employees who were responsible for this around year-end and lack of consistencies of supporting schedules provided by the Assets Team.	The delay could adversely affect the efficiency and effective of the annual financial reporting process.	We recommend that a succession plan is put in place for critical areas of business and that the Assets team works closely with the Finance team to agree and define what is required for the annual reporting process.	

INTERNAL CONTROL CONTINUED

CURRENT PERIOD - OTHER DEFICIENCIES

Risk Category/ Business Cycle	Risk assessment	Issues identified	Potential effects	Recommendation	Management comments
1 Expenses - Payroll	Moderate	It was noted from our testing that two Council staff members in the payroll team have access and editing rights to the Creditor Masterfile which is beyond the person's role and responsibility.	Inappropriate logical access may create opportunity for potential override of internal controls that otherwise were operating effectively.	It is recommended that management consider implementing role-based access request as part of the onboarding process and regular review of user access be conducted for relevant GL modules, not just at the IT application level. If due to practical reasons, access rights to the Creditor Masterfile cannot be changed, additional scrutiny is recommended when senior members of the finance team review the changes made to the Masterfile, and check if any changes were made by the said personnel.	Partly Agree, given that role-based access is already implemented by Information Services as a part of onboarding process with regular reviews of user access on at least a 6 monthly basis. User access permissions have now been amended for one of the users identified whereas the other user is still required for the processing of the payroll creditors in its current configuration. Action: The System Analyst to create a new specific Payroll Creditors functional group limiting user access to the processing of the payroll to be tested and signed off by Financial Services. Responsible Officer: Team Leader, Financial Accounting Due Date: September 2023
2 Assets - Debtors	Moderate	It was noted from our testing that one Council staff members who works in the Accounts Receivable team can issue and subsequently reconcile receipt of the same invoices.	Lack of segregation of duties might result in fraud or errors remaining undetected.	It is recommended that Council implement segregation of duties (preventative control) or implement specific detective control to ensure that errors, if they occur, are detected and corrected in a timely manner, and to reduce the possibility of fraud.	Agree but consider the risk is low The Finance team has only a small number of staff, so segregation of duties is difficult. As such Council will look to implement additional specific detective controls including the regular review of monthly debtors reports by the Team Leader Financial Accounting for large and overdue accounts. Consideration of further preventative controls to be investigated. In addition the following are currently in place:

INTERNAL CONTROL CONTINUED



Risk Category/ Business Cycle	Risk assessment	Issues identified	Potential effects	Recommendation	Management comments
					<ul style="list-style-type: none"> No cash is received by the Accounts Receivable officer directly. Debtors continue to be reported to Audit Committee twice yearly and a report provided detailing action taken to recover overdue balances is tabled Credits are approved by Team Leader Financial Accounting before being applied. <p>Responsibility: Team Leader, Financial Accounting Due Date: Review of monthly debtors' balances for large and unusual amounts - Immediate Review of additional preventative controls - September 2023</p>
3 Revenue - Grants	Moderate	It is noted from our testing, that though Council maintains a grant register it does not contain sufficient detail or information to facilitate an efficient review of budget vs funding agreement as well as compliance with the relevant funding conditions.	Lack of a suitably detailed grant register might result in non-compliance issues not identified or actual vs budget variances on a timely manner.	It is recommended that council upgrade the current grant register to help facilitate the ongoing management of grants for both compliance and financial measures.	<p>Agree</p> <p>Council will review and upgrade the current grant register to help facilitate the ongoing management of grants for both compliance and financial measures.</p> <p>In addition, when the Finance Officer Accounts Receivable/Treasury becomes aware of a grant, it is to be immediately added to the Grant Register as well as follow up of the responsible council officer to update the register appropriately.</p> <p>Responsibility: Team Leader, Financial Accounting Due Date: September 2023</p>



OTHER REPORTING REQUIREMENTS

INDEPENDENCE AND ETHICS

In conducting our audit, we are required to comply with the independence requirements of the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* and Part 4A of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

We have obtained independence declarations from all staff engaged in the audit.

We also have policies and procedures in place to identify any threats to our independence, and to appropriately deal with and if relevant mitigate those risks.

We have not become aware of any issue that would cause any member of the engagement team, BDO or any BDO network firm to contravene any ethical requirement or any regulatory requirement that applies to the audit engagement.

BDO has not provided any other services during the audit to Adelaide Hills Council.

The *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* requires the lead auditor to make a declaration to the directors regarding independence. We are in a position to make this declaration, a draft of which has been included at [Appendix 2](#).

NON-COMPLIANCE WITH LAWS AND REGULATIONS

We have made enquiries in relation to any non-compliance with laws and regulations during the course of our audit. We have not identified any instances of non-compliance with laws and regulations as a result of our enquiries.

FRAUD

Management have confirmed that there were no matters of fraud identified for the period under audit, or subsequently. It should be noted that our audit is not designed to detect fraud however should instances of fraud come to our attention we will report them to you.

We have not identified any instances of fraud during the course of our audit.



APPENDIX 1 PROPOSED AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT TO THE PRINCIPAL MEMBER OF ADELAIDE HILLS COUNCIL

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Adelaide Hills Council (the Council), which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the certification of financial statements.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Council as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards, the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Council in accordance with the *Local Government Act 1999* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Local Government Act 1999*, which has been given to the Council, would be in the same terms if given to the Council as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report are the general purpose financial reports of Adelaide Hills Council's joint ventures including Adelaide Hills Regional Waste Management Authority, Eastern Waste Management Authority and Gawler River Floodplain Management Authority.

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

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



APPENDIX 1 PROPOSED AUDIT REPORT CONTINUED

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

The financial report of Adelaide Hills Council, for the year ended 30 June 2022 was audited by another auditor who expressed an unmodified opinion on that report on 12 October 2022.

Responsibilities of management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

Linh Dao
Director

Adelaide, XX Month 2023

APPENDIX 1 PROPOSED AUDIT REPORT CONTINUED

INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF ADELAIDE HILLS COUNCIL

Opinion

We have undertaken a reasonable assurance engagement on the design and the operating effectiveness of controls established by Adelaide Hills Council ('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 2022 to 30 June 2023 relevant to ensuring such transactions have been conducted properly and in accordance with law.

In our opinion, in all material respects:

- (a) 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
- (b) The controls operated effectively as designed throughout the period from 1 July 2022 to 30 June 2023.

Basis for opinion

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The Council's responsibilities for the internal controls

The Council is responsible for:

- a) The receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;
- b) Identifying the control objectives
- c) Identifying the risks that threaten achievement of the control objectives
- d) Designing controls to mitigate those risks, so that those risks will not prevent achievement of the identified control objectives; and
- e) Operating effectively the controls as designed throughout the period.

Our independence and quality control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

Assurance practitioner's responsibilities

Our responsibility is to express an opinion, in all material respects, on the suitability of the design to achieve the control objectives and the operating effectiveness of 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.



APPENDIX 1 PROPOSED AUDIT REPORT CONTINUED

ASAE 3150 requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operated effectively throughout the period.

An assurance engagement to report on the design and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to achieve the control objectives identified. An assurance engagement of this type also includes evaluating the suitability of the control objectives.

Limitations of controls

Because of the inherent limitations of an assurance engagement, together with any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved and so fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on operating effectiveness of controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

BDO Audit Pty Ltd

Linh Dao
Director

Adelaide, XX Month 2023

APPENDIX 2 AUDITOR INDEPENDENCE DECLARATION

We set out below our draft Auditor independence declaration.

CERTIFICATION OF AUDITOR INDEPENDENCE

I confirm that, for the audit of the financial statements of the Adelaide Hills Council for the year ended 30 June 2023, I have maintained my independence in accordance with the requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.

Linh Dao
Director

BDO Audit Pty Ltd

Adelaide, XX Month 2023

APPENDIX 3 CLIMATE RISKS AND FINANCIAL REPORTING

CLIMATE RELATED FINANCIAL DISCLOSURES

In December 2022, in anticipation of the release of forthcoming sustainability standards, the Australian Government opened its first round of consultation on '[Climate-related financial disclosures](#)'. The process closed in February 2023, when the Government received nearly 200 responses.

In June 2023, the [ISSB issued its first two sustainability standards](#):

- ▶ IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, and
- ▶ IFRS S2 Climate-related Disclosures.

According to the ISSB, these standards become effective from 1 January 2024, subject to endorsement in each respective jurisdiction.

The day after the ISSB standards' release, the Australian Government announced its second round of consultation on implementing climate-related financial disclosures in Australia.

WHICH ENTITIES WILL BE IMPACTED?

One of the key changes is a revised approach to the order of entities being introduced to mandatory climate-related reporting. While the previous consultation paper suggested focusing on large listed and large financial service providers, the new approach includes listed and non-listed organisations. The focus is still on the size of the organisation - starting with the 'big end of town' - and organisations that meet the reporting requirements of the [National Greenhouse and Energy Reporting \(NGER\) Scheme](#).

The introduction of mandatory reporting will still phase in (now across four years) to allow the market to upskill and prepare.

To find out when the climate-related reporting requirements may impact you, and what category you fall into, refer to BDO's IFRS & Corporate Reporting team's [ESG and Sustainability insights](#) and the proposed roadmap as set out by [Treasury](#).

WHAT HAPPENS NEXT?

Organisations of all sizes - whether listed or private - should take note of the group they fall into to anticipate what the mandatory reporting implications might be, both now and with consideration of any future growth plans.

Regardless of status, entities should also assess and reflect on the organisations in their supply chain. With Scope 3 emissions - as required to be measured and reported under IFRS S2 - a reflection of the emissions from an organisation's supply chain, organisations of all sizes are likely to be impacted by the introduction of mandatory reporting. As group one entities begin to measure and report emissions, Scope 3 could become a key component of emission reduction strategies. By having accurate, reportable data and a decarbonisation strategy, organisations of all sizes can positively impact their supply chain before mandatory reporting even knocks on their door.

To understand more about what this means for your business, please contact our [National Sustainability Team](#).



APPENDIX 4 ESG AND YOUR BUSINESS

WHAT IS ESG?

ESG is the acronym for Environmental, Social and Governance. It is a holistic concept about an organisation's ability to create and sustain long-term value in a rapidly changing world, and managing the risks and opportunities associated with these changes.

ESG metrics are not part of mandatory [financial reporting](#) required by Australian Accounting Standards or International Financial Reporting Standards, but organisations across the world are increasingly making disclosures in their annual report or in a standalone sustainability report.

ESG is used as a framework to assess how an organisation manages risks and opportunities that changing market and non-market conditions create. ESG also puts a heavy emphasis on risk management, because monitoring and mitigating risks across all three dimensions is an important priority for any company that is serious about ESG. The three categories of ESG factors are as follow:

- ▶ **Environmental** factors address an organisation's environmental impact and environmental stewardship. It is focused on improving the environmental performance of an organisation.
- ▶ **Social** factors refer to how an organisation manages relationships with, and creates value for, stakeholders. The social dimension is focused on an organisation's impact on its employees, customers and the community.
- ▶ **Governance** factors refers to an organisation's leadership and management philosophy, practices, policies, internal controls, and shareholder rights. The governance dimension is focused on an organisation's leadership and structure.

WHY IS ESG IMPORTANT FOR YOUR BUSINESS?

Investors across the globe are increasingly demanding organisations to outline their ESG framework and approach in order to assess the organisation's long-term sustainability. ESG has a potential significant impact on the following fundamental business issues relevant to the long-term success of the organisation:

- ▶ **Corporate reputation** - ESG can enhance a company's license to operate making it easier to accomplish business objectives and respond to crisis scenarios with key stakeholder groups.
- ▶ **Risk reduction** - ESG can assist with the identification of immediate and long-term risks depending on the industry and business model.
- ▶ **Opportunity management** - Shifting market and non-market conditions can expose unmet needs for new products and/or services, potential customer bases, and potential strategic relationships for addressing ESG issues.
- ▶ **Culture & intrinsic value** - ESG maturity is an indicator of a company's commitment to building a high performing, purpose-driven workforce and inclusive culture.

A robust ESG strategy can help attract the right talent and investors. To achieve a shift in sustainability we need to stop viewing ESG as a 'nice to have', it should be part of business strategy and risk management which can have a direct and positive impact on financial performance.

If you would like to speak with us about implementing an ESG framework in your organisation or providing assurance on your framework, please contact your audit engagement partner initially.

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We have prepared this report solely for the use of Adelaide Hills Council. As you know, this report forms part of a continuing dialogue between the company and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy of this report without prior consent, we would not accept any responsibility for any reliance they may place on it.

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Appendix 3

Draft Certification of Auditor Independence

General Purpose Financial Statements

for the year ended 30 June 2023

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Adelaide Hills Council for the year ended 30 June 2023, the Council's Auditor, BDO has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

Gregory Georgopoulos
Chief Executive Officer

Malcolm Herrmann
Presiding Member Audit Committee

Date:

Appendix 4

2022-23 Actual to Budget Comparison

Adelaide Hills Council

2022/23 Actual to Budget Comparison

Statement of Comprehensive Income

for the year ended 30 June 2023

	Actual	Budget	Variance	Variance	Comment on material items
	\$000's	\$000's	\$000's	%	
Income					
Rates	44,401	44,384	17	0%	
Statutory charges	1,428	1,378	50	4%	
User charges	901	903	-2	0%	
Grants, subsidies and contributions - capital	292	1141	-849	-74%	Grant income was deferred reflecting progress on underlying project
Grants, subsidies and contributions - operating	6,090	5,112	978	19%	Timing of grants (\$278k) Local Roads Community Grants (\$235k)
Investment income	37	22	15	68%	
Reimbursements	306	236	70	30%	
Other income	821	236	585	248%	Settlement of a legal matter \$500k
Net gain - equity accounted council businesses	169	100	69	69%	
Total income	54,445	53,512	933	2%	
Expenses					
Employee costs	20,693	20,846	-153	-1%	
Materials, contracts and other expenses	21,273	20,656	617	3%	Transfer of expenses from Capital to Operating (\$410k), Increase in Remediation provision (\$500k), Lower Operating expenses (-\$395k)
Depreciation, amortisation and impairment	10,479	10,446	33	0%	
Finance costs	551	594	-43	-7%	
Net loss - equity accounted council businesses	19	0	19	0%	
Total Expense	53,015	52,542	473	1%	
Operating surplus / (deficit)	1,430	970	460	47%	
Other comprehensive income					
Physical resources received free of charge	551	0	551	0%	
Asset disposal and fair value adjustments	-1,300	764	-2,064	-270%	Higher than expected asset disposals
Amounts received specifically for new or upgraded assets	2,283	5,621	-3,338	-59%	Capital grants were deferred into the following financial year
Net surplus / (deficit)	2,964	7,355	-4,391	-60%	
Other comprehensive income					
Changes in revaluation surplus - I,PP&E	47,645	5,300	42,345	799%	Revaluation of assets was materially larger than expected, driven by increased unit rates.
Share of other comprehensive income - equity accounted council businesses	23	0	23	0%	
Other Equity Adjustments - Equity Accounted Council Businesses	43	0	43	0%	
Total other comprehensive income	47,711	5,300	42,411	800%	
Total comprehensive income	50,675	12,655	38,020	300%	

Adelaide Hills Council

2022/23 Actual to Budget Comparison

Statement of Financial Position for the year ended 30 June 2023

	Actual	Budget	Variance	Variance	Comment on material items
	\$000's	\$000's	\$000's	%	
ASSETS					
Current assets					
Cash and cash equivalent assets	489	515	-26	-5%	
Trade and other receivables	3,573	3025	548	18%	
Inventories	17	32	-15	-47%	
Total current assets	4,079	3,572	507	14%	
Non-current assets					
Equity accounted investments in council businesses	2,631	2,516	115	5%	
Infrastructure, property, plant and equipment	492,588	458,747	33,841	7%	Move between current and non-current borrowings due to fixed term loan
Total non-current assets	495,219	461,263	33,956	7%	
TOTAL ASSETS	499,298	464,835	34,463	7%	
LIABILITIES					
Current liabilities					
Trade and other payables	6,107	6,215	-108	-2%	
Borrowings	1,721	9,283	-7,562	-81%	Move between current and non-current borrowings due to fixed term loan
Provisions	5,257	3,669	1,588	43%	Increase in remediation provision (\$500k)
Total current liabilities	13,085	19,167	-6,082	-32%	
Non-current liabilities					
Borrowings	13,230	7,368	5,862	80%	Move between current and non-current borrowings due to fixed term loan
Provisions	583	1,751	-1,168	-67%	
TOTAL LIABILITIES	26,898	28,286	-1,388	-5%	
Net assets	472,400	436,549	35,851	8%	
EQUITY					
Accumulated surplus	150,021	155,319	-5,298	-3%	
Asset revaluation reserves	322,268	281,131	41,137	15%	
Other reserves	111	99	12	12%	
Total council equity	472,400	436,549	35,851	8%	
Total equity	472,400	436,549	35,851	8%	

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 16 October 2023
AGENDA BUSINESS ITEM**

Item: 8.3

Responsible Officer: Kira-marie Laverty
Corporate Planning & Performance Coordinator
Office of the Chief Executive

Subject: Quarterly Council Performance Report – Q1 2023-24

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. The Quarterly Council Performance Report is just one of these elements.

A revised suite of corporate performance indicators and targets were developed in consultation with Council Members, the Strategic Leadership Team and relevant officers as part of the *2020-21 Annual Business Plan* process and have continued to be incorporated into the *Annual Business Plan 2023-24*. These were aligned to the new *Strategic Plan 2020-24 – A brighter future* adopted in April 2020.

The Quarterly Council Performance Report for Q1 (**Appendix 1**) covers the period 1 July 2023 to 30 September 2023, and shows the performance against the corporate performance indicators as well as discussing key highlights aligned with the Strategic plan.

The purpose of this report is to inform the Audit Committee of Council's performance against the *Annual Business Plan 2023-24* targets in order to assist in their role as advisors to Council on the adequacy and effectiveness of processes involving financial management, reporting, risk and governance.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the Quarterly Council Performance Report – Q1 2022-23 be received and noted.**
-

1. BACKGROUND

At its 19 June 2018 meeting, Council adopted (Res 128/18) 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.

Over the 2019-20 financial year, Quarterly Council Performance Reports were drafted showing the performance against the Corporate Performance indicators, strategic initiatives and key activities of the 2019-20 Annual Business Plan.

A revised suite of corporate performance indicators and targets were developed in consultation with Council Members, the Strategic Leadership Team and relevant officers as part of the 2020-21 Annual Business Plan process. These were aligned to the new *Strategic Plan 2020-24 – A brighter future* adopted in April 2020. These indicators have continued to be used in the *Annual Business Plan 2023-24*.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal A progressive Organisation

Objective O5 We are accountable, informed, and make decisions in the best interests of the whole community

Priority O5.3 Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community

The Quarterly Council Performance Report is part of the performance reporting suite contained in the *Corporate Planning & Performance Framework*.

➤ 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*.

➤ **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 (3E)	Low (3E)

Note that there are many other controls that assist in mitigating this risk. The quarterly performance reports are part of the current control suite and therefore there is no additional mitigating impact of this report.

➤ **Financial and Resource Implications**

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

Quarterly Council Performance Reporting assists in showing the financial and resource performance to plan as per the targets, initiatives and activities outlined in the *Annual Business Plan 2023-24*.

As part of the development of the budget outlined in the *Annual Business Plan 2023-24*, a series of Savings Strategies were developed to help address emerging cost pressures and to improve Council's Operating Surplus over the period of the Long Term Financial Plan. The adopted strategies were both administrative and service related. A section is included within the Quarterly Report to monitor the progress of these strategies.

➤ **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.

➤ **Sustainability Implications**

Quarterly Council Performance Reporting assists in demonstrating the outcomes related to Council's economic, social and environmental initiative.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

<i>Council Committees:</i>	Not applicable
<i>Council Workshops:</i>	Not applicable
<i>Advisory Groups:</i>	Not applicable
<i>External Agencies:</i>	Not applicable
<i>Community:</i>	Not applicable

3. OPTIONS

As this is an information report, the Audit Committee is limited to receiving and noting the report however additional feedback can be provided to the Governance and Performance team for consideration of future enhancements for the 2023-24 FY reports.

4. APPENDICES

- (1) *Quarterly Council Performance Report – Q1 2023-24*

Appendix 1

Quarterly Council Performance Report – Q1 2023-24

Quarterly Council Performance Report

Quarter 1 – 1 July to 30 September 2023






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1. Executive Summary

Strategic Goal	Performance Indicators	Annual Business Plan Strategic Initiatives
 Built Environment	 2 of 3 Targets met or exceeded	 In Progress (24) Completed (1) Not Started (3) Behind Schedule (2)
 Community Wellbeing	 1 of 2 Targets met or exceeded	 In Progress (9)
 Economy	 3 of 3 Targets met or exceeded	 In Progress (2)
 Natural Environment	 2 of 3 Targets met, N/A or exceeded	 In Progress (6)
 Organisation	 5 of 6 Targets met, N/A or exceeded	 In Progress (4) Not Started (2)

Customer Service Standards

-  **10** Targets met or exceeded
-  **4** N/A or No Incidents reported
-  **3** Target not met

Capital Performance

- \$1.2m** of infrastructure delivered
- \$5.2m** of works ordered

The primary focus of this quarter has been on completing projects that were in progress as of 30 June 2023, as well as commencing planning, scoping and design works for projects due for completion by end FY 2023-24

Highlights

- The 12-month food organics and garden organics (FOGO) trial commenced with kitchen caddies and welcome packs delivered to participating residents.
- Country Cabinet briefing undertaken by Mayor and CEO that provided a significant opportunity to present key issues and priorities for Adelaide Hills Council. Follow up on initiatives now being progressed.
- New guidelines have been produced to assist staff where it is disclosed to them that someone is experiencing (or at risk of experiencing) domestic, family or sexual violence (DFSV). This has already been used to refer 2 people to appropriate services.
- Conducted the bi-annual Business Survey which received 106 responses from businesses across the region.
- Briefing Sessions by CEO and Directors held with all staff to provide an opportunity for updates on items of significance and the chance for feedback.
- Transitional structure developed for implementation in early October following the recent resignation of the Director Infrastructure and Operations and the Executive Manager Governance and Performance.

Risk and Challenges

- Some negative press regarding the food organics trial may result in higher levels of opt-out than desired. This is being addressed through one on one communication and trouble-shooting with anyone raising concerns.
- Excellent Spring vegetation growth conditions and a forecast of higher fire risk this summer means a greater emphasis on bushfire mitigation will be required this year.

2. Adelaide Hills Council Major Projects

Kerbside bin system collection frequency change and rural FOGO trial

Council is undertaking a 12-month food organics and garden organics (FOGO) trial in collaboration with our Waste Management Partner.

Over 600 households and a small number of businesses in parts of Woodside and Lenswood will trial the new kerbside bin collection systems. This includes a new FOGO bin for rural households and a change in the collection frequency of organics bins and landfill bins, which aims to improve the food waste diversion from landfill.

Latest News

Implementation of the FOGO trial has commenced. Residents have been informed and kitchen caddies and welcome packs delivered.



FABRIK Development

The FABRIK Development Project involves upgrading and enhancing the former Onkaparinga Woollen Mills site at Lobethal to create an arts and heritage hub in the central Adelaide Hills.

Latest News

Summary of works this quarter includes:

- Construction and sheeting of internal walls in buildings 14 and 20.
- Re-sheeting of ceilings in buildings 14 and 20. First fix electrical works of buildings 14 and 20.
- Replacement of sawtooth window panes in upper level building 20.
- Joinery installation of buildings 14 and 20.
- Excavation of old concrete and soils to enable new external stormwater works for building 14 and Pavilion.
- First fix installation of air conditioning system.
- Exposed sections of external walls on building 21.
- External painting of buildings 14 and 21.

The scheduled completion of works has a risk of running over, pending Heritage SA requirements of the exposed stone wall and manufacturing and delivery of distribution board cabinets.



Electric vehicles and charging stations

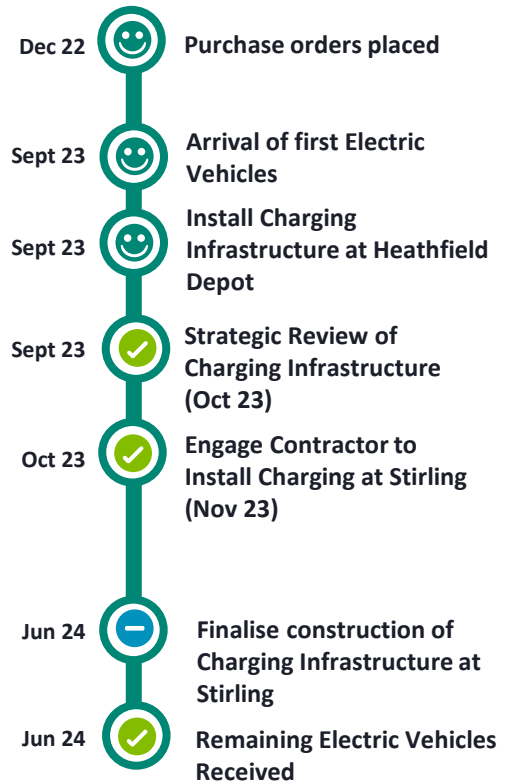
Funding has been provided to enable the purchase of approximately 12 electric vehicles during 2023-24 as well as installation of the supporting charging infrastructure.

Latest News

Major milestones completed during the quarter with the arrival of the first electric vehicle and the completion of the charging station at Heathfield Depot.

Work has also progressed in relation to the design of the charging stations at Stirling.

The strategic review of the charging infrastructure has not as yet been completed in line with original timeframes, however this is currently being progressed.



Implement activities from “Our Watch Toolkit for Local Government”

In July 2023, Council adopted an implementation plan based on the “Ourwatch Toolkit for Local Government”.

The aim of the toolkit is to prevent violence against women and their children through a range of strategies including those with an organisational focus. This is followed by work with the community to raise awareness and to undertake population based prevention activities.

Latest News

A new internal Working Group (WG) has been established to lead workplace and community activities focused on preventing violence against women and their children (as per the Our Watch's Toolkit Implementation Plan, adopted by Council in July 2023). The new WG comprises 9 staff from across 7 departments, and will be Co-Chaired by Council's Community & Social Planning Officer and Senior People & Culture Advisor.

Community statement to be released to coincide with White Ribbon Day on November 25 2023.



Towards Community Led Emergency Resilience Program (TCLERP)

Following on from the Community Resilience and Readiness pilot, the program has evolved to focus on community led emergency preparedness. The name of the program also changed to be Toward Community Led Emergency Resilience Program (TCLERP).

The program has several areas of focus including:

- Community Engagement
- Psychological and emotional emergency preparedness community education
- Recovery ready halls project – emergency preparedness for select community facilities
- Vegetation management project – ensuring practices are based on best fire science and within shared land owners existing capacity

Latest News

Adelaide Hills Community Action Bushfire Network (AHCABN) have completed a workshop to develop a plan for when or if the network is required to "activate" after a bushfire or other natural disaster.

We have been updating the Readiness, Resilience and Recovery webpages on council's website, to include information about upcoming community preparedness information sessions and workshops, including local RediCommunities workshops and Building Coping Skills in Children workshops.

Community halls that have been successful recipients of the Recovery Ready Halls funding opportunity have been notified.

A draft Bushfire Mitigation Landscape Strategy has been developed and was introduced to Elected Members at a Council workshop.

RediCommunities workshop series concluded in Uraidla, Summertown, Houghton, Inglewood and Paracombe. We are now supporting actions identified by participating communities through the workshop process.

A new Recovery Operations Manual has been endorsed in preparedness for potential recovery processes requiring council involvement this bushfire season. A consultant has also been selected to commence work on a Workforce Emergency Management Manual.



3. Performance by Strategic Goal

A functional Built Environment

Highlights

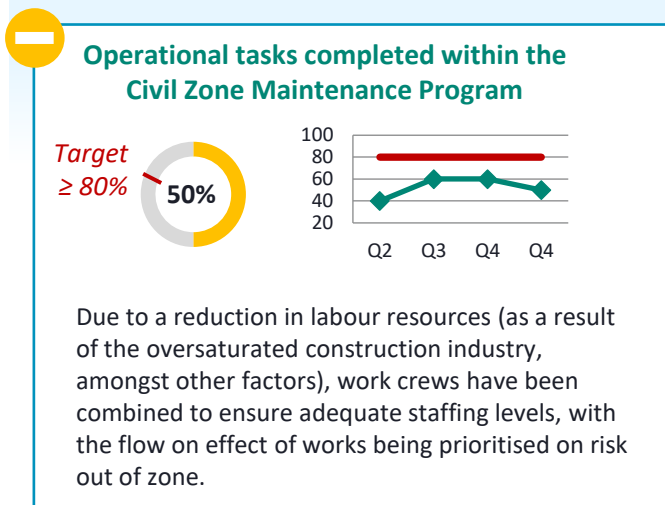
- ✔ **Disability Discrimination Act (DDA) Upgrades Minor - Access upgrades region wide for compliance**
 - The Prioritisation Matrix has been updated and used to select DDA Upgrade projects to be undertaken across the district over 2023-24. The first project scheduled for completion will improve access at The Summit Community Centre.
- ✔ **Cemeteries Upgrades**
 - Kersbrook Natural Burial ground nearing completion.
 - Two new styles of memorial benches have been installed at Cudlee Creek and Stirling Gardens. One still to be installed in Houghton.
- ✔ **Local Heritage (Privately Owned) Planning and Design Code Amendment**
 - Desktop review commenced, with a focus on building a contemporary heritage list database and defining the proposed heritage areas, based on the 2004 Anna Pope Torrens Valley and Onkaparinga Valley Heritage Surveys.
- ✔ **Policy Planning**
 - Analysis of demographic, housing, employment and infrastructure needs and capacity across the district has been used for Council Workshops and Council's Submission for the Greater Adelaide Region Plan discussion paper.
 - The Adelaide Hills Subzone Code Amendment now has workable pathways available and there is general support to pursue changes to protect character and amenity within the Subzone based on feedback received as part of preliminary community engagement.
- ✔ **Planning & Development**
 - 307 new planning and building consent applications were lodged and 308 applications determined.
 - Four Council Assessment Panel (CAP) meetings held CAP considered 7 developments in total. One of these decisions against a refusal has been appealed by the applicant to the Environment Resource and Development Court.
- ✔ **Installation of further Electric Vehicle charging stations**
 - A services survey has been undertaken of the Stirling carpark identified for the installation of the next roll out of EV charging stations.
 - A technical specification being developed by a specialist consultant is in progress.
- ✔ **Review the Corporate Carbon Management Plan**
 - Workshop undertaken to determine the scope of the new Carbon Management Plan
- ✔ **Carbon Management Plan - Energy upgrades, Battery & Efficiency Actions**
 - Report completed on the feasibility of further solar PV panels and battery storage on key Council facilities.
- ✔ **Place making and community planning**
 - Formation of an internal stakeholder group to work on options to facilitate community connection activities with the Woodforde community.
- ✔ **Parking and By-Laws**
 - AHC has invested in technology to help the Rangers enforce parking rules, with particular focus on the safety of the staff working alone and in isolation - this technology has proved to be very successful and will be installed in all Ranger vehicles. AHC has issued 265 parking related expiations, mainly around building sites, schools and private parking areas
- ✔ **Sustainability**
 - Council has achieved the key goal of 100% renewable energy use for Council facilities and streetlighting as identified within the Corporate Carbon Management Plan by purchasing only renewable electricity.
- ✔ **Community Wastewater Management System (CWMS)**
 - Council completed an external condition audit of the active CWMS asset inventory and completed an asset revaluation.

Risks & Challenges

- ✔ **Next Step planning for Adelaide Hills War Memorial Swimming Centre, Woodside**
 - A detailed feasibility study has been completed. A plan is currently being developed for presentation to Council on next steps which is scheduled for late October.
- ✔ **New Dog and Cat Facility**
 - Limited information provided from Dog & Cat Management Board and LGA regarding a sector wide solution to this issue
- ✘ **Houghton Recreation Grounds facility contribution**
 - The Houghton Hub Committee have recently applied for grant funding from the Office for Recreation Sport & Racing to progress their project. Awaiting this outcome has led to delays in the project.
 - Staff are aware that the project still has a significant funding shortfall, and are working with them to understand issues and provide support where applicable.

Legend: ✔ = On Track ⊖ = Not Started ➔ = Deferred ✘ = Behind Schedule 😊 = Completed ✔ = Not a Strategic initiative

Performance Indicators



Progress on Strategic Initiatives from the Annual Business Plan

Project ID	Strategic Initiatives	Status
B1003	New Bus Shelter Installation Program	✓
B1004	New and upgraded footpaths	✓
B1007	Recreation Trails & Cycling Routes Framework Implementation	✓
B1008	Amy Gillett Bikeway contribution (Stage 4)	✓
B1009	DDA Upgrades Minor access upgrades region wide (compliance)	✓
B2008	Local Heritage (Privately Owned) Planning and Design Code Amendment	✓
B2009	Place making and community planning	✓
B3002	Implement irrigation systems (renewal / upgrades)	😊
B3003	Investigate and Implement central irrigation control system (region wide)	✓
B3004	Prepare turf and irrigation design/management plans for key bore water use areas	✓
B3005	Carbon Management Plan - Energy upgrades, Battery & Efficiency Actions	✓
B3011	Carbon Offsets Policy	—
B3014	Review the Corporate Carbon Management Plan	✓
B4006	Asset management - Confirm Web and Connect Licences and Field Devices	✓
B4009	Building Upgrades - minor	✓
B4010	Cemeteries Upgrades	✓
B4011	CWMS Capacity Upgrades (Birdwood & Woodside gravity mains)	✓
B4014	Road Safety Program including co-contribution to Road Blackspot	✓
B4015	Installation of further Electric Vehicle charging stations	✓
B4016	Purchase of Electric Vehicles cars for fleet	✓
B4042	Operational worksite review including forward planning	✓
B4043	Hamilton Hill - Dunfield Estate & Crest Maintenance	✓
B4044	Feasibility Studies for future projects	—
B4045	Stormwater projects	✓
B4050	Merchants Hill retaining wall	✓
B4051	Croft Road resealing	✓
B4052	Renew the fuel monitoring and delivery system	—
B4053	Next Step planning for Adelaide Hills War Memorial Swimming Centre, Woodside	✓
B4054	Houghton Recreation Grounds facility contribution	✗

Highlights

- ✔ **Climate Change Adaption Plan Projects-All hazards emergency management**
 - A review of Council's Emergency Management Plan has commenced
 - The draft Emergency Management Policy has been completed for presentation to Council for endorsement
 - The Recovery Operations Manual has been finalised.
- ✔ **Play Space Framework Implementation**
 - Community consultation that will help to inform this years play space upgrades, has been completed. Resulting data analysis is still in progress
- ✔ **Youth Development**
 - The Youth Leadership group have developed and distributed a total of 300 Year 12 Support Packs to high schools in the district. The packs contain a study guide and items to relax in between study tasks.
- ✔ **Public Health**
 - 97 food premises inspections were undertaken, including 2 due to complaints and 27 follow inspections.
 - 56 new wastewater applications were submitted of which 41 have been approved. 126 inspections in relation to wastewater application were also undertaken.
 - 30 other health related complaints were actioned
- ✔ **Volunteering**
 - We currently have a total of 159 registered volunteers across 6 Council programs, with 5 new volunteers onboarded.
 - The Annual Volunteer Engagement Survey was completed with 63 responses, a full analysis is being prepared.
 - Several volunteers have completed mandatory training including bus lifter training and first aid training.
- ✔ **Actions from adoption of Aboriginal Place naming Action plan**
 - Completed Kurna language naming and signage for the Lewis Yarlupurka O'Brien Reserve at Hamilton Hill
- ✔ **Community Development (management and social planning)**
 - A new protocol has been established to assist all staff and customers respond to homelessness and rough sleeping in the AHC area. This has already been used by staff to refer 2 cases of rough sleeping to the Resolve outreach team.
 - New guidelines have been produced to assist staff respond to customers (and colleagues / family members) who disclose that they, or someone they know, is experiencing (or at risk of experiencing) domestic, family or sexual violence (DFSV). This has already been used to refer 2 people to appropriate services.
 - A new page on AHC's website has been published with information and links to local services that can provide crisis, housing, food, clothing and other support.
 - An Accessible Events Training session was provided to staff and community groups who organise community events to improve to improve accessibility and inclusion at community events and in venues.
- ✔ **Positive Ageing (Home and Social Support)**
 - 1,500 hours of support in and around the home, over 4,000 hours of social support group activities in the community and over 375 transport trips were provided.
 - With the improving weather, clients have shown an increased interest in participating in special programs and social opportunities.
- ✔ **Community Centres**
 - Term 4 programs have been released to entice early bookings and opportunity for additional promotion during October School Holiday programs.

Risks and Challenges

✓ Tour Down Under

- Council was able to significantly reduce the hosting fee but cost pressure from increases in traffic management, waste auditing and provision of toilets continue to place budget pressure on the event. This may mean we need to access budget from other event lines to offset this.

✓ Actions from adoption of Aboriginal Place naming Action plan

- With regard to exploring interpretive signage for townships advise from Karna Warra Karpanthi suggests that this information and connection is unclear. Given this advise we will not proceed but continue to explore further opportunities for place naming.

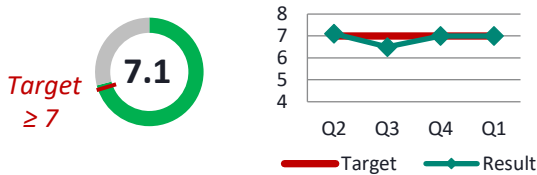
Legend: ✓ = On Track ⚪ = Not Started ⏸ = Deferred ⚠ = Behind Schedule 😊 = Completed ✓ = Not a Strategic initiative

Performance Indicators



Positive ageing wellbeing score

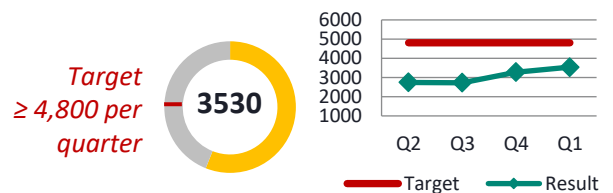
Average level of self-determined wellbeing of program participants reviewed in the quarter.



The wellbeing score has risen slightly for the first quarter of the 23-24 year. The positive comments listed in the wellbeing report (which these statistics are gathered from) refer to people experiencing strong social connections & personally improved personal (mental) health. Where individuals had slightly lower scores, was reflected in physical pain/limitations and also social isolation.



Number of volunteer hours contributed to AHC programs each year



Volunteer hours have increased since last quarter but have not yet bounced back to normal numbers - this follows the national and international trend.

Progress on Strategic Initiatives from the Annual Business Plan

Project ID	Strategic Initiatives	Status
C4006	Play Space Framework Implementation	✓
C4012	Climate Change Adaption Plan Projects-All hazards emergency management	✓
C4021	Community & recreation facilities framework implementation	✓
C4022	Towards Community Led Resilience Program	✓
C4024	Implement activities from "Our Watch Toolkit for Local Government"	✓
C5003	Actions from adoption of Aboriginal Place naming Action plan	✓
C6001	Fabrik Activation Capital	✓
C6003	Capital Divestment - Capital Cost	✓
C6006	Tour Down Under 2024	✓

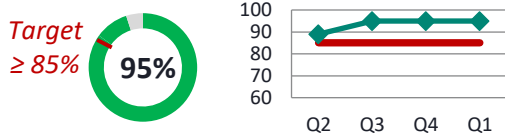
Highlights

- ✓ **Review and upgrade Council signage and branding**
 - Quotes obtained to progress updates at Woodside, Gumeracha and The Summit Community centre.

- ✓ **Economic Development**
 - Conducted the bi-annual Business Survey which received 106 responses from businesses across the region.
 - Facilitated two Adelaide Hills Business Support network meetings to ensure business services to the region are coordinated and optimized
 - Held a First Nations Business Event on 2 August which 30 people attended.

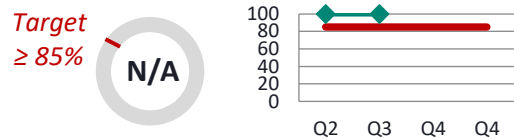
Performance Indicators

✓ Percentage of planning consents completed within statutory timeframes



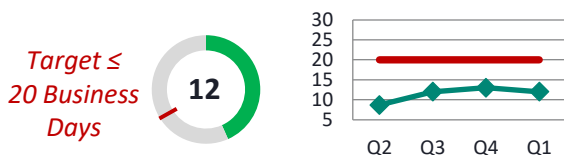
In Quarter 1 Council issued 204 Planning Consents with an average assessment time of 18 business days

— Percentage of new development application decisions upheld in Council/CAPs favour under appeal



One new Appeal against a CAP decision was lodged in Quarter 1 and there is one on-going appeal against an Assessment Manager decision yet to be determined by the Environment Resource and Development Court.

✓ Average number of days for building consents



In Quarter 1 Council issued 102 Building Consents with an average assessment time of 12.45 business days. Overall 94.12% of Building Consents were issued within statutory timeframes in Quarter 1.

Legend: ✓ = Target Met or N/A — = Target not met — = N/A – cant be assessed \geq Greater than or equal \leq Less than or equal

Progress on Strategic Initiatives from the Annual Business Plan

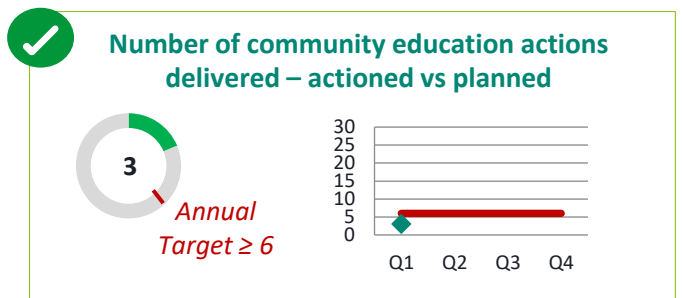
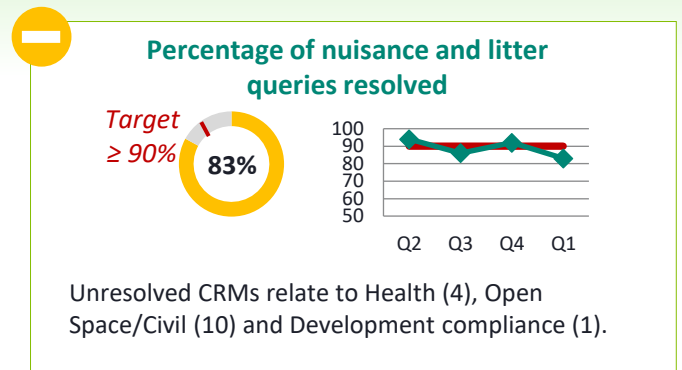
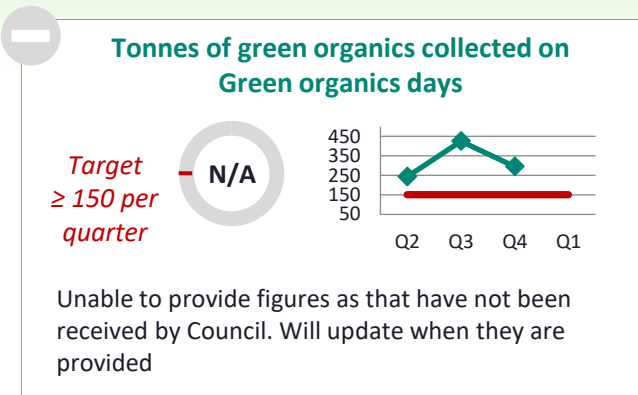
Project ID	Strategic Initiatives	Status
E2001	Review and upgrade Council corporate signage and branding	✓
E4001	Additional Tree safety work required to support the Tour Down under	✓

Highlights

- ✔ **Post prescribed burn weed management**
 - 10 prescribed burn sites completed with weed control undertaken by contractors.
- ✔ **Biodiversity**
 - Coordinated Spring works with relevant contractors to undertake Watsonia, Freesia, Ixia, Ornithogalum and other weedy bulb control across Council reserves and road reserves.
 - Worked with the new Landscapes Hills & Fleurieu Stewardship Officers to develop the collaborative Roadside Weed Control Work Plan.
 - Revegetation events undertaken with Aldgate Primary School, Gumeracha Primary School and Birdwood Primary School to encourage environmental stewardship
 - Yabby net swap program resulted in 80 wildlife friendly 'lift nets' swapped for the newly banned Opera House net designs.
 - Gave away 15 Butterfly Kits, consisting of 15 native pollinator-friendly plants with a copy of Council "Native Habitat Landscaping & Gardening" booklet to promote biodiversity in landscaping.
- ✔ **Fire Prevention**
 - Preparations for bushfire season have commenced with reminder letters sent to all properties that have received a 105F notice in the past 5 years.
- ✔ **Animal Management**
 - The initial renewal/registration period for all pets/animals has finished with SMS reminders sent to all un-renewed animals prior to the due date.
 - Current registrations include 7770 dogs and 1294 cats registered. There are currently 389 un-renewed cats and 1562 un-renewed dogs. Rangers will continue to follow up and enforce the dog and cat management act.

Legend: ✔ = On Track ⊖ = Not Started ▶ = Deferred ✘ = Behind Schedule 😊 = Completed ✔ = Not a Strategic initiative

Performance Indicators



Legend: ✔ = Target Met or N/A ⊖ = Target not met ⊖ = N/A – cant be assessed \geq Greater than or equal \leq Less than or equal

Progress on Strategic Initiatives from the Annual Business Plan

Project ID	Strategic Initiatives	Status
N1007	Develop a strategy for the management of Council trees across the district	✓
N2008	Develop informative and attractive signage in Council reserves/playgrounds	✓
N2010	Post prescribed burn weed management	✓
N2011	New Dog and Cat facility	✓
N3001	Local Climate Adaptations for landscape conservation	✓
N3002	Resilient community facilities and open space including water fountains	✓
N4002	Kerbside bin system collection frequency change and rural FOGO trial	✓



Highlights

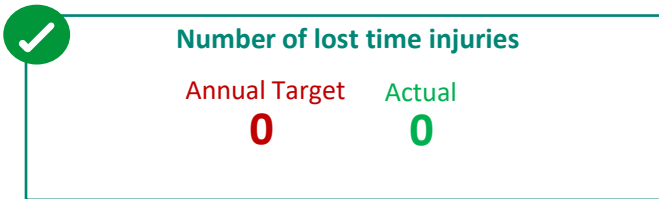
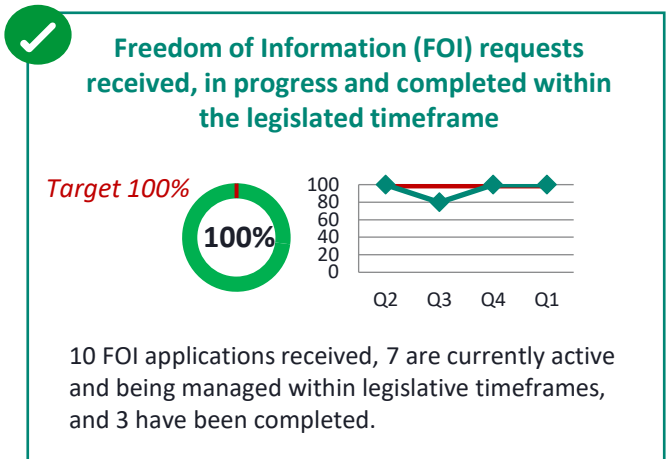
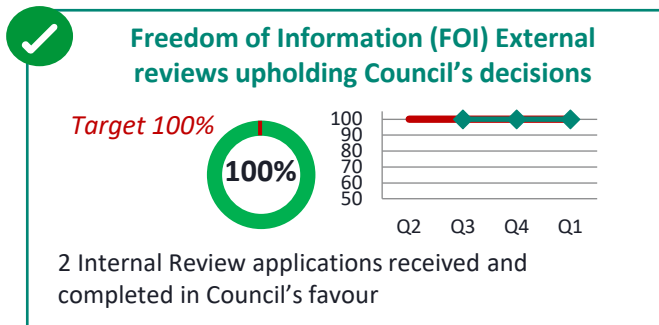
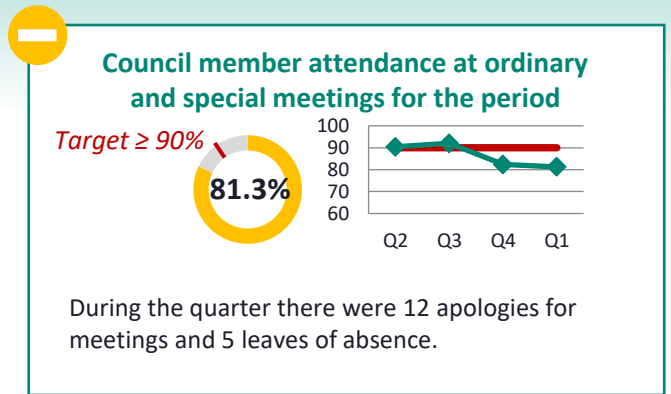
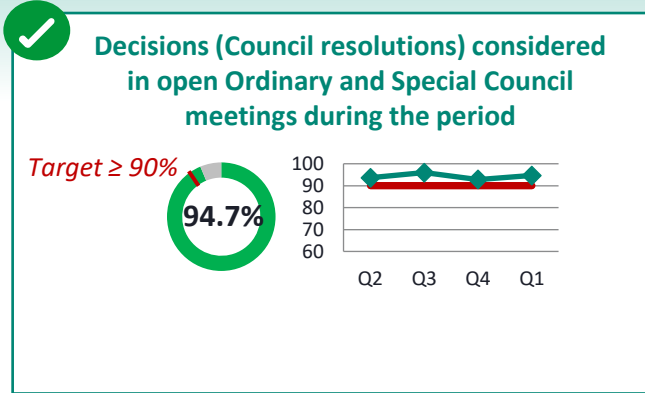
- ✓ **Customer Relationship Management (CRM) system upgrade**
 - Project governance established including creation of the Project Control Group and Project Team.
 - 'Discovery sessions' held with a variety of vendors to understand CRM capability to inform procurement requirements.
 - 'User Requirements' Workshops facilitated across the business to understand ways to improve the customer experience, streamline processes and provide more services online.
- ✓ **Governance & Performance**
 - Workshops commenced as part of the planning for the review of Council's Strategic Plan
- ✓ **Communications, Engagement & Events**
 - Updates made to the Council website to improve home page accessibility and ability to sign up for multiple e-newsletters.
 - Distributed AHC Media Releases on Supporting events on 26 January, Country Cabinet, ROAR Talent Tour, Emergency Resilience Project winning the State Award, and the Fogo Trial.
 - Together the Animal Management Plan consultation and Community Survey received over 1,335 responses from our community.

Risks and Challenges

- ✓ **Customer Relationship Management (CRM) system upgrade**
 - Costs to export a desirable level of CRM data to a new system is not known and may be considerable.



Performance Indicators



Legend: = Target Met or N/A = Target not met = N/A – cant be assessed \geq Greater than or equal \leq Less than or equal

Progress on Strategic Initiatives from the Annual Business Plan

Project ID	Strategic Initiatives	Status
O1005	GPS for operational vehicles	
O3002	Diversified income study	
O4005	Representation review	
O5005	Resource to manage building & swimming pool compliance inspections	
O5006	Strategic Plan Development	
O5007	Customer Relationship Management (CRM) system upgrade	

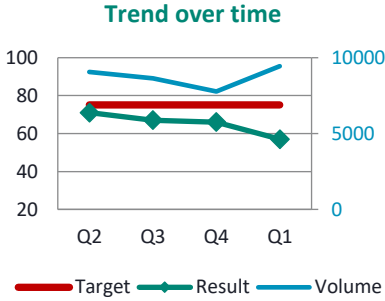
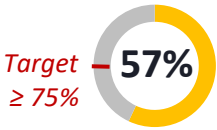
4. Customer service standards

5.1 General Customer Standards

Answering Incoming Phone Calls

Volume of calls = 9,433

Contact centre calls answered within 30 sec

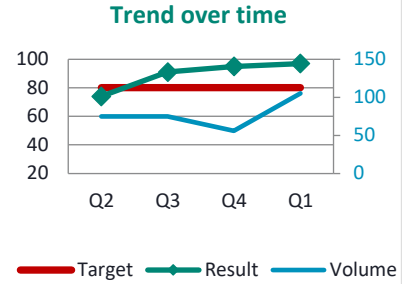


2000 more calls received than the previous quarter due to DACO registrations and rates calls happening at the same time resulting in longer handling times

Updating Customer Details

Volume of updates = 105

Details updated within 5 days

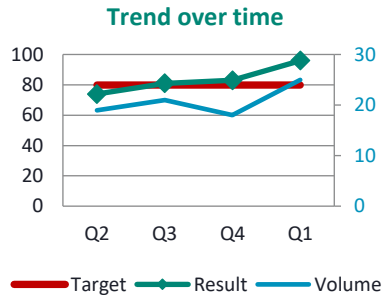


5.2 Service Specific Standards – Time Based Indicators

New Event Applications

Volume of applications = 25

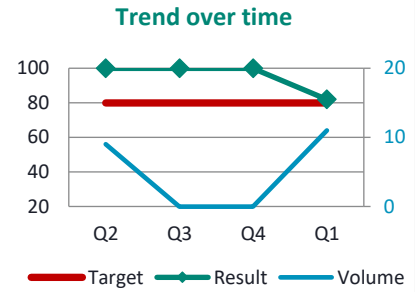
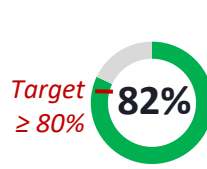
Acknowledgement of receipt within 5 days



Illegal Burning Complaints

Volume of complaints = 11

Investigated within 24 hours



Health Complaints

Volume of complaints = 1

Investigated within 24 hours

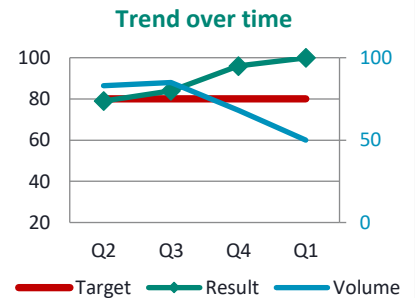


Restaurant only open from 5pm so date of resolution was pushed out

Illegally Dumped Rubbish

Volume of reports = 50

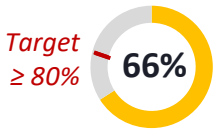
Rubbish removed within 3 days



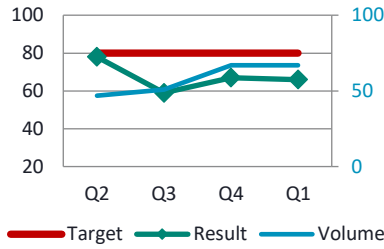
Library Services

Volume of requests = 67

Response to requests to purchase materials within 10 days



Trend over time



Result for responses made within the service standard not available as the process for purchase requests has changed.

Dog Attacks

Volume of attack reports = 11

Response within 24 hours



Trend over time



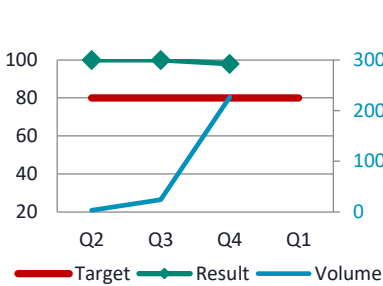
Wasps

Volume of reports = 0

Investigate and action within 7 days



Trend over time



Council no longer deals with wasps on private property

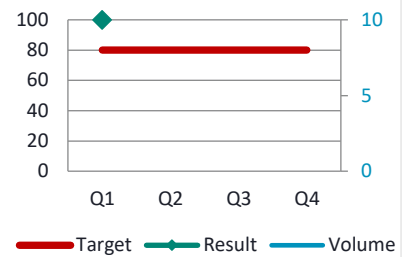
Development Applications

Volume of applications = 9

Approval of fast track planning applications within 5 business days



Trend over time



This is an adjusted measure for 2023-24 based on deemed to satisfy development applications only to better align with the PDI Act categories and timeframes.

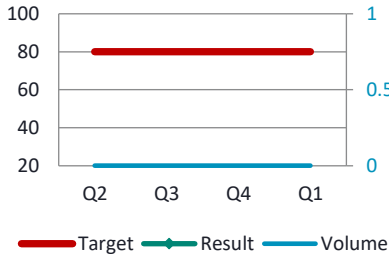
Missed Bins

Volume of requests = 0

Missed bins collected within 2 days



Trend over time



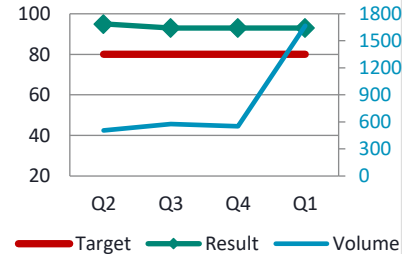
Request for Bin Repair or Replacement

Volume of requests = 1665

Requests actioned within 7 days



Trend over time



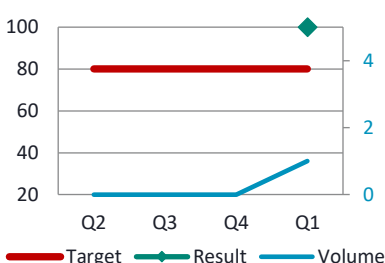
Footpath Repairs - Hazardous

Volume of repairs = 1

Responded and made safe within 24 hours



Trend over time



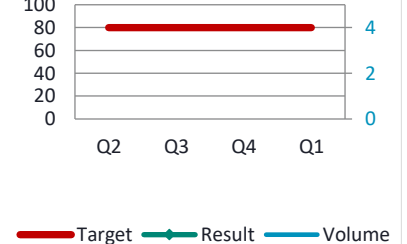
Road Repairs - Hazardous

Volume of repairs = 0

Responded and made safe within 24 hours



Trend over time

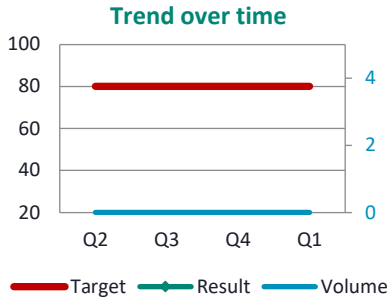


Case was deemed low risk within 24 hours, case was Resolved within 48 hours

Stormwater Repairs - Hazardous

Volume of reports = 0

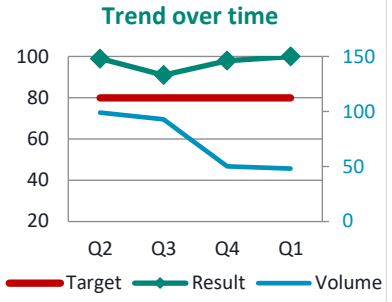
Responded and made safe within 24 hours



Trees - Hazardous

Volume of reports = 48

Responded and made safe within 24 hours



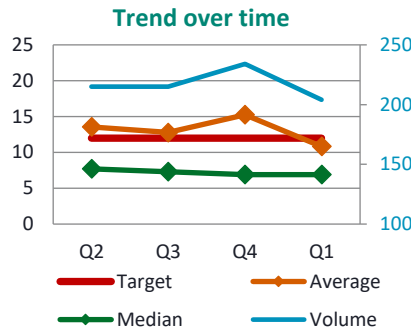
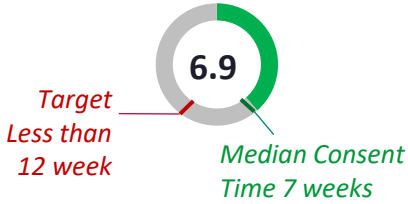
5.3 Service Specific Standards – Other Indicators

\geq Greater than or equal to

Development Applications

Volume of planning consents = 204

Average consent time from date of receipt

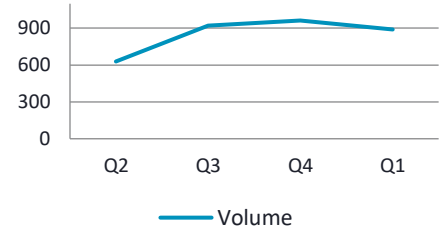


Results are using applications in the state-wide portal

Low Risk Infrastructure Requests – Number of New Requests

Volume of new requests = 963

Trend over time



Low Risk Infrastructure Requests – Average Time to Resolve

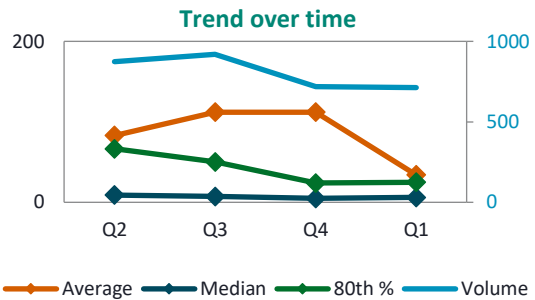
Volume of Requests = 714

Resolution time of requests

Average = 34 days

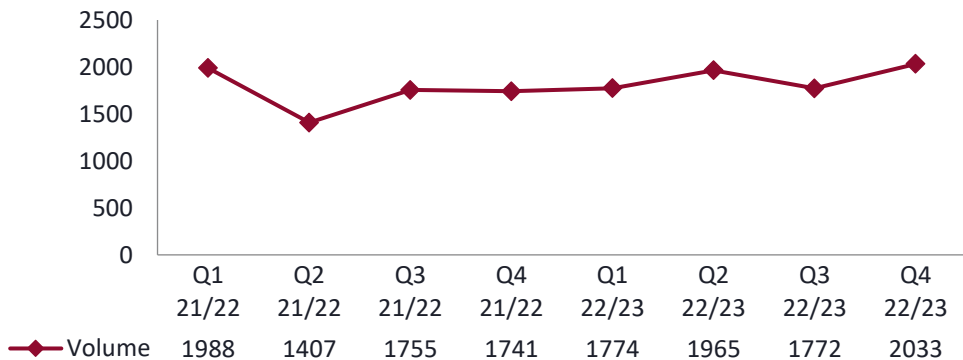
Median = 5.9 days

80th Percentile = 24.88 days



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



5. Capital Works Program

Quarter 1 of 2023-24 FY represents the commencement of the 2023-24 Capital Works Program, with approximately \$1.2M of infrastructure delivered during this period, and another \$5.2M of works ordered.

The primary focus of this quarter has been on completing projects that were in progress as of 30 June 2023, as well as commencing planning, scoping and design works for projects due for completion by end FY 2023-24, as well as commencing early programmed works.

Highlights

- Council’s road shoulder renewal and upgrade program commenced, for commencement of the sealed roads renewal program in Q2.
- The Montacute Rd Blackspot project, that was in progress as of 30 June 2023, was completed, significantly upgrading road safety.
- Recycled material boardwalks were ordered, and fabrication commenced, for installation at Woorabina Bushland Reserve.

What’s Next

- Significant orders have been placed for Council’s asphalt works (heavy patch, road reseal), with these works to commence in Q2.
- Works will commence on Council’s new, upgraded and renewed footpath program.
- Works to renew and upgrade playgrounds at Mylor and Protea Park will be publicly tendered.

Financial Performance by Asset Category (preliminary numbers)

Asset Category	YTD Actuals \$'000	YTD Budget \$'000	Annual Revised Budget \$'000	% Spent to Annual Budget \$'000s
Bridges	-	-	345	0.0%
Buildings	190	-	8,045	2.4%
Cemeteries	3	-	133	2.1%
CWMS	-	-	315	0.0%
Footpaths	3	-	965	0.3%
Guardrails	-	-	-	>100%
Kerbing	-	-	67	0.0%
Local Roads & Community Infrastructure Program (LRCIP) – phase 1	-	-	129	0.0%
Roads	601	-	8,377	7.2%
Sport & Recreation	69	-	2,306	3.0%
Stormwater	4	-	860	0.5%
Other - Retaining Walls, Street Furniture & Traffic Management	20	-	495	3.9%
Fleet	723	-	3,467	20.3%
ICT	23	-	1,455	1.6%
Plant & Equipment	12	-	60	20.3%
Project Management Costs	-	-	1,511	0.0%
	1,647		28,538	5.8%

6. Savings Strategies

Achieved \$753k

Target
\$1,072k

Administrative Savings Strategies	Status	Planned	Achieved
Remove media monitoring	Alternate strategy in progress	\$14,250	\$0
Media monitoring service extended for 6 months while assessing the impacts on requirements for Council to be adequately informed and media copyright compliance.			
Stop taking cash payments	Requires Attention	\$9,500	\$1,500
Legal advice sought and received regarding the legality of ceasing cash payments for goods and services and the potential implications of doing so. Working through implications including alternative payment and banking options.			
Remove community arts project money from budget	Completed	\$5,300	\$5,300
The budget item for community arts was no longer required and has been removed			
Maintenance fees – contractors / materials	On Track	\$5,000	\$5,000
Currently reviewing use of in-house staff for cemetery maintenance. Budget adjusted to accommodate.			
Remove automatic CPI increase on contract and materials	Completed	\$400,000	\$400,000
This has been fully implemented in the adopted budget and will be monitored through the year			
Appliance replacement - all facilities	On Track	\$10,000	\$10,000
Annual budget for appliance replacement reduced from \$30k to \$20k and will be monitored through the year			
Cleaning contract - reduce frequency	On Track	\$33,000	\$0
Investigating options to reduce cleaning budget by at least 10% upon expiry of current contract in November.			
Reduce no of multifunction devices	On Track	\$12,000	\$0
Scoping commenced to reduce the number of devices from 18 down to 8.			
Reduce public access computers	On Track	\$10,000	\$0
Scoping commenced on renewal program to reduce number of computers and move to a ticketed/booking system for use of remaining computers.			
Remove mobile data from laptops and tablets	Completed	\$20,000	\$20,000
Mobile data services have been cancelled and staff advised of alternative Wi-Fi solutions if internet required outside of the office.			
Reduce People & Culture budget allocation for legal fees	Completed	\$15,000	\$15,000
Budget allocation was reduced and will be monitored throughout the year			
Salary Savings	On Track	\$200,000	\$27,000
People management strategies related to Vacancies, Overtime and Leave Reduction will realise salary savings by end of financial year			
Conduct workshops with clubs using internal resources	Completed	\$5,000	\$5,000
Public Notification signage install and removal using internal resources	On Track	\$20,000	TBC
Cease cadet engineer program	Completed	\$12,000	\$12,000
Arboculture Consultancy	On Track	\$5,000	\$5,000
Reduce consultancy budget and monitor through the year			
Data management of utilities and scope 3 components	On Track	\$16,000	TBC
	TOTAL	\$792,050	\$505,800

Savings Strategies *cont....*

Service and Revenue Changes	Status	Planned	Achieved
Tour Down Under - Limit commitment	On Track	\$30,000	\$30,000
Council was able to significantly reduce the hosting fee but cost pressure from increases in traffic management, waste auditing and provision of toilets continue to place budget pressure on the event			
Remove funding to attract a major event to the hills	On Track	\$20,000	\$20,000
This item has been removed from the current budget and the administration continue to assess how we support and conduct events in AHC for Council's future consideration			
Amend customer service operating hours from 8:30am to 9am	On Track	\$12,500	\$12,500
Reduce/remove Adelaide Hills Tourism Funding	Completed	\$7,500	\$7500
New three-year funding agreement was approved and signed June 2023 with funding capped at the 2022-23 level			
Reduce community grants	Completed	\$10,000	\$10,000
Reduction in grant budget from \$50k to \$40k to reflect the average spend over past 5 years of \$41k.			
Cease additional digital content offering	Completed	\$20,000	\$20,000
No longer purchasing AHC specific digital library content as there is a large content range in SA library network			
Digital online streaming/learning resources for language learning and online streaming	Completed	\$8,000	\$8,000
Library CD collections - cease new purchases	Completed	\$4,000	\$4,000
Printing and photocopying fee increase	Completed	\$8,000	TBC
Fees and charges adjusted and came into effect on 1 July 2023. Increased revenue to be assessed mid way through the year in comparison with previous year.			
Reduce internal audit program from 4 to 3 audits annually	Completed	\$15,000	\$15,000
Cease membership of Murray Darling Basin Association	Completed	\$6,700	\$6,700
Increase non resident cemetery fees	On Track	\$25,000	\$28,795
Increase outdoor dining permit fees	On Track	\$7,000	TBC
Increase copyright application fee	On Track	\$2,000	\$125
Analysis of cost recovery of service undertaken and an adjustments to the Fees and Charges completed increasing the hourly rate. Copyright application are now being cost recovered which should result in an increase of income.			
Reduce community and recreation facilities grants	On Track	\$20,000	\$20,000
Budget for 2023/24 was reduced pending full impact of the new framework implementation has been determined			
Implement charge for food premises inspection for new businesses	On Track	\$5,000	TBC
Standardise fee application for food premises inspection	On Track	\$5,000	TBC
Cease bird monitoring on reserves following burning	Completed	\$5,000	\$5,000
Cease vermin baiting in Stirling, Aldgate and Bridgewater	Completed	\$10,000	\$10,000
Heathfield Resource Recovery Centre – Explore options for savings or cost recovery	On Track	\$10,000	\$0
Waste education - not proceed with high intensity program	Completed	\$50,000	\$50,000
Maintain waste education at current levels rather than increase the program as there has not been marked changes in diversion rates in recent years.			
	TOTAL	\$280,700	\$247,620

7. Financial Performance

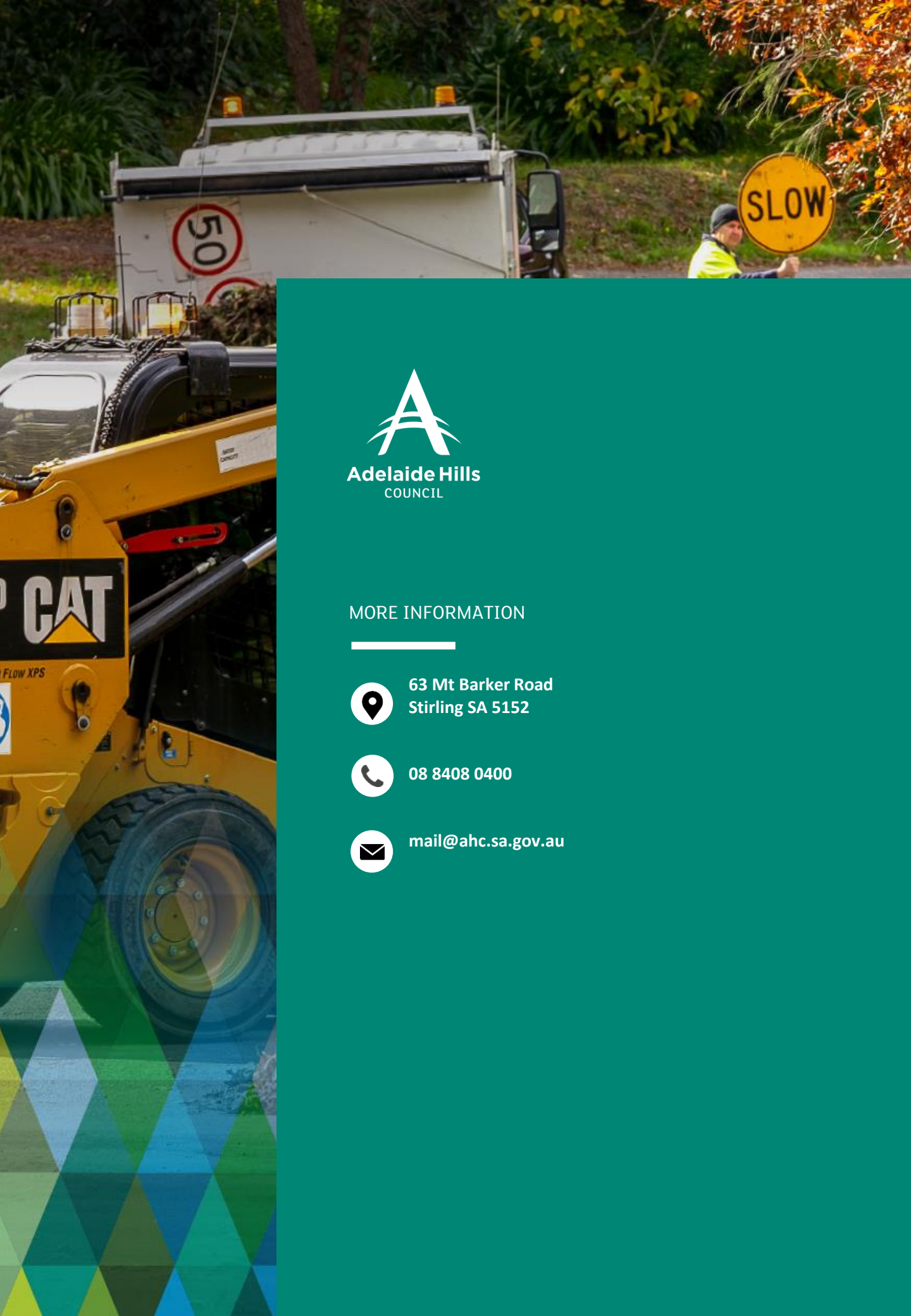
Overall Funding Statement as at 30 September 2023

Note: These figures are preliminary only. The fully reconciled figures will be presented to Council as part of the Budget Review report.

	YTD Actual	YTD Budget	YTD Variance	Annual Revised Budget
	\$'000	\$'000	\$'000	\$'000
Rates	48,185	48,162	23	48,342
Statutory income	643	723	(80)	1,544
User charges	306	267	40	926
Grants, subsidies and contributions	1,311	1,180	131	5,086
Income - Other	180	99	82	710
Total Operating Income	50,625	50,430	195	56,608
Total Employment costs	6,440	6,363	(77)	23,298
Materials, contracts and other expenses	4,958	5,024	66	20,974
Depreciation and amortisation	-	-	-	11,106
Finance costs	90	110	20	582
Total Operating Expenditure	11,487	11,496	8	55,960
Operating Surplus / (Deficit) before Capital	39,138	38,934	205	648
Capital Expenditure	1,647	-	(1,647)	28,538
Capital Income	2,607	-	2,607	2,919
Net expenditure - Capital projects	(960)	-	960	25,619
Net Lending / (Borrowing) Result for Year	40,099	38,934	1,165	(13,866)

Adelaide Hills Council Operating Summary By Directorate as at September 2023

	YTD Actuals	YTD Budget	YTD Var	Annual Adopted Budget
	\$'000s	\$'000s	fav / (unfav) \$'000s	\$'000s
Income				
CEO	-	-	-	37
Community Capacity	1,009	961	47	2,438
Corporate Services	46,721	46,585	136	48,525
Development & Regulatory Services	633	707	(74)	1,644
Infrastructure & Operations	2,263	2,176	87	3,965
Income Total	50,625	50,430	195	56,608
Expenditure				
CEO	612	632	20	2,546
Community Capacity	2,310	2,279	(31)	9,274
Corporate Services	3,029	3,167	137	11,154
Development & Regulatory Services	1,080	1,127	47	4,332
Infrastructure & Operations	4,456	4,292	(164)	28,654
Expenditure Total	11,487	11,496	8	55,960
Operating Surplus / (Deficit)	39,138	38,934	205	648



Adelaide Hills
COUNCIL

MORE INFORMATION



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**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 16 October 2023
AGENDA BUSINESS ITEM**

Item: 8.4

Responsible Officer: Jody Atkins
Governance and Risk Officer
Corporate Services

Subject: Internal Audit Quarterly Report

For: Decision

SUMMARY

This report provides the Audit Committee with an update on the implementation of the Strategic Internal Audit Plan 2018/19 – 2022/23.

As can be seen from **Appendix 1** to the report there has been limited progress in relation to the undertaking of additional internal audits since the last report to the Committee. Whilst this reflects the limited resourcing available within the Governance and Performance Department in recent times, it is also acknowledged that there is a need to review the approach to implementing the Internal Audit Program moving forward in order to ensure a greater level of delivery against the Plan.

It is proposed that this review be undertaken prior to the February 2024 meeting of Council and a report be provided to that meeting for consideration.

RECOMMENDATION

The Audit Committee resolves:

1. **That the Internal Audit Quarterly Report be received and noted.**
-

1. BACKGROUND

The Audit Committee last received an internal quarterly report at its February 2023 meeting. The report advised that progress was occurring in relation to the request for quote for the Budgetary Management. With project briefs being developed for the next audits being Capital Works Programming and Delivery and Treasury Management.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5 A Progressive Organisation

Objective O5 We are accountable, informed, and make decisions in the best interests of the whole community

Priority O5.1 Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations

➤ 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 leads to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
High (4C)	Low (2E)	Low (2E)

The controls tested are part of the internal control framework contributing to the current Residual Risk rating. The recommendations arising from audits and the management actions to be undertaken are mitigations which will contribute to reducing the risk rating to the Target Risk level.

➤ Financial and Resource Implications

The Internal Audit budget for the 2022-23 financial year were sufficient for the audits that were conducted during that financial year.

➤ 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.

➤ Sustainability Implications

Not applicable

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

<i>Council Committees:</i>	Nil
<i>Council Workshops:</i>	Not Applicable
<i>Advisory Groups:</i>	Not Applicable
<i>External Agencies:</i>	Not Applicable
<i>Community:</i>	Not Applicable

➤ **Additional Analysis**

SIAP Implementation Status

Progress against the SIAP has been limited in recent months due to resource demands associated with the Local Government Election and Council Member Induction processes, the Acting and Substantive CEO Recruitment processes, additional council meeting and councillor support, leave and resignation of two senior staff members within the Governance & Performance Team.

Whilst a request for quotation (RFP) was put out to market for the audit of Budgetary Management and project briefs were under development for the next audits, being Capital Works Programming and Delivery and Treasury Management, it has not been possible to progress these further at this time.

Similarly in view of the Incident and Operation Plan testing exercise undertaken in February 2023 and the current development of the Emergency Management Framework, it is also proposed to defer this audit for consideration in the development of the next iteration of the Strategic Internal Audit Plan.

Development of the next SIAP

As the current SIAP has now reached its conclusion, work will commence on the development of the 2023/24 and onwards SIAP. This will be informed by the results of strategic and corporate risk assessments, the results of internal & external audits and service reviews, resources available to implement the SIAP and trends within the LG sector.

It is anticipated that upon review of the current business practices, a draft will be provided during to the February 2024 meeting of the Audit Committee meeting.

3. OPTIONS

The Committee has the following options:

- I. To receive and note this report (Recommended).
- III. To identify an alternative course of action.

4. APPENDIX

- (1) *Internal Quarterly Report 2018/19 – 22/23 v1.13a*

Appendix 1

Internal Audit Quarterly Report 2018/19 – 22/23 v1.13a

Strategic Internal Audit Plan 2018/19 - 22/23

Audit Engagement	Scope	Strategic/Corporate Risk Linkage	Insurance Mapping (coverage in BPI)	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.	No				Completed	
Budgetary Management	Focussing on financial planning, control and reporting. Relationship of budget with LTFF, legislative and regulatory compliance.	SR9c - Failure to manage, improve and develop the financial resources available to the Council.	Yes 2. Strategic Financial Planning, 2.2 Budgets					RFQ issued
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.	Yes 4 Liabilities, 4.4 Employee Provisions 6. Expenses, 6.2 Payroll			Completed		
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.	Yes 6 Expenses, 6.1 Purchasing & Procurement 6 Expenses, 6.4 Credit Cards 7 External Services, 7.1 Contracting	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	Yes 3 Assets, 3.7 Fixed Assets 3 Assets 3.8 Project Costing					Scoping Commenced
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.	Yes 3 Assets, 3.2 Banking 3 Assets, 3.3 Investments 4 Liabilities, 4.3 Borrowings					Scoping Commenced
Cyber Security	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.	SR9b - Failure to manage, improve and develop the information resources available to the Council.	No			Completed		

Audit Engagement	Scope	Strategic/Corporate Risk Linkage	Insurance Mapping (coverage in BPI)	Year 1 2018/19	Year 2 2019/20	Year 3 2020/21	Year 4 2021/22	Year 5 2022/23
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	No					Deferred given detailed review of Emergency Management underway.
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.	No				Completed	
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.	No					Not Commenced
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.	Yes 7 External Services, 7.1 Contracting					Not Commenced

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
25/02/2020	Amended plan adopted by Council (Changes to the timing and scope of the cyber security audit)	1.3
25/07/2020	Amended plan adopted by Council (Changes in timing for Recruitment & Retention, Budgetary Mgt, Treasury Mgt, Emergency Mgt & BCP)	1.4
22/09/2020	Amended plan adopted by Council (Changes to the timing of audits)	1.5
15/12/2020	Amended plan adopted by Council (completion of cyber, changes to other timings)	1.6
10/02/2021	Amended plan (changes to timings for 20/21 projects)	1.7
22/06/2021	Amended plan adopted by Council (Changes in timing for Recruitment & Retention, Budgetary Mgt)	1.8
22/02/2022	Amended plan adopted by Council (Removal of internal financial control orientated audits)	1.9
17/05/2022	Status update for Audit Committee regarding 2022-23 projects	1.1
10/08/2022	Status update for Audit Committee regarding 2022-23 projects	1.11a
20/02/2023	Status update for Audit Committee regarding 2022-23 projects	1.12a
10/10/2023	Status update for Audit Committee regarding 2022-23 projects	1.13a

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
16 October 2023
AGENDA BUSINESS ITEM**

Item: 11.1 Motion on Notice

Originating from: Cr Malcolm Herrmann

Subject: Local Government Income Protection Fund

1. MOTION

I move that the CEO investigates the operation of the Local Government Income Protection Fund (LGIPF) and provides a report to the February 2024 Audit Committee meeting. Among other topics which the CEO may identify, the report should address the following points between 2019/2020 and 2023/2024:

1. When did the LGIPF commence;
2. Was it part of an Enterprise Bargaining Agreement process at the time;
3. The premiums paid;
4. The number of claims lodged;
5. The number of claims approved;
6. The amount paid to employees under the provisions of the Plan;
7. The eligibility criteria;
8. The value for money of the Fund to both the council (as the employer) and employees;
9. Whether this form of benefit is common within the SA Public Service, the Local Government Sector, neighboring councils and/or the Group 2 councils;
10. Whether there are alternatives to the current arrangements;
11. If changes are to be considered, whether such changes could be incorporated into the next Enterprise Development Agreement.

2. BACKGROUND

At its meeting held on 21 August 2023 Item 8.5, the Audit Committee received and noted a report on Council's Insurance Port Folio (see Appendix 1). Among other items listed was the Local Government Income Protection Fund (LGIPF). It was noted that the premiums had escalated from \$264k in 2019/20 to \$347k in 2023/24 - \$83k or 31.5% whilst general premiums rose by \$370k or 29%.

What was not provided in the report was any analysis of the scope and use of the fund, although one may assume that because of the increase in premiums, there may have been a corresponding increase in claims. The CEO may be able to identify alternatives to the current scheme which provides better value for the Council and which could be considered as part of the new Enterprise Development Agreement due to commence 1 July 2025 .

In addition, I understand the operations of the LGIPF have not been the subject of any type of review for at least eight (8) years –probably longer.

It is appropriate to undertake the review at this time.

3. OFFICER’S RESPONSE – Terry Crackett, Director Corporate Services

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5 A Progressive Organisation

Objective 05 We are accountable, informed, and make decisions in the best interests of the whole community

Priority 05.1 Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations

Priority 05.2 Make evidence-based decisions and prudently assess the risks and opportunities to our community before taking action.

➤ Legal Implications

Not Applicable

➤ Risk Management Implications

The provision of a report on the operation of the Local Government Income Protection Fund will assist in mitigating the risk of:

Failure to examine potential alternative options that may provide lower cost options for Council.

Inherent Risk	Residual Risk	Target Risk
Medium (2C)	Low (3E)	Low (3E)

➤ Financial and Resource Implications

Council staff can source and collate the necessary information to inform a report as requested. With support to collate the required information from the Local Government Mutual Liability Scheme (LGMLS) it is anticipated this can be done without any additional budget expenditure.

➤ Customer Service and Community/Cultural Implications

Nil

➤ Sustainability Implications

Nil

➤ Engagement/Consultation conducted in the development of the report

Consultation on the development of this report was as follows:

<i>Council Committees:</i>	Not applicable
<i>Council Workshops:</i>	Not applicable
<i>Advisory Groups:</i>	Not applicable
<i>External Agencies:</i>	Not applicable
<i>Community:</i>	Not applicable

4. ANALYSIS

If endorsed by the Committee a report can be prepared for the February 2024 meeting on the operation of the Local Government Income Protection Fund (LGIPF) that considers the points outlined within the recommendation.

Appendix 1

Item 8.5 Audit Committee Agenda – 21 August 2023

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 21 August 2023
AGENDA BUSINESS ITEM**

Item: 8.5

Responsible Officer: Terry Crackett
Director Corporate Services
Corporate Services

Subject: Placement of Council's Insurance Portfolio 2023-24

For: Information

SUMMARY

To provide the Audit Committee with an overview of Council's insurance portfolio for 2023-2024

RECOMMENDATION

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

1. BACKGROUND

The SA Local Government mutual schemes were established approximately 30 years ago, initially out of necessity as councils found it increasingly difficult to secure adequate insurance at competitive rates for workers compensation, civil liability and asset protection.

Local Government Risk Services (LGRS) operates the following risk schemes which utilised by SA councils (including Adelaide Hills) to manage their risk portfolios (these are discussed in more detail below):

- LGA Workers Compensation Scheme (LGAWCS)
- LGA Mutual Liability Scheme (LGAMLS)
- LGA Asset Mutual Fund (LGAAMF)
- LG Income Protection Fund (LGIPF)
- Brokerage of general insurance products from the commercial insurance market

Mutual Schemes

LGA Workers Compensation Scheme (LGAWCS)

LGAWCS provides Council with a fully integrated Claims, Return to Work and Work Health Safety service. It is registered as a self-insurer by SafeWork and is bound by the Performance Standards for Self-Insurers (PSSI). All South Australian Councils are Members of LGAWCS.

The Scheme is funded by a levy on Member remuneration and operates a rebate/penalty program to reward good performance.

LGA Mutual Liability Scheme (LGAMLS)

LGAMLS is an indemnity scheme established pursuant to Schedule 1, Pt 1 2 (1)(a) of the Act. Pursuant to S142 of the Act, every council in SA has a statutory duty to “insure” against the financial impact of potential civil liability risks. Membership of the LGAMLS constitutes insurance for the purposes of this section. All South Australian councils are Members of LGAMLS. Unique in its structure, the cover provided through membership of the LGAMLS is unlimited with nil exclusions.

The Scheme covers public and products liability, professional indemnity, environmental landfill (pollution legal liability), Council Members & Officers and Employment Practices liability.

The Scheme is funded by the payment of an annual contribution which is calculated based on the Member’s revenue base, adjusted to reflect the maturing risk profile, claims history and application of risk management principles.

LGA Asset Mutual Fund (LGAAMF)

The LGAAMF provides discretionary protection for Member’s property assets, motor vehicles, computers and electronic equipment, fidelity guarantee, machinery breakdown, and cyber security and data protection.

Cover for the Council's property and contents, under the LGAAMF, are required to be at replacement value of the assets in a condition and construction in an “as new state”.

Damage to general civil infrastructure is not covered by the Fund, due to the significant value of the civil infrastructure network within Council's area, the increase in premium cost would significantly outweigh the likely cost of any claim and therefore is uneconomical to cover. This approach is standard practice within the Local Government sector.

However, since 2015 Bridges have been listed on the Council’s Asset Insurance Schedule as an assessment has been made that it would be appropriate given the risks involved including the susceptibility of washaways as a result of flooding.

LG Income Protection Fund (LGIPF)

The LGIPF offers discretionary indemnity and claims management services to Members for employees in respect of loss of income resulting from a non-work related injury or illness. Council includes this insurance as part of its Enterprise Development Agreements and individual Employment Agreements, which provides a benefit to employees for up to two years for accident or illness, injury dependant.

General Insurances

In addition to the cover purchased via the mutual schemes, Council also purchases additional cover, brokered by LGRS, from the commercial insurance market. These covers include:

Public and Products Liability

These policies provides coverage to Council on behalf of:

- Nominated uninsured contractors and volunteers of Home and Community Care
- Uninsured *ad hoc* or occasional hirers Council owned or controlled facilities
- Uninsured roadside stalls
- Advisory and Working Groups
- Regular user groups (as declared) of Council owned or controlled facilities
- Death or Personal Injury and Loss or Damage to Property happening during the Period of Insurance and caused by an occurrence in connection with the hire of the Council facility.

Personal Accident

Personal Accident Insurance provides coverage for Death and Total or partial disablement for Insured Parties listed below:

- Insured persons are covered whilst engaged in any activity directly or indirectly connected with or on behalf of the Council including travel to and/or from any such activity.
- Council Members and their accompanying Partners/Spouses.
- Employees and their accompanying Partners/Spouses, (excluding claims where the employee is entitled to benefits under any Return to Work legislation)
- Volunteers whilst engaged in any voluntary work directly or indirectly connected with or on behalf of the Council including individual members of any Trust or Committee formed by Council.
- Persons whilst engaged in any Government Labour Market, Training or Job Creation Projects.
- Members of the Council's Assessment Panel, Audit Committee and CEO Performance Review Panel.

Journey Injury

Journey Injury Insurance provides coverage for Bodily Injury to Employees whilst engaged in a journey to and from their place of residence and place of work and between a place of training and place of work.

2. ANALYSIS

➤ Strategic Management Plan/Council Policy

Strategic Plan 2020-24 – A brighter future

Goal 5 A Progressive Organisation

Objective 05 We are accountable, informed, and make decisions in the best interests of the whole community

Priority 05.1 Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations

Priority 05.2 Make evidence-based decisions and prudently assess the risks and opportunities to our community before taking action.

➤ Legal Implications

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

The Act sets out a number of requirements regarding insurance:

- Section 80 states that Council must take out insurance to cover Elected Members against risks associated with performing their duties.
- Section 142 requires Councils to take out and maintain insurance to cover its civil liabilities at least to the extent prescribed by the regulations.

➤ Risk Management Implications

Insurance is a prudent strategy to mitigate risk associated with providing Council services and affords Council a level of resilience and confidence so that it can continue to operate through unforeseen circumstances and loss.

Entering into insurance contracts will assist in mitigating the risk of:

Under or uninsured liabilities/events/assets leading to financial and/or reputation damage

Inherent Risk	Residual Risk	Target Risk
High (4C)	Medium (2C)	Low (2D)

➤ Financial and Resource Implications

Insurance is a means of protection from financial loss. It is a form of risk management primarily used to hedge against the risk of a contingent high cost, low frequency loss.

The costs for insurance are considered as part of the Annual Business Plan and Budget process with any adjustments considered in the quarterly budget review processes.

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

The community would have a reasonable expectation that the Council has prudent insurance arrangements in place to finance risks associated with the loss, damage, theft and liabilities created by its assets, actions, employees and contractors.

➤ **Sustainability Implications**

There are no direct sustainability implications arising from this report.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

<i>Council Committees:</i>	Not Applicable
<i>Council Workshops:</i>	Not Applicable
<i>Advisory Groups:</i>	Not Applicable
<i>External Agencies:</i>	Not Applicable
<i>Community:</i>	Not Applicable

➤ **Additional Analysis**

The following provides a summary of the cost of Council’s insurance portfolio for the 5 years from 2019-20. Please note that the figures below are gross contributions and that for each of the mutual schemes Council receives special and/or performance (based on claims history of Council) distributions at the end of each year.

Mutual Fund / Insurance Class	2019-20 (Excl. GST)	2020-21 (Excl. GST)	2021-22 (Excl. GST)	2022-23 (Excl. GST)	2023-24 (Excl. GST)
LGRS Mutual Fund Schemes*					
LGA Workers Compensation Scheme	\$408,050.00	\$426,078.00	\$462,832.00	\$431,521.00	\$443,640.00
LGA Asset Mutual Fund	\$276,244.00	\$293,444.00	\$360,193.00	\$430,140.00	\$469,298.00
LGA Income Protection Fund	\$263,826.00	\$263,826.00	\$293,886.00	\$284,933.00	\$346,642.00
LGA Mutual Liability Scheme	\$303,178.00	\$312,274.00	\$327,887.00	\$344,282.00	\$361,496.00
General Insurance Policies					
Ad Hoc Hall Hirers	\$2,554.10	\$2,554.10	\$3,565.80	\$3,731.15	\$3,731.15
Un-Insured Roadside Stallholders	\$1,091.64	\$1,091.64	\$1,185.80	\$1,237.59	\$1,162.26
Advisory Groups	\$4,639.16	\$4,639.16	\$3,159.44	\$3,307.41	\$3,062.59
Personal Accident (Incl. Elected Members)	\$2,189.78	\$2,189.78	\$2,189.78	\$2,289.26	\$1,769.40
Community Care Contractors (CHSP)	\$865.08	\$865.08	\$941.59	\$1,373.59	\$1,352.27
Journey	\$12,962.59	\$12,962.59	\$13,640.79	\$15,120.51	\$14,799.16
TOTAL	\$1,275,600.35	\$1,319,924.35	\$1,469,481.20	\$1,517,935.51	\$1,646,952.83

**(These are the Gross Contributions prior to any ‘Performance Bonus’ and/or ‘Special Distribution payment’ has been deducted)*

In relation to the key movements between years a copy of an extract from the LGRS 2023-24 Insurance Renewal Update has been provided. Two key points of note however are as follows:

- The cost of cover for the LGAAMF in recent years has been heavily impacted on by frequency of weather-related events which in turn has seen claims costs and payment to members for material loss and damage increase substantially and now makes up 41% of all claims costs. In addition to this, rising inflation, higher demand for material, labour and professional services is also playing a role with impact on asset values.
- The **budget** for the annual LG Income Protection Fund (LGIPF) contribution payable in the above table is based on the 'Estimated Number of Employees & Wages (Inside/ASU & Outside/AWU)' declared on the 2023/2024 LGIPF Questionnaire at the start of the year (ie: 1/7/2023). The **actual** amount payable is determined at the end of the year once the '2023/2024 LGIPF Actual Wages Declaration' is provided. This results in a 'Credit Note' issuing to Council as a result of the vacancies which occur during the financial year.

3. OPTIONS

The Committee has the following options:

- I. To note the status of Council's insurance portfolio for 2023-2024 as presented. (Recommended).
- II. To recommend additions or changes to the insurance portfolio. (Not Recommended)

4. APPENDIX

- (1) LGRS 2023-24 Insurance Renewal Update

Appendix 1

LGRS 2023-24 Insurance Renewal Update

2023/24 MEMBER RENEWAL

Important notice: 2023/24 LGA Asset Mutual Fund, LG Income Protection Fund and General Insurance changes

We confirm continuation of cover, your invoices detailing your contribution will be sent shortly, which detail the LGA Asset Mutual Fund, LG Income Protection Fund, and General Insurance and Marine covers for the period 30 June 2023 to 30 June 2024.

Our Summary of Fund Memberships and Insurances including Asset and Motor Vehicle Schedules for 2023/2024 will be available to download via the LGRS Member Centre by mid July 2023 online at [LGRS Member Centre](#).

In accordance with our obligations under the [Financial Services Reform Act 2001](#), we have supplied Council with a [Financial Services Guide \(FSG\)](#) that explains the services we provide online. It will assist you in determining whether to use any of these services.

The LGRS Member Centre will assist Council in maintaining and co-ordinating all aspects of your Risk Protection Program and contains the following information:

- Member Portfolio Documents – via [LGRS Member Centre](#)
- Contribution and Premium Summary
- LGA Asset Mutual Fund Property and Motor Vehicle Schedules
- Online Claim Lodgement with Procedures and Forms
- Personnel Contacts
- Policy Wordings and Scheme Rules - via [LGRS Member Centre](#)
- [Financial Services Guide \(FSG\)](#)

LGA Asset Mutual Fund (LGAAMF)

The LGAAMF cover continues to protect Council's Assets, Crime, Computer Equipment, Machinery, Cyber and Motor Vehicles in a manner which is well beyond the protection provided by traditional Insurance products. Details of the cover limits and Member retentions applicable are provided in the Summary of Fund and Insurance register.

Losses occurring prior to 4.00pm on the 30th June 2023 are required to be reported formally to the Fund by the 31st August 2023. Any claims reported after this date are classified as late reported and may not be indemnified by the Fund.

Property

The LGAAMF is committed to the sustainable protection of the Local Government Sector and continues to deliver broad protection with additional funded benefits to all our Members. In the last 10 years, the impact and frequency of weather-related events has seen claims costs and payment to members for material loss and damage increase substantially and now makes up 41% of all claims costs.

Rising inflation, higher demand for material, labour and professional services is also playing a role with impact on asset values. This will impact Members in the event of loss and/or damage to assets should they not be listed for the full replacement value.

Global Insurance Market Trends According to the Marsh Global Insurance Market Index which measures its global commercial insurance premium pricing change at renewal and representing the world's major insurance markets. Commercial property rates in the Pacific region, where Australia is the biggest market, recorded a price increase of 8% with loss impacted and CAT-exposed clients seeing the highest increases.

Noting rising inflation, building price increases and weather related losses, we are pleased to confirm that the LGA Asset Mutual Fund has been able to keep rate increase to a minimum of 1% which is a great result and benefit to our members noting higher increases of 8% in the commercial property market.

The Minimum Property Excess for the 2023/24 period will be \$1,000 each and every claim except for Members that already have a higher Excess.

Property endorsements applicable to the various reinsurers of the Fund are attached for your reference.

Section 2 of the Property cover – Business Interruption the indemnity period is limited to 12 months for:

- Failure of Supply from Public Utilities
- Prevention of Access (5km radius limit)
- Suppliers/ Customers Premises

Cyber Liability

The cyber market remains challenging, however is beginning to stabilise with price increases moderating. Coverage for cyber and security controls have been the main areas of focus. With the continuing emergence of Cyber incidents, we have successfully negotiated competitive re-insurance terms with a moderate 7% increase and the LGA Asset Mutual Fund continues to subsidise 50% of the total cost as another added value benefit to Members.

The Cyber Enterprise Risk Management policy wording and applicable endorsements is available via the [LGRS Member Centre](#)

Crime Protection

The Crime Protection provided via the LGA Asset Mutual Fund is reinsured by Chubb Insurance Australia Limited. We have been able to maintain rates for the 2023/24 period and summarise the following changes below:

- A new policy wording will apply for the upcoming period
- A summary of changes document is attached for your perusal and a copy of the new wording is available via the LGRS Member Centre
- Failure to Segregate Duties Exclusion to remain for certain members based on renewal responses

Previously the Reinsurer provided a \$250k Expenses Sublimit regardless of the Limit of Liability when normally it would be restricted to 10% of the Limit of Liability. However we have agreed the following for the 2023/24 period:

- \$300k Limit of Liability will have a \$100k Expense Limit
- \$500k Limit of Liability will have a \$150k Expense Limit
- \$1m and above Limit of Liability will have a \$250k Expense Limit

Protection for Crime is conditional upon receipt, review and acceptance of the Crime questionnaire prior to 30/06/2023 and that there is no material change in the risk between the date of your questionnaire and the 30th June 2023 and that there are no circumstances or claims notified between the date of your completed Crime Questionnaire and the 30th of June 2023.

Local Government Income Protection Fund (where applicable)

For the 2023/2024 period, the Local Government Income Protection Fund (LGIPF) has maintained coverage with a 5-7% increase in rates in line with the 2023/24 Budget Renewal Guide.

We remind members that the LGIPF is classified by ASIC as a Mutual Risk Product and Managed Investment Scheme. It is important to understand that the fund is not Insurance and should not be referred to as Insurance in documents provided to employees, such as in Enterprise Bargaining Agreements (EBA's). It is not uncommon to hear the LGIPF referred to as 'Income Protection Insurance' or the fund as a 'Mutual Self-Insurance Fund'. The LGIPF should never be referred to as Insurance.

We ask Members and Potential Members to ensure that Employees are provided with a copy and/or access to the LG Income Protection Fund PDS which provides an overview of the structure and benefits provided by the LGIPF, along with some guidelines and Scheme Rules which will be followed when considering claims and/or other matters that are referred to the LGIPF.

A copy of the PDS is available via the [LGRS Member Centre](#).

General Insurance

Employee Journey Insurance

This Insurance is Underwritten by QBE Insurance (Australia) Ltd, for the 2023/2024 period. Please note the Journey Insurance Policy Wording referenced as QM206 – 0521 can be viewed and/or downloaded from the LGRS Member Centre. This should be read in conjunction with the Endorsements detailed on the Journey Insurance Tax Invoice or Summary of Insurance Schedule. A marginal rate increase of 4.11% applies for the 2023-2024 Fund period.

Personal Accident – Corporate Travel Insurance

This Insurance is Underwritten by QBE Insurance (Australia) Ltd. The Policy Wording has recently been updated (QM692-0622 Local Government Personal Accident and Corporate Travel Insurance (SA) and a copy can be downloaded from the LGRS Member Centre. All benefits and limits have been maintained, however, Definition of Category has been enhanced to include 'Work Experience' persons. Rates have been maintained as per expiry for the upcoming Renewal Period.

A new Travel Assistance Provider has been appointed:

ASSISTANCE PROVIDER

QBE's travel Assistance Provider for this policy is nib International Assistance.

As service provider nib International Assistance is responsible for coordinating any medical evacuation and repatriation services required, and is ready to respond, 24 hours a day, 365 days a year. In the event of an Accident, Illness or Emergency during your trip overseas, please contact our medical and emergency assistance team.

Phone: +61 3 8523 2523

Email: travel-assist@nib.com.au

You will be asked for your name (Insured and Insured Person), Policy Number and the Period of Insurance.

You will need to advise the place and telephone number where the Insured Person can be reached and give a brief description of your situation and the nature of help required.

For full details of cover provided under this section of the Policy, please refer to the Policy Wording.

Public Liability for Adhoc & Occasional Hirers / Buskers /HACC/Community committees

This Insurance is Underwritten by QBE Insurance (Australia) Ltd via Victor Insurance for the 2023/2024. This Policy wording can be downloaded from the LGRS Member Centre. The following Endorsements/Exclusions apply to each cover and is attached to your Schedule for further review.

Public Liability policies for un-insured stallholders, buskers, entertainers, youth advisory committee, social clubs and other uninsured working parties of Council, the Property in Your Physical or Legal Control increased from \$100,000 to \$250,000

Excesses have increased from \$500 to \$1,000 for each and every Property Damage claim or series of claims arising out of any one Occurrence and the following exclusions/endorsements apply:

SPECIAL NOTE:

This policy does not cover fairs, festivals, fetes, parades, marches or other special events that your group organise where more than 500 people are expected, unless agreed to by LGRS (Local Government Risk Services) and noted in your policy schedule.

- Excess increased from \$500 to \$1,000 for each and every Property Damage claim or series of claims arising out of any one Occurrence and the following policy wording and exclusions/endorsements apply:

ENDORSEMENTS

ATTACHING TO AND FORMING PART OF THIS POLICY.

Except to the extent provision is already made, or more extensive cover is already provided by the printed policy wording, it is agreed that the following clauses are incorporated in the Policy.

The Insurer agrees that all definitions detailed in these clauses will replace the appropriate definitions in the printed Policy wording, which are deemed to be deleted.

Should any ambiguities exist in the clauses they will be interpreted in favour of the Insured.

Headings have been included for ease of reference and it is agreed that the Terms, Conditions and Exclusions of the Policy are not to be construed and interpreted by reference to such headings.

LCIS01 DEFINITIONS

2.21. You, Your or Insured (c) is amended to read as follows:

Any director, executive officer, Employee, voluntary unpaid worker which includes committee members, office holders, managers of You but only while acting within the scope of their duties in such capacity.

EXCLUSIONS

LCIS05 PARTICIPATION EXCLUSION

Personal Injury of any person caused by or arising out of the participation of such person or his/her property in any game, match, race, practice, trial, or other sporting activity (including but not limited to swimming, gymnastics, health and fitness activities) but this exclusion does not apply to Personal injury or Property Damage caused by or arising out of your negligence as a property owner or lessee or manager of the premises or facility.

LCIS07 SEXUAL MOLESTATION

Any claims arising from, contributed to by or in connection with sexual and/or child assault, abuse, molestation or attempt thereof. Furthermore, We will not indemnify You for '1.3 Supplementary Payments.

LCIS08 AMUSEMENTS EXCLUSION

Any claims arising from, contributed by or in connection with:

- (a) Animal rides;
- (b) Amusement rides and/or devices of any description;
- (c) Inflatable recreational equipment.

LCIS16 COUNCIL LIABILITY EXCLUSION

This Policy does not indemnify any council for their legal liability arising from the use, operation or provision of any council facilities provided for hire, use or operation by others or for any other business conducted by council in connection with such facilities.

LCIS32 TOTAL LISTED HUMAN DISEASE EXCLUSION

We shall not be liable to indemnify You for Your legal liability or any other benefit, cost or expense arising directly or indirectly out of, contributed to by, resulting from or in connection with any listed human disease determined under section 42 of the Biosecurity Act 2015 (Cth) or any Subsequent Legislation.

For the purposes of this exclusion "Subsequent Legislation" means:

1. An act or regulation as amended, replaced or re-enacted;
2. Where an act or regulation has been repealed, the current equivalent act or regulation (Commonwealth, State or Territory) with materially the same object or purpose whether in whole or part.

Buskers – Endorsement in addition to the above include:

LCIS15 BUSKERS

Claims for Personal Injury or Property Damage arising directly or indirectly from use of knives, swords (including theatrical knives and swords) or any activity involving the use of fire.

Umpires – Endorsements in addition to the above include:

LCIS18 PRODUCTS LIABILITY EXCLUSION

The following additional Exclusion is added to the Policy:

This Policy does not cover liability arising out of Your Products.

LCIS20 PERSONAL INJURY TO UMPIRES EXCLUSION

Any claim arising from Personal Injury to any umpire engaged by or on behalf of any council and/or sporting association

Commonwealth home support program (previous HACC) – Endorsements in addition to the above include:

LCIS04 PROFESSIONAL LIABILITY (TOTAL) EXCLUSION

The following amendments are made to the Policy: 'Professional Liability' Exclusion 3.15 is deleted and replaced with:

Liability to pay Compensation for the rendering of or failure to render professional advice or service by you or on your behalf or any related error or omission connected therewith.

LCIS21 TREATMENT RISK EXCLUSION

Personal Injury arising directly or indirectly out of or caused by Your error, omission or act, in the treatment or nursing of a patient, or in the use of medical apparatus or equipment, or in the provision or administration of drugs or medication by or on behalf of You.

Uninsured stallholders – Endorsement in addition to the above include:

WHEN YOU ARE NOT COVERED:

We cannot provide cover through LCIS for stallholders providing the following services/products: All commercial businesses must have own cover as we cannot provide cover to businesses.

- Goods imported by you;
- Jumping castles, inflatable slides, trampolines, amusement rides;
- Live animals;
- Child minding activities;
- Photo booths
- Toys
- Tobacco, E-cigarettes, electronic vaping devices, electronic nicotine delivery systems or similar smoking apparatus;
- Sale of alcohol;
- Amusement rides/devices – mechanical, powered or animal;
- Bicycles, Skateboards, in line skates, roller skates, scooters and associated protective equipment;
- Inflatable pools, life jackets, floating devices and other floating aids;
- Protective or safety equipment and/or clothing, eyewear and life preservation products;
- Second hand electrical items & tools;
- Automotive parts/accessories of any nature (including motor cycles);
- Sporting goods/equipment;
- Swords, Spears, Bows, Crossbows, Firearms, ammunition or weapons of any kind;
- Knives, not including chef/kitchen knives or garden pruning equipment;
- Fireworks, pyrotechnics or explosives;
- Sale of flammable, dangerous and/or hazardous chemicals, petrochemicals, pool chemicals and flammable liquids with a flash point below 23°C
- Sale of animals;
- Sale of animal feed, pet food or pet food supplements. Not including pet treats for domestic animals;
- Vaporisers and humidifiers;
- Treatment risks including massage, acupuncture, chiropractic treatment and natural therapies;
- Nutraceuticals or cosmetics;
- Any medical device or alternative therapy medical device including any massage device;
- Detergents and/or soaps (including natural) manufactured by Insured;
- Candles of any description and including the burning or heating by flame of oils/essences but excluding incense sticks;
- Vitamins, minerals, herbals and other health supplements (other than food);
- Children's toys;
- Children's cubby houses;
- Children' swings, slides, playground equipment or climbing equipment;
- Baby/Infant clothing/children's clothing;

LCIS09 PRODUCTS LIABILITY – CHILDREN'S TOYS / SECOND HAND ELECTRICAL ITEMS & TOOLS

Property Damage or Personal Injury caused directly or indirectly by the manufacture, sale or supply of children's toys and second hand electrical items / tools.



Contact:

Please direct your question to our support team for help via our dedicated renewals inbox:
lgrsrenewals@jlta.com.au

Local Government Risk Services (LGRS) is a division of JLT Risk Solutions Pty Ltd (ABN 69 009 098 864 AFS Licence No: 226827) (JLT) and is a business of Marsh McLennan.

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This document contains general information regarding the cover provided to Members of the Local Government Mutual Risk Schemes. It does not take into account your organisation's individual objectives, financial situation or needs.

For all details regarding the cover provided to Members of the Mutual Risk Schemes, refer to the Scheme Rules for the LGA Workers Compensation Scheme, LGA Mutual Liability Scheme, LGA Asset Mutual Fund and LG Income Protection Fund Scheme, the JLT Risk Solutions Product Disclosure Statement (PDS) (for the LG Income Protection Fund Scheme) or contact your LGRS Representative.

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