



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 20 November 2023
6.00pm
63 Mt Barker Road, Stirling

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

Committee meetings are open to the public and members of the community are welcome to attend. 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 20 November 2023
6.00pm
63 Mt Barker Road, Stirling

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 – Monday, 16 October 2023

Recommendation

That the minutes of the Audit Committee meeting held on Monday 16 October 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 report be received and noted.*
 2. *That the status of the Action Report and Work Plan be noted.*

8. **OFFICER REPORTS**
 - 8.1. Presiding Member's report

 - 8.2. Budget Review Quarter 1 2023-24
 1. *That the report be received and noted.*
 2. *To recommend to Council the proposed budget adjustments presented in Budget Review 1 which result in:*
 - a. *A decrease in the Operating Surplus from \$1,082k to \$608k for the 2023-24 financial year.*
 - b. *Changes to Capital Works, reducing capital income by \$480k and decreasing capital expenditure by \$3.046 million for the 2023-24 financial year resulting in a revised capital expenditure budget for 2023-24 of \$25.46 million.*

 - 8.3. Draft Annual Report 2022-23
 1. *That the report on the Draft Annual Report 2022-23 be received and noted.*
 2. *To advise Council that the Committee has reviewed the Draft 2022-23 Annual Report, as contained in Appendix 1, in terms of the reports adequacy in meeting its legislative requirements.*
 3. *That, on the basis of the Committee's review, to recommend the Annual Report to Council for adoption.*

 - 8.4. Auditors Completion Report
That the Audit Completion Report be received and noted.

 - 8.5. Annual Investment Performance 2022-2023
That the report on Investment Performance for 2022-2023 be received and noted.

 - 8.6. Treasury Policy Review
 1. *That the report on the Review of the Treasury Policy be received and noted.*
 2. *To recommend to Council the adoption of the Treasury Policy as detailed at Appendix 1.*

- 8.7. Debt Recovery Policy Review
1. *That the report on the Debt Recovery Policy be received and noted.*
 2. *To recommend to Council the adoption of the Debt Recovery Policy as detailed in Appendix 1.*
- 8.8. Audit Committee's Self-Assessment Review
1. *The Audit Committee resolves the Audit Committee Self-Assessment 2023 report be received and noted.*
- 8.9. Audit Committee Meeting Dates 2024
1. *That the report on the Audit Committee Meeting Dates for 2024 be received and noted.*
 2. *To approve the Audit Committee meeting schedule, timings, and locations for 2024 as follows:*

Commencement	6.00pm
Meeting Dates and Locations	19 February 2024, 63 Mt Barker Road, Stirling
	22 April 2024, 63 Mt Barker Road, Stirling
	20 May 2024, 63 Mt Barker Road, Stirling
	19 August 2024, 63 Mt Barker Road, Stirling
	21 October 2024, 63 Mt Barker Road, Stirling
	18 November 2024, 63 Mt Barker Road, Stirling

9. INFORMATION FOR NOTING

- 9.1. *Accounting Standards on Environmental, Social and Governance Reporting*
- 9.2. *Financial Capacity Review – BRM Report*
- 9.3. *Letter - Hon Geoff Brock MP – ESCOSA review*

10. QUESTIONS WITHOUT NOTICE

11. CONFIDENTIAL ITEMS

12. NEXT MEETING

The next Audit Committee meeting will be held at 6.00pm on 19 February 2024 at 63 Mount Barker Road, Stirling.

13. CLOSE MEETING

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 16 OCTOBER 2023
36 NAIRNE ROAD WOODSIDE**

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
Natalie Armstrong	Director Development & Regulatory Services
Gary Lewis	Manager Finance Services
Kira-marie Laverty	Corporate Planning & Performance Coordinator
Jody Atkins	Governance & Risk Coordinator / Minute Secretary

Guests in Attendance:

Linh Dao, Audit and Insurance	BDO Australia
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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 Karna 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

2.3 Absent

Nil

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 16 OCTOBER 2023
36 NAIRNE ROAD WOODSIDE**

3. MINUTES OF PREVIOUS MEETINGS

3.1 Audit Committee Meeting 21 August 2023

Moved Pamela Lee

S/- Peter Brass

AC37/23

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.

Carried Unanimously

4. PRESIDING MEMBER'S OPENING REMARKS

The Presiding Member provided the Committee with an update on changes to the organisation's structure that had occurred following the recent resignations of Peter Bice, Lachlan Miller, and Pam Williams. The Chief Executive Officer also issued a Transitional Organisation Structure that provided additional details to the Committee and outlined the reasoning behind this structure.

A welcome to Gary Lewis, Finance Manager for attendance at his first meeting and Linh Dao from BDO.

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 Action Report and Work Plan Update

Moved Peter Brass

S/- Pamela Lee

AC38/23

- 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.**

Carried Unanimously

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 16 OCTOBER 2023
36 NAIRNE ROAD WOODSIDE**

8. OFFICER REPORTS – DECISION ITEMS

8.1 Development Services Service Review – Implementation Plan

Moved Pamela Lee

S/- David Moffatt

AC39/23

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.

Carried Unanimously

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

The Audit Committee met with the Auditor, Linh Dao, BDO, without Council staff present, to discuss the External Auditor's report and any issues arising from the audit.

Moved Peter Brass

S/- Pamela Lee

AC40/23

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's 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.

Carried Unanimously

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 16 OCTOBER 2023
36 NAIRNE ROAD WOODSIDE**

8.3 Quarterly Council Performance Report – Q1 2023-24

Moved Cr Melanie Selwood
S/- Peter Brass

AC41/23

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

Carried Unanimously

8.4 Internal Audit Quarterly Report – Q1 2023-24

Moved Pamela Lee
S/- David Moffatt

AC42/23

That the Internal Audit Quarterly Report be received and noted.

Carried Unanimously

9. MOTIONS ON NOTICE

9.1 Local Government Income Protection Fund

Moved Cr Malcolm Herrmann
S/- Cr Melanie Selwood

AC43/23

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.

Carried Unanimously

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 16 OCTOBER 2023
36 NAIRNE ROAD WOODSIDE**

10. QUESTIONS WITHOUT NOTICE

10.1 Stirling Arcade Fire

Peter Brass asked a question regarding the rate impact relating to the Stirling Village Fire.

11. CONFIDENTIAL ITEMS

Nil

12. NEXT MEETING

The next ordinary meeting of the Audit Committee will be held on Monday 20 November from 6.00pm at 63 Mt Barker Road, Stirling.

13. CLOSE MEETING

The meeting closed at 8.06pm.

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 20 November 2023
AGENDA BUSINESS ITEM**

Item: 7.1

Responsible Officer: Jody Atkins
A/Governance and Risk Coordinator
Corporate Services

Subject: 2023 Action Report and Work Plan 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 (**Appendix 2**) has NIL (0) suggested amendments for this meeting.

A Draft Audit Committee Work Plan 2024 (**Appendix 3**) has been attached for consideration only, with further review and adoption to occur in February 2024.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the report on the 2023 Action Report and Work Plan Update be received and noted.**
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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.

This report provides an update on the 2023 Audit Committee Work Plan and also provides a Draft Audit Committee Work Plan 2024 for review. As discussed at the last meeting of the Audit Committee on 16 October 2023 it is intended to bring a revised Plan to the February 2024 meeting of the Committee.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

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.

➤ **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:

Council Committees: Not Applicable
Council Workshops: Not Applicable
Advisory Groups: Not Applicable
External Agencies: Not Applicable
Community: 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 seven (7) completed items and two (2) outstanding items on the Audit Committee Action Report (**Appendix 1**) arising from previous Committee meetings. Commentary against the items are provided for the Committee’s information.

Work Plan and Reporting Schedule

As per the *2023 Audit Committee Work Plan and Reporting Schedule (Appendix 2)*, the following items are detailed below are included in this meeting:

Item	Commentary	Month Scheduled
Financial Reporting		
Long Term Financial Plan (LTFP)		February
Annual Business Plan		April
Budget Review 1	Included in this meeting	November
Budget Review 2		February
Budget Review 3		May
End of Year Financial Report	Included in this meeting	November
End of financial year reporting timetable		May
End of financial year update		August

Item	Commentary	Month Scheduled
Final Annual Financial Statements (incl management representation letter)		October
Internal Control and Risk Management		
Placement of Council's insurance portfolio (for noting)		August
Internal Financial Controls update		May
Risk Management Plan update	Deferred	February/June/ August/November
Results of LGRS Risk Management Review		February (Biennial)
LGRS Risk Evaluation - Action Plan Review	Deferred	May/November
Internal Audit		
Internal Audit quarterly update	Included in this meeting	February/May/ October/November
Internal audit reports		As Required
Implementation of internal audit actions progress report		February/August
Internal Audit Plan review	Included in this meeting	November
External Audit		
External audit interim letter		June
Implementation of external audit actions progress report		February/August
External Audit Plan review		February
Meeting attendance by external auditors		February/October
Review of auditor independence and legislative compliance		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 2024
Service Review		
Service Review Brief		November
Service Review Report		June/November
Implementation of service review actions progress report		April/August
Other Business		
Audit Committee self-assessment review	Included in this meeting	November
Presiding Member's Report	Included in this meeting	November
Work Plan and Reporting Schedule	Included in this meeting	November

Item	Commentary	Month Scheduled
Audit Committee Meeting Dates	Included in this meeting	November
Debtors Report		February/August
Council’s Annual Report	Included in this meeting	November
Action Report & Work Plan Update	Included in this meeting	All Meetings
Audit Committee Terms of Reference		August
Climate Changer Adaptation Governance Assessment Report -		October
Directorate Presentation	Deferred	June/August/ October/November
Other Reports	As required	As Required

2024 Work Plan Draft

A *Draft Audit Committee Work Plan 2024* is included for the Committee’s review, with further discussions and adoption to occur in February 2024. (**Appendix 3**).

3. OPTIONS

The Audit Committee has the following options:

- I. To note the status of the Action Report at **Appendix 1** and Audit Committee Work Plan 2023 at **Appendix 2** (Recommended).
- II. To alter or substitute elements of the Action Report or Work Plan (Not Recommended).

4. APPENDICES

1. Audit Committee Action Report
2. Audit Committee Work Plan 2023
3. Draft Audit Committee Work Plan 2024

Appendix 1

Audit Committee Action Report

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	<ol style="list-style-type: none"> 1. That the report be received and noted. 2. To receive and note the Service Review 2022-23 – Development Services, as contained in Appendix 3. 3. To note that 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. 	Terry Crackett	Kira-Marie Lavery	Completed	1/11/2023	16/10/2023	The Management Review and Implementation Plan of agreed actions was tabled at the October 2023 Audit Committee meeting.
21/08/2023	AC29/23	Action Report & Work Plan Update	Nil	<ol style="list-style-type: none"> 1. That the Action Report and Work Plan Update be received and noted 2. To note the status of the <i>Action Report August 2023</i> as contained in <i>Appendix 1</i>. 3. To note the <i>Audit Committee Work Plan 2023, Version: 1.2</i> as contained in <i>Appendix 2</i>. 4. 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 and 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	18/10/2023	22/09/2023	An End fo Financial Year update was provided to Council. Carry forwards amounts have been updated in the Budget and will be reported to Council within Budget Review 1 in November. The Financial Statements have been finalised and reported to the Audit Committee at its meeting of 16 October 23 and will be reported to Council at its meeting on 24/10/23.
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	In Progress	13/09/2023	12/09/2023	The Minutes of the Audit Committee were considered by Council on 12 September where it was resolved 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.
16/10/2023	AC38/23	Action Report and Work Plan Update	Nil	<ol style="list-style-type: none"> 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 	Terry Crackett	Jody Atkins	Completed	25/10/2023	10/11/2023	No further action required.
16/10/2023	AC40/23	2022-23 Annual Financial Statements and End of Year Report	Nil	<ol style="list-style-type: none"> 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's 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. 	Terry Crackett	Gary Lewis	Completed	30/10/2023	15/11/2023	Statements adopted by Council on 24 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)
16/10/2023	AC43/23	Local Government Income Protection Fund	Nil	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.	Terry Crackett	Gary Lewis	In Progress	7/11/2023	1/02/2024	Research is currently underway on the questions. A report will then be written to be provided to the February 2024 meeting as per the request.
16/10/2023	Not Applicable	Stirling Mall Fire - Rates query	Nil	To supply Audit Committee an approximate regarding rate affects to Council due to the fire	Terry Crackett	Terry Crackett	Completed	31/10/2023	15/11/2023	Information provided to Committee in accordance with the request.
31/10/2023	AC39/23	Development Services Service Review - Implementation Plan	Nil	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.	Natalie Armstrong	Deryn Atkinson	In Progress	25/10/2023	25/03/2024	Implementation of Action Plan commenced

Appendix 2

Audit Committee Work Plan 2023

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	

						Deferred 2
					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	Deferred 2
					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.

Appendix 3

Draft Audit Committee Work Plan 2024

REPORT TO THE ADELAIDE HILLS COUNCIL ON THE OPERATIONS OF THE AUDIT COMMITTEE DURING 2023

INTRODUCTION

As outlined in Clause 8.1.2 of the Terms of Reference for the Audit Committee, the Presiding Member will attend a meeting of the Council at least once per annum to present a report on the activities of the Committee. This report provides an overview of the Adelaide Hills Council's Audit Committee operations for the 2023 calendar year.

This report includes:

- A summary of the work the Committee performed during the year aligned to the Committee's Terms of Reference; and
- Details of meetings, including the number of meetings held during the period, and the number of meetings attended by each member.

The report is intended to invite comment from the Council on all of the above.

SUMMARY OF WORK PERFORMED AGAINST THE TERMS OF REFERENCE

For 2023, as in previous years, the Audit Committee had established a robust framework for the provision of information to meet the objectives established within the Terms of Reference. As a consequence, some 47 reports and other matters were considered by the Committee over eight meetings (including this one), and where appropriate, recommendations subsequently provided to Council.

The following sections of this report provide a brief summary of the work undertaken by the specific function of the Committee as set out in the Terms of Reference.

Financial Reporting and Prudential Requirements

Strategic Management Planning

In relation to Council's suite of Strategic Management Plans (SMP), the Committee reviewed the assumptions underpinning the *Long Term Financial Plan* (LTFP) at its February meeting prior to recommending its approval for public consultation to Council.

Annual Business Planning

In April, the Committee reviewed the draft *2023-24 Annual Business Plan and Budget* (ABP) in terms of its alignment with the strategic management plans and the adequacy of the plans in the context of maintaining financial sustainability. The Committee recommended the draft ABP to Council for approval for public consultation.

Budget Reviews

The Audit Committee reviewed the 2022-23 second (BR2) and third (BR3) budget reviews and the End of Year Financial Report 2022-23. The Committee reviewed the 2023-24 first (BR1) budget review prior to these reports going to Council.

Financial Statements and Annual Reports

At the October 2023 meeting, the Committee had an in depth discussion around the draft Annual Financial Statements that had been presented. The Committee was satisfied that the Statements present fairly the state of affairs of Council in accordance with the *Local Government Act 1999*, the *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards

At the November 2023 meeting, the Committee considered the draft 2022-23 Annual Report in its capacity as advisors to Council on the report's adequacy of meeting its legislative requirements, and recommended to Council that the report be adopted.

Quarterly Performance Reporting

Commencing in the 2019-20 financial year, the Committee receives quarterly performance reports on the achievement of strategic plan objectives and priorities, key projects, customer and other performance targets, capital works program implementation and financial performance.

These reports continued in the 2023 calendar year with the Quarter 2, 3 and 4 2022-23 reports and the Quarter 1 2023-24 report being considered at each of its quarterly meetings.

Internal Controls and Risk Management Systems

Internal Controls

From the start of the 2015-16 financial year, Adelaide Hills Council has had additional obligations regarding the development and maintenance of a system of internal financial controls, consistent with the requirements of the *Local Government (Financial Management) Regulations 2011*. This has required Council's external auditors to provide an opinion on internal financial controls in accordance with s129(3)(b) of the Act.

Monitoring against the key risks and controls has been generated from a system called 'Control Track'. This system tracks the recognised 'core' controls and the agreed treatment plans by responsible officers. These have been provided to the Audit Committee on a bi-annual basis.

Risk Management

Throughout the year, the Audit Committee has reviewed quarterly updates on the organisation's strategic risks and mitigation actions. The strategic risks are managed in the SkyTrust risk management platform. The Committee has received briefings on the development of the SkyTrust product in relation to its corporate risk management capabilities and will continue to monitor these.

Steady progress was noted in the implementation of mitigations with a number of new mitigations identified throughout the period as the risk and control environments have evolved.

At its August meeting, the Committee received a report on the placement of Council's insurance portfolio and the enhanced elements of Council placement and claims management arrangements in conjunction with the insurers. The Committee noted that costs have been heavily impacted by the frequency of weather-related events and resulting claims, as well as rising inflation, higher demand for material, labour and professional services which are impacting asset values.

Debtors

Bi-annual reporting of debtors continued to the Committee which demonstrated the ongoing improvement in the management of historic rate debtors as a result of the development and application of a *Debt Recovery Policy*.

Policy Reviews

The Committee plays an important role in reviewing all financial and internal control related policies and making recommendations as appropriate to Council. During 2023, the Committee reviewed the following:

- *Debt Recovery Policy*
- *Treasury Policy*

Internal Audit

The Committee received quarterly reports on the implementation of the Strategic Internal Audit Plan 2018-19 – 2022-23. Progress against the Plan has been behind schedule 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 impacts, and resignation of two senior staff members within the Governance & Performance Team. The Committee has noted a number of projects have been scoped and prepared for procurement. These projects will be incorporated into the next Strategic Internal Audit Plan which will be presented to the Committee in February 2024.

The agreed actions from previous internal audits captured within the Committee's Audit Actions Implementation Register, continue to be reported to the Committee on a bi-annual basis to ensure that appropriate actions are being undertaken.

External Audit

At its April meeting, the Audit Committee received the *Annual Audit Plan 2023* from its recently appointed external auditor, BDO.

At the June meeting, the Committee considered the communication received from BDO regarding its interim visit relating to the 2022-23 Annual Financial Statements and Internal Financial Control Audit. A number of recommendations were made by BDO regarding potential improvements to the suite of internal financial controls and management responses and agreed actions adopted.

The Audit Committee met with BDO in the absence of management at the October meeting. The auditors advised that the financial management and reporting of council activities was of a very good standard, and while there had been an error in previous financial years associated with the recording of assets within WIP, there are adequate controls in place to minimise the risk of it happening in the future.

Other Matters

In April 2023, an update on the implementation of recommendations from the Service Review of the Civil Service Maintenance Function was received. At the October meeting, a report was provided on the outcomes and recommendation of the Development Services Service Review. Recommendations from the Service Review that were adopted in the Action Plan are monitored in Council's Audit Action Register and will be reported on a bi-annual basis to Audit Committee and Council.

The Committee reviewed the Council's Insurance portfolio and was satisfied that there is adequate protection of Council's assets and workforce. As part of the review, the Committee called for a report from the CEO on the operation of the Local Government Income Protection Fund

The Committee also assessed the External Auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services. The Committee is satisfied that for the 2022-23 financial year, there were no relationships between the External Auditor and the Council that compromise audit independence, and this was also confirmed in writing by the external auditor.

In their audit of the Council's Annual Financial Statements, the External Auditors (BDO) have issued an unqualified audit opinion in the *2022-23 Audit Completion Report* providing the following statement:

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.

In auditing the internal financial controls, Council’s External Auditors have issued an unqualified audit opinion in the *2022-23 Audit Completion Report* providing the following statement:

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.

COMMITTEE SELF-ASSESSMENT

At its November meeting, the Committee considered the results of its annual Self-Assessment process. The feedback received is that the Committee is performing in relation to its rule and functions under the Committee’s Terms of Reference.

DETAILS OF MEETINGS

During 2023, a total of eight (8) Audit Committee meetings were held being:

- 20 February 2023
- 20 February 2023 – Special Audit Committee
- 17 April 2023
- 15 May 2023
- 19 June 2023 – Special Audit Committee
- 21 August 2023
- 16 October 2023
- 20 November 2023

The above meeting cycle is consistent with the requirements of the Committee’s Terms of Reference which requires at least four meetings per year to be held.

The Audit Committee member attendance at meetings during the year was as follows:

Name	Attendance	Comments
Cr Malcolm Herrmann	8/8	Presiding Member
Peter Brass	8/8	Independent Member
David Moffatt	8/8	Independent Member
Natalie Johnston	3/3	Independent Member
Pamela Lee	5/5	Independent Member
Cr Melanie Selwood	8/8	Committee Member

Committee Membership is renewed in a staggered manner to provide continuity of knowledge. Current Membership terms are as follows:

Role	Name	From	To
Presiding Member	Cr Malcolm Herrmann	30 November 2022	30 November 2023
Independent Member	Peter Brass	14 December 2021	30 November 2023
Independent Member	David Moffatt	14 December 2021	30 November 2027*
Independent Member	Natalie Johnston	01 December 2020	30 April 2023
Independent Member	Pamela Lee	01 May 2023	30 April 2027
Committee Member	Cr Melanie Selwood	30 November 2022	30 November 2023

*David Moffatt was re-appointed at the April meeting for another 4-year term commencing 1 December 2023.

FUTURE WORK PROGRAM PROPOSAL

The Committee will review its work plan for 2024 at its February 2024 meeting. This Work Plan will ensure that the Committee continues to undertake its principal functions as set out in the *Local Government Act 1999*.

The *Statutes Amendment (Local Government Review) Act 2021* (the "Amendment Act") was assented to by the Governor on 17 June 2021. There are a number of provisions in the Amendment Act relating to audit committees which will result in changes to nomenclature, functions, membership, internal and external audit arrangements. The majority of these new provisions are not due to commence until 30 November 2023 however the AHC Audit Committee is well-placed as many of these good governance arrangements have been in effect for a number of years.

CONCLUSION

The body of work undertaken by the Committee is continuing to develop over time and the Committee is striving to ensure that its work is useful in the context of contributing to Adelaide Hills Council strategic objectives.

Finally, I would like to thank the other members of the Committee for their ongoing efforts in ensuring that the work undertaken is done so at both a highly professional and robust level. I would also like to thank those staff involved in preparing the reports and responding to questions at meetings, as their involvement has significantly aided in the review and decisions of the Committee.

Cr Malcolm Herrmann

Presiding Member

Adelaide Hills Council Audit Committee

20 November 2023

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 20 November 2023
AGENDA BUSINESS ITEM**

Item: 8.2

Responsible Officer: Gary Lewis
Manager, Financial Services
Corporate Services

Subject: 2023-24 Budget Review 1

For: Decision

SUMMARY

The *Local Government (Financial Management) Regulations 2011* (the Regulations) requires Council to formally consider its budget three times per year. This statutory requirement recognises the likelihood that events will occur that require or offer opportunities for changes to the budget during the year.

This report presents Budget Review (BR1) of the 2023-24 financial year to the Audit Committee for review. Budget Review 1 is built on the budget that was adopted by Council in its Annual Business Plan and the previously adopted Carry Forwards adjustments. BR1 will be submitted to Council for consideration on 28 November 2023.

Whilst the proposed budget variations decrease Council's 2023/24 Operating Surplus by \$474k from \$1,082k to \$608k, the underlying operating surplus (i.e., after the removal of once off adjustments) remains strongly in alignment with original forecasts of \$1,228k at \$1,153k. This is documented in **Appendix 3**.

The main driver of the drop in the Operating Surplus reflects the removal of \$434k in grant income which was required to be brought to account in the 2022-23 Financial Year when Statements were being prepared. Previously this has been included in FY 2023-24.

Following the carrying forward of capital expenditure budgets of \$10.603, the BR1 process has included a review of the total capital program and is recommending that it be reduced. The budget currently stands at \$28.5 million and is recommended to be reduced by \$3.046 million to \$25.46 million.

This net reduction in capital budget includes an additional \$547k for projects that are not currently in the Budget but are to be considered for the LRCIP grant funding process. These projects are urgent works required to retain roads where the embankments have failed creating potentially dangerous conditions. If they are successfully included as a part of the LRCIP grant process then there will be offsetting income earned which is not yet recognised in the budget.

As a result of the proposed operating and capital adjustments and true up to the actual start of year balance, Council's Net Borrowing Result for the year is projected to decrease from \$16.98 million to \$11.888 million.

RECOMMENDATION

The Audit Committee resolves:

1. That the report be received and noted.
 2. To recommend to Council the proposed budget adjustments presented in Budget Review 1 which result in:
 - a. A decrease in the Operating Surplus from \$1,082k to \$608k for the 2023-24 financial year.
 - b. Changes to Capital Works, reducing capital income by \$480k and decreasing capital expenditure by \$3.046 million for the 2023-24 financial year resulting in a revised capital expenditure budget for 2023-24 of \$25.46 million.
-

1. BACKGROUND

At the Council meeting held on the 27 June 2023, Council adopted the original 2023-24 *Annual Business Plan and Budget*, reflecting a Budgeted Operating Surplus of \$1,228k.

At that meeting carry forwards were also considered that brought in an additional \$140k in operating costs associated with contributions to Amy Gillett Stage 4 and the Houghton Soldiers Memorial Park, and \$6.153 million in capital expenditure and \$2.919 million in capital income.

Subsequent to that meeting, Council, in consideration of the 2022-23 Preliminary End of Year Financial Report and Carry Forwards Report adopted on 22 August 2023 has approved an additional carry forward of \$4.488 million of Capital Expenditure in the 2023-24 budget for work originally budgeted in 2022-23. There was also an additional \$5k reduction in the operating surplus.

The Regulations require Council to formally consider its budget three times per year. This statutory requirement recognises the likelihood that events will occur that require, or offer opportunities for changes to, the budget during the year. This report presents the first Budget Review (BR1) of the 2023-24 financial year.

Where possible Council's customary practice is to include Budget Reviews as an agenda item at Audit Committee meetings prior to consideration of Council.

Budget Review Presentation

In accordance with the Regulations the Uniform Presentation of Finances showing the movements in the current and proposed budgets is provided as **Appendix 1** to this report.

2. ANALYSIS

➤ **Strategic Management Plan/Council Policy**

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 structures 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

A key aspect of Council’s formal budget reviews is to review and monitor Council’s Annual Budget with reference to its overall financial position and its *Long Term Financial Plan* (LTFP) to ensure Council continues to be financially sustainable.

➤ **Legal Implications**

The undertaking of formal budget reviews is a requirement of the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.

➤ **Risk Management Implications**

Conducting the budget review process as required by Regulations will assist in mitigating the risk of:

Failure to conduct the budget review process as required by Regulations results in inaccurate budgets and unforecasted deficits leading to inadequate resourcing for current and future activities.

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

It ensures that financial resources are deployed in areas that align with Council’s Strategic Management Plans, are affordable and support Council’s *Long Term Financial Plan*.

➤ **Financial and Resource Implications**

The proposed BR1 budget changes decrease Council’s Operating Surplus by \$474k from \$1,082k to \$608k. However, the underlying operating surplus (i.e., after the removal of once off adjustments) remains in alignment with original forecasts at \$1,153k, this is documented in **Appendix 3**.

In terms of capital, it is proposed to reduce Capital Income by \$480k and decrease Capital Expenditure by \$3.046 million.

As a result of the proposed operating and capital adjustments and adjustment for the opening position for the year, Council’s Net Borrowing Result (from the Uniform Presentation of Accounts) for the year will decrease from \$16.980 million to \$11.888 million.

It should be noted that the figures in this report and supporting appendices have been rounded and consequently individual sub-totals, whilst being correct, may differ slightly from the sum of the rounded amounts.

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

There is a high expectation that Council has appropriate financial governance processes in place including the review of the budget periodically.

➤ **Sustainability Implications**

Financial sustainability is foundational to the Sustainability of Council. The Budget Review process is a key point of control in the financial year where the ongoing financial sustainability can be reviewed.

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

Council Committees: Not Applicable
Council Workshops: Not Applicable
Advisory Groups: Not Applicable
External Agencies: Not Applicable
Community: Not Applicable

➤ **Additional Analysis**

In the preparation of this budget review there has been a significant review of the capital budgets.

The adoption of two tranches of carry forwards from the 2022-23 budget into 2023-24, has substantially increased the capital budgets for 2023-24. A review has been conducted to assess the capacity of Council to deliver these budgeted projects.

\$000's Capital Expenditure	ABP	ABP Carry Forward	August Carry Forward	Total
Renewal/Replacement of Existing Assets	10,424	1,224	3,344	14,992
New/Upgraded Assets	7,485	4,891	1,144	13,520
Total Budgeted Capital Projects	17,909	6,115	4,488	28,512

While the financial value of a project is not 100% correlated with the internal resources required to deliver it these are normally highly correlated. An analysis of recent history has found capital project delivery levels as follows.

\$000s	Actual			
	2019-20	2020-21	2021-22	2022-23
Renewal/Replacement	9,718	7,823	12,337	10,070
New/Upgrade	3,223	5,372	6,102	5,200
	12,941	13,195	18,439	15,270

This indicates that the capacity to deliver within a single year is materially below the current budgeted projects.

A review was conducted by all budget/project leads to identify projects that were beyond the capacity to deliver, or for other reasons, were at risk of not being delivered within the financial year. These are detailed in **Appendix 2**.

After these adjustments the total capital budget will be as follow.

\$000's Capital Expenditure	Current Budget	Budget Review 1	Total
Renewal/Replacement of Existing Assets	14,992	(1,331)	13,661
New/Upgraded Assets	13,520	(1,715)	11,805
Total Budgeted Capital Projects	28,512	(3,046)	25,466

A further review of these projects will be conducted at the mid-year with a view to minimising the necessity for carry forward into the following year.

Budget Review 1 Proposed Adjustments

\$000s	2023-24 Current Budget	Proposed BR1 Adjustments	Revised Budget after BR1
Operating Income	57,078	(324)	56,754
Operating Expenditure	55,996	150	56,146
Operating Surplus	1,082	(474)	608
Depreciation	11,106	(103)	11,004
Capital income	3,942	(480)	3,462
Capital Expenditure	-28,512	3,046	25,466

Operating:

Operating Income - \$324k decrease

- The reversal of carried forward operating grants income of \$435k.
 - This amount was initially carried forward into the 2023-24 budget following the Preliminary End of Year and Proposed Carry Forwards Budgets report adopted by Council at its meeting of 22/08/2023.

- In the process of completing the financial statements it was identified that this income should be reported in FY2022-23, even though the associated expenditure of \$440k is to be reported in the FY2023-24 budget.
- This mismatch effectively improved the FY2022-23 operating result at the expense of the FY2023-24 result.
- Unbudgeted grants revenue for Protecting Our Communities. \$100k has already been received and a further \$75k will be received by the end of the year.
- A \$79k reduction in planning fee income to reflect the current downward trend on assessment activity.
- Various minor items contributing an extra \$13k to income.

Operating Expenditure - \$150k increase

- Savings in Payroll costs of \$15,000 over and above those that were included in the original budget have been identified across CWMS and Library operations.
- A net increase of \$267k in contracts materials and other costs made up of the following,
 - Arboriculture costs of \$143,500 – these costs relate to two items
 - \$59,200 for dealing with an excess of stockpiled tree mulch. A significant build up occurred principally following the storm damage in November 2022 which is a combination of Council waste and illegally dumped waste on Councils reserve at Hoopers Road, Kersbrook. The implications of this were not taken into account in the original budget process.
 - \$84,000 to cover the cost of developing a Tree Strategy per resolution 146/23. It is expected that the work will require at least one staff member 6 months to complete, which was indicated in the original report. To maintain normal service levels an external contractor will be used for the period of time.
 - Transfers from Capital to Operating of \$94,490
 - \$64,490 – this is a correction to the classification of the costs for the preparation of the Stormwater Management Plan.
 - \$30,000 for the purchase of new bins for the waste pilot which had originally been classified as a capital expenditure.
 - Unplanned CWMS maintenance work of \$27,000
 - \$15,000 for repairs following significant failures in the pump infrastructure at the Church Street Pump Station. This expenditure cannot be covered within the normal annual maintenance budget of \$22,000.
 - \$12,000 for unplanned works to rectify gravity mains and connections at Jacaranda Drive.
- A reduction in CWMS depreciation of \$102,500. In 2022-23 a valuation of the CWMS assets was completed however it was not fully available in time for the preparation of the budget. This adjustment brings the budgeted depreciation in line with the updated information from the asset management systems.

Details of the Operating Budget proposed changes are detailed in **Appendix 3**.

Capital Income decreases by \$480k




This adjusted is a decrease in the expected Blackspot funding grant by \$480k.

Capital Expenditure - \$3,046k decrease

A comprehensive review of the capital projects was conducted with the goal of reducing the current \$28.5m, this is covered above and detailed in Appendix 2.

Key Performance Indicator's

The key performance indicators are as shown below.

	Council Adopted Target	2023-24 Annual Business Plan	Current Budget (BR0)	Proposed BR1	
Operating Surplus Ratio	1% to 5%	2.2%	1.9%	1.1%	
Net Financial Liabilities Ratio	25% to 75%	48.3%	55.9%	49.1%	
Asset Renewal Funding Ratio	95% to 105%	101.3%	145.7%	132.7%	

The renewal expenditure is materially outside of Councils adopted target range even though it has been significantly reduced following the initial carry forwards adjustments. The current budget is \$2.85m over the maximum allowable to be within the target range. A further review of this expenditure will be carried out for the mid-year budget review process.

3. OPTIONS

The Committee has the following options:

- I. To receive and note this report and recommend to Council the proposed budget adjustments presented in Budget Review 1 as prepared (Recommended).
- II. To make additional comments or suggestions to Administration to consider prior to finalising Budget Review 1.

4. APPENDICES

- (1) 2023-24 Budgeted Uniform Presentation of Finances
- (2) Capital Works Budget Review 1 Proposed Changes
- (3) Operating Budget Review 1 Proposed Changes
- (4) Adjustment summary with underlying surplus

Appendix 1

2022-23 Budgeted Uniform Presentation of Finances

Adelaide Hills Council
BUDGETED UNIFORM PRESENTATION OF FINANCES
2023-24 Adopted Budget

2022-23 Actuals \$'000	2023-24 Adopted Budget \$'000	2023-24 Updated Budget (BR0) \$'000	2023-24 Revised Budget \$'000
INCOME			
44,401 Rates	48,357	48,357	48,357
1,428 Statutory charges	1,544	1,544	1,465
901 User charges	968	968	968
292 Grants, subsidies and contributions - Capital	788	788	788
6,090 Grants, subsidies and contributions -Operating	4,299	4,733	4,477
37 Investment income	25	25	25
306 Reimbursements	196	196	204
821 Other income	367	367	370
169 Net gain - equity accounted Council businesses	100	100	100
54,445 Total Income	56,644	57,078	56,754
EXPENSES			
20,693 Employee costs	23,172	23,172	23,157
21,273 Materials, contracts & other expenses	20,556	21,136	21,403
10,479 Depreciation, amortisation & impairment	11,106	11,106	11,004
551 Finance costs	582	582	582
19 Net loss - equity accounted Council businesses	0	0	0
53,015 Total Expenses	55,416	55,996	56,146
1,430 NET BUDGETED SURPLUS / (DEFICIT) BEFORE CAPITAL AMOUNTS	1,228	1,082	608
Net Outlays on Existing Assets			
(10,070) Capital Expenditure on Renewal and Replacement of Existing Assets	(10,424)	(14,992)	(13,661)
427 Proceeds from Sale of Replaced Assets	899	899	899
10,479 Depreciation	11,106	11,106	11,106
836 NET OUTLAYS ON EXISTING ASSETS	1,581	(2,987)	(1,656)
Net Outlays on New and Upgraded Assets			
(5,200) Capital Expenditure on New and Upgraded Assets & Remediation costs	(7,485)	(13,520)	(11,805)
538 Capital Grants and Monetary Contributions for New and Upgraded Assets	2,150	2,919	2,439
778 Proceeds from Sale of Surplus Assets	124	124	124
(3,884) NET OUTLAYS ON NEW AND UPGRADED ASSETS	(5,211)	(10,477)	(9,242)
(1,618) NET LENDING/ (BORROWING) RESULT FOR FINANCIAL YEAR	(2,402)	(12,382)	(10,290)
Net Financial Liabilities at Beginning of Year			
(24,015) Decrease / (increase) in Other	(24,746)	(22,836)	(24,055)
(374) Non Cash Equity Movement	(440)	2,560	(440)
1,952 Non Cash Equity Movement	(100)	(100)	(100)
(24,055) Net Financial Liabilities at End of Year	(27,688)	(32,758)	(34,885)

In any one year, the financing transactions identified below are associated with either applying surplus funds stemming from a net lending result or accommodating the funding requirement stemming from a net borrowing result.

Financing Transactions			
(1,618) NET LENDING/ (BORROWING) RESULT FOR FINANCIAL YEAR	(2,402)	(12,382)	(10,290)
- Proceeds from Bonds & Aged Care Facilities deposits	0	0	0
(8,030) Increase/(Decrease) in Short Term Draw Down	(70)	(70)	(70)
2,511 (Increase)/Decrease in Cash & Investments	0	0	0
Estimate of Capital Carry Forward to be transferred to next Year	(3,000)	(3,000)	0
4,683 Increase/(Decrease) in Grants Received in Advance	0	0	0
(199) (Increase)/Decrease in Working Capital	0	0	0
- Principal Repayments on Borrowings	(561)	(561)	(561)
(374) Repayment of Lease Liabilities	(440)	(440)	(440)
- Reinstatement/Restoration Provision Payment	(427)	(427)	(427)
- Retirement Village Debenture Payment on Sale	0	0	0
1,952 Non Cash Equity Movement	(100)	(100)	(100)
(1,075) Reduction in Borrowings/(New Borrowings) for Financial Year	(7,000)	(16,980)	(11,888)

It should be noted that the figures in this appendix have been rounded and consequently individual sub-totals, whilst being correct, may differ slightly from the sum of the rounded amounts.

Appendix 2

Capital Works Budget Review 1 Proposed Changes

2023-24 CAPITAL BUDGET REVIEW 1

Proj #	Project Name	Type	Current Budget	Change FAV / (UNFAV)	Revised Budget	Comment
BRIDGES						
NEW	Montacute Rd bridge renewal	Renewal	\$0	(250,000)	\$250,000	Urgent works identified via bridge condition assessment program. Investigating the possibility of a grant to assist with funding.
NEW	Mylor footbridge renewal	Renewal	\$0	(25,000)	\$25,000	Current footbridge has been closed due to safety concerns associated with condition.
		Total	\$0	-\$275,000	\$275,000	
BUILDINGS						
4044	Operational Workplace Review	New/ Upgrade	\$2,000,000	1,000,000	\$1,000,000	Reduced budget to reflect extent of work envisaged to be delivered in 2023/24 FY. This will be reviewed again at BR2.
4086	Gumeracha Depot Floor	Renewal	\$265,000	265,000	\$0	Reassessed life of asset and can be renewed in a future year.
4079	Lobethal Centennial Hall	Renewal	\$49,500	49,500	\$0	Will be delivered under a separate building renewal program.
4037	Woodside depot shed replacement	Renewal	\$111,000	111,000	\$0	Defer pending review of ownership of site.
3741.01	Fabrik - Changing Places	New/ Upgrade	\$0	(175,000)	\$175,000	Requires CAPEX budget \$175k, \$35k additional to the grant income of \$140k.
4088	Randell's Cottage Repair	Renewal	\$30,000	15,000	\$15,000	Reduction proposed as we will only spend \$15,000 on this Project. Earth works and tree pruning complete. Signage under production.
4078	Mount Torrens Coach House Public Toilets	New/ Upgrade	\$97,000	(18,000)	\$115,000	Waiting on completion of defect works identified prior to handover.
		Total	\$2,552,500	\$1,247,500	\$1,305,000	
CWMS						
4091	Birdwood Treatment Plant - Power Backup	New/ Upgrade	\$120,000	90,000	\$30,000	Retain \$30,000 for feasibility and design, deliver balance in future years
4057	Kersbrook Treatment Lagoons Liner	Renewal	\$50,000	15,000	\$35,000	Final contractor rate lower than budget estimate.
4002	CWMS Pump Renewal	Renewal	\$40,000	(50,000)	\$90,000	Dual pump failures at Church Street Pumps Station. Requires replacement of both pumps out of renewal sequence to continue reliable operation. Full cost of renewal works \$ 67,000, offset by existing budget for CWMS pump renewals
		Total	\$210,000	\$55,000	\$155,000	
FOOTPATHS						
3826	New/ Upgraded Footpaths	New/ Upgrade	\$404,000	(20,000)	\$424,000	Additional funds sought to seal currently approved unsealed footpath to be constructed along Shannon Rd, Bridgewater, in support of pedestrian safety improvements around the Bridgewater Primary School generally.
		Total	\$404,000	-\$20,000	\$424,000	
OTHER						
NEW	Knotts Hill Rd slip	New/ Upgrade	\$0	(87,000)	\$87,000	Potential LRCIP. Urgent works required to retain road that has failed via embankment slip following wetter than average winter.
NEW	Tregathan Rd slip	New/ Upgrade	\$0	(50,000)	\$50,000	Potential LRCIP. Urgent works required to retain road that has failed via embankment slip following wetter than average winter.
4095	Merchants Rd slip	New/ Upgrade	\$48,000	(10,000)	\$58,000	Additional funds required to complete slip repairs to Merchants Rd.
NEW	Blockers Rd slip	New/ Upgrade	\$0	(30,000)	\$30,000	Potential LRCIP. Urgent works required to retain road that has failed via embankment slip following wetter than average winter.
NEW	Wyes Rd slip	New/ Upgrade	\$0	(30,000)	\$30,000	Potential LRCIP. Urgent works required to retain road that has failed via embankment slip following wetter than average winter.
NEW	Marble Hill slip	New/ Upgrade	\$0	(150,000)	\$150,000	Potential LRCIP. Urgent works required to retain road that has failed via embankment slip following wetter than average winter.
NEW	Horse paddock reserve fence	New/ Upgrade	\$0	(13,000)	\$13,000	Proposed post and rail fence plus gate to Horse Paddock Reserve, Woodland Way, Teringie, to prevent illegal dumping.
		Total	\$48,000	-\$370,000	\$418,000	
ROADS						
4099	Blackspotprogram - Fox Creek	New/ Upgrade	\$1,040,000	1,040,000	\$0	Blackspot candidate project was unsuccessful.
NEW	Fox Creek Rd pavement renewal	Renewal	\$0	(200,000)	\$200,000	Potential LRCIP project. Urgent works required to renew road pavement that has failed due to water ingress following wetter than average winter.
		Total	\$1,040,000	\$840,000	\$200,000	
SPORT & RECREATION						
4102	Driveways/ car parks and drainage renewals	Renewal	\$100,000	100,000	\$0	Will be delivered as part of a sperate program of works.
4104	Implement irrigation systems (renewal / upgrades)	New/ Upgrade	\$100,000	100,000	\$0	Will be delivered as part of a sperate program of works.
4105	Community and Recreation Facilities Framework	New/ Upgrade	\$72,000	72,000	\$0	Will be delivered as part of a sperate program of works.
4017.02	Bradwood Park Irrigation and Drainage Project	New/ Upgrade	\$311,487	(20,000)	\$331,487	Contract signed. Works scheduled to commence 13/11/2023. Require BR of \$20k increase in this budget line

2023-24 CAPITAL BUDGET REVIEW 1

Proj #	Project Name	Type	Current Budget	Change FAV / (UNFAV)	Revised Budget	Comment
4017.03	Mylor Irrigation and Drainage Project	New/ Upgrade	\$81,200	(118,800)	\$200,000	Cost to complete the project as per current scope is greater than allocated budget.
		Total	\$864,687	\$133,200	\$731,487	
STORMWATER						
4108	Balhannah Township Storm Water	New/ Upgrade	\$300,000	250,000	\$50,000	Defer construction spend to allow more time to design in year 1.
		Total	\$300,000	\$250,000	\$50,000	
PLANT & FLEET						
3160	Plant Replacement Program	Renewal	\$2,237,200	1,000,000	\$1,237,200	Forecast 2023/24 FY spend based on orders placed vs supply conditions/ suppliers ability to deliver.
3997	Light Fleet Replacement Program	Renewal	\$702,000	300,000	\$402,000	Forecast 2023/24 FY spend based on orders placed vs supply conditions/ suppliers ability to deliver.
		Total	\$2,939,200	\$1,300,000	\$1,639,200	
Cemeteries						
4082	Kersbrook Natural Burial Ground	New/ Upgrade	28,700	(7,000)	\$35,700	Earthworks completed, signage to follow. Need to do BR1 review of \$7k to reflect actual costs
		Total	\$28,700	-\$7,000	\$35,700	
Land						
TBA	Pedare Park Road Woodside land acquisition	New/ Upgrade	0	(108,000)	\$108,000	To purchase land as per Council report 10/10/2023 - increase capital budget with new line for BR1
		Total	\$0	-\$108,000	\$108,000	

Total Expenditure Change	3,045,700
---------------------------------	------------------

Capital Expenditure Changes

Split as follows:

Renewal-	1,330,500
New/Upgrade -	1,715,200
	3,045,700

2023-24 CAPITAL BUDGET REVIEW 1

Proj #	Project Name	Type	Current Budget	Change FAV / (UNFAV)	Revised Budget	Comment
CAPITAL INCOME						
221276164	Blackspot Program Capital Grant		\$1,963,882	(479,999)	\$1,483,883	\$1,483,883 has been received from DIT for Montacute Road \$1,181,882 and for Woods Hill Rd \$302,000. This leaves total possible reduction at \$479,999. The CAP expense budget for Fox Creek is \$1,040,000, which has been removed as part of this BR.
Total Income Change			1,963,882	(479,999)	1,483,883	

Appendix 3

Operating Budget Review 1 – Proposed Changes

Department /Program	Current Budget: Exp / (Inc)	Change: FAV / (UNFAV)	Revised Budget	Status One-off or Ongoing	Comments	Ongoing	One-off
Libraries and Customer Services/Customer Service	0.00	-8,500	8,500.00	Ongoing	Budget removed to achieve savings strategy - ceasing cash payment. Not possible to implement so budget required to continue with banking courier. Offset by other savings	-8,500.00	0.00
Libraries and Customer Services/Customer Service	3,250.00	2,000	1,250.00	Ongoing	Savings achieved through changes to library opening hours, no split shifts between Gumeracha and Woodside reducing travel allowance costs	2,000.00	0.00
Libraries and Customer Services/Libraries	5,770.00	2,000	3,770.00	Ongoing	Savings achieved through changes to library opening hours, no split shifts between Gumeracha and Woodside reducing travel allowance costs	2,000.00	0.00
Libraries and Customer Services/Customer Service	136,120.03	5,000	131,120.03	Ongoing	Savings achieved through changes to library opening hours,	5,000.00	0.00
Libraries and Customer Services/Libraries	-132,200.00	1,692	-133,892.00	Ongoing	Adjustment to operating grant - exact grant amounts confirmed by Libraries Board in September	1,692.00	0.00
Libraries and Customer Services/Libraries	18,460.00	1,405	17,055.00	One-off	Adjustment to Once Card LMS Maintenance Fee - exact amount confirmed by Libraries Board in September. Comes out of operating grant revenue so 1,405 is a one-off increase in revenue - i.e. Additional funds received as cash portion of the grant	0.00	1,405.00
Libraries and Customer Services/Libraries	-162,980.00	1,233	-164,213.00	Ongoing	Adjustment to materials grant - exact grant amounts confirmed by Libraries Board in September	1,233.00	0.00
Libraries and Customer Services/Libraries	40,500.00	-285	40,785.00	Ongoing	Adjustment to materials grant - exact grant amounts confirmed by Libraries Board in September	-285.00	0.00
Libraries and Customer Services/Libraries	10,000.00	6,000	4,000.00	Ongoing	Reduction in materials grant apportioned to local purchase DVDs. Offset by increase to amount apportioned to central purchasing 122151505	6,000.00	0.00
Libraries and Customer Services/Libraries	112,480.00	-6,948	119,428.00	Ongoing	Increase is 6,000 reallocated from 122151504 to central acquisitions, plus additional 948 to align with exact grant amount confirmed by Libraries Board in September	-6,948.00	0.00
Community Development/Youth Development	0.00	955	-954.55	Ongoing	Received new annual contribution to Young Drivers Awareness Courses, to offset increased charges from service provider	954.55	0.00
Health and Regulatory Services/Parking and By-Laws	1,000.00	-3,000	4,000.00	Ongoing	Adjustment due to increased parking patrols via dashcams in high risk area's for registration search's via EzyReg - increased revenue in 235056260	-3,000.00	0.00
Development Assessment & Compliance/Development Assessment & Compliance	-437,000.00	-44,000	-393,000.00	Ongoing	Adjustment to planning fee income to reflect actuals and current downward trend in assessment activity	-44,000.00	0.00
Development Assessment & Compliance/Development Assessment & Compliance	-107,640.00	-35,000	-72,640.00	Ongoing	Adjustment to building fee income to reflect actuals and current downward trend in assessment activity	-35,000.00	0.00
Development Assessment & Compliance/Development Assessment & Compliance	8,430.00	1,000	7,430.00	Ongoing	Actuals reduction due to legislation change of no signage in rural zone	1,000.00	0.00
Development Assessment & Compliance/Development Assessment & Compliance	-8,030.00	1,350	-9,380.00	One-off	Adjustment to reflect actuals and increase in exiation activity	0.00	1,350.00
Comms & Development Changes		-75,098				-77,853.45	2,755.00

Department /Program	Current Budget: Exp / (Inc)	Change: FAV / (UNFAV)	Revised Budget	Status One-off or Ongoing	Comments	Ongoing	One-off
CS Director's Office/CS Director's Office	0.00	-10,000	10,000.00	One-off	Business Continuity Plan. An appropriate account will be established when the budget is loaded.	0.00	-10,000.00
Financial Services/Corporate	0.00	-64,490	64,490.00	One-off	Write off Aldgate Bridgewater Crafers Stirling stormwater management plan. Accumulated cost from 2018/19 under capital project 3619. Management plans are not considered capital in nature.	0.00	-64,490.00
Information Services/Information Management	20,980.00	15,980	5,000.00	One-off	Given postage spend to date its unlikely the full years budget will be used.	0.00	15,980.00
Corporate Services Changes		-58,510				0.00	-58,510.00
Strategic Assets/CWMS	432,530.00	102,500	330,030.00	Ongoing	Revaluation in 22/23 was not completed until after budget set - new valuations/ conditions and depreciation subsequently significantly lower.	102,500.00	0.00
Strategic Assets/CWMS	22,000.00	-15,000	37,000.00	One-off	Significant failures at Church Street Pumps station and temporary repairs to pump infrastructure to continue operations.	0.00	-15,000.00
Strategic Assets/CWMS	13,550.00	-12,000	25,550.00	One-off	Unplanned works to rectify gravity mains and connection at Jacaranda Drive. 19K costs utilise some of woodside contractor costs.	0.00	-12,000.00
Strategic Assets/CWMS	153,970.03	10,000	143,970.03	One-off	CWMS Tech Officer working 2 days per week at SA Health and hence lower expenditure in salaries.	0.00	10,000.00
Strategic Assets/Strategic Assets	47,210.00	-15,000	62,210.00	One-off	Transfer from CAPEX, \$15k sought in BR1 for public toilet strategy plans	0.00	-15,000.00
Strategic Assets/Strategic Assets	47,210.00	-9,000	56,210.00	One-off	Assessment of Lobethal Road for Blackspot Funding	0.00	-9,000.00
Open Space/Open Space - Management	0.00	175,000	-175,000.00	One-off	Unbudgeted Grant Funding - Protecting Our Communities Grant	0.00	175,000.00
Property Services/AHBTC	25,940.00	-8,000	33,940.00	One-off	Adjust to reflect actual water charges	0.00	-8,000.00
Property Services/AHBTC	-25,790.00	8,000	-33,790.00	One-off	Adjust to reflect reimbursement of actual water charges	0.00	8,000.00
Open Space/Open Space - Maintenance	28,320.00	-59,502	87,822.00	One-off	Cost associated with removing stockpiled tree mulch generated from the November 22 storms event and from follow up CCBF . Stockpiled mulch of this quantity could combust during summer fire season.	0.00	-59,502.00
Open Space/Open Space - Maintenance	34,340.00	-84,000	118,340.00	One-off	As per motion on notice 146/23 on 13/06/2023, this is the expected cost of using a contractor to backfill staff seconded to the preparation fo the Tree Strategy. it was identified in the report that "Market approaches have yet to be made but would likely be a full time staff member for a 6 month period"	0.00	-84,000.00
Environment & Infrastructure Changes		92,998				102,500.00	-9,502.00
Grand total		-40,610				24,646.55	-65,257.00

Appendix 4

Adjustment Summary with Underlying Surplus

ADELAIDE HILLS COUNCIL
2023-24 BUDGET ADJUSTMENTS SUBSEQUENT TO BUDGET ADOPTION

\$000s						
Description	Operating Income	Operating Expenses	Net Operating Result	Capital Expenditure	Capital Income	2023-24 Underlying Surplus
Original 2023-24 Budget						
Published 2023-24 Annual Business Plan	56,644	55,416	1,228	17,909	3,173	1,228
Carry Forwards from 2022-23 - June 2023	0	140	(140)	6,115	769	(100)
Carry Forwards from 2022-23 - August 2023	434	440	(6)	4,488	0	0
Budget Review 1	(324)	150	(474)	(3,046)	(480)	25
Updated Budget	56,754	56,146	608	25,466	3,462	1,153

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 20 November 2023
AGENDA BUSINESS ITEM**

Item: 8.3

Responsible Officer: Kira-Marie Laverty
Corporate Planning & Performance Coordinator
Corporate Services

Subject: Draft Annual Report 2022-23

For: Decision

SUMMARY

Section 131 of the *Local Government Act 1999* (the Act) requires councils to prepare and adopt an Annual Report by 30 November. The Annual Report is the primary mechanism for summarising the 2022-23 financial year achievements against Council's *Strategic Plan 2020-24 – A brighter future*, and 2022-23 Annual Business Plan and Budget.

The purpose of this report is to provide the draft *2022-23 Annual Report (Appendix 1)* to Audit Committee for review in its capacity as advisors to Council on the report's adequacy of meeting its legislative requirements.

RECOMMENDATION

The Audit Committee resolves:

1. That the report on the Draft Annual Report 2022-23 be received and noted
 2. To advise Council that the Committee has reviewed the Draft *2022-23 Annual Report*, as contained in *Appendix 1*, in terms of the reports adequacy in meeting its legislative requirements.
 3. That, on the basis of the Committee's review, to recommend the Annual Report to Council for adoption.
-

1. BACKGROUND

The draft *2022-23 Annual Report* has been prepared with an emphasis on reporting achievements against the Council's *Strategic Plan 2020-24 – A brighter future* and *2022-23 Annual Business Plan*. The financial statements are also included as **Appendix 1** of the draft 2022-23 Annual Report.

The role of the Audit Committee, pursuant to its Terms of Reference, is to:

3.1.2 Review and provide advice to Council on the degree to which the annual financial statements present fairly the state of affairs of the Council

3.1.3 Monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain.

The Audit Committee considered the draft financial statements per their terms of reference at its meeting on 16 October 2023.

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

The Audit Committee met with the Auditor, Linh Dao, BDO, without Council staff present, to discuss the External Auditor's report and any issues arising from the audit.

Moved Peter Brass

S/- Pamela Lee

AC40/23

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's 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.

Carried Unanimously

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 production of the Annual Report is fundamental to demonstrating the transparency and accountability of local government.

➤ Legal Implications

Section 131 of the *Local Government Act 1999* (the Act) requires councils to produce Annual Reports. It must be prepared and adopted by the Council by 30 November. This section focuses on the timing and distribution of the report.

Schedule 4 of the Act and associated Regulations set out the material that must be contained in the Annual Report. Regulation 35 of the *Local Government (General) Regulations 2013* (the Regulations) sets out the required elements needed for the report on confidentiality orders under Section 90(2) and 91(7) of the Act. All of these requirements have been addressed within the “Our Governance” section of the draft Annual Report.

➤ **Risk Management Implications**

The review of the draft Annual Report will assist in mitigating the risk of non-compliance with statutory requirements leading to a loss of confidence in the Council.

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

➤ **Financial and Resource Implications**

There are no financial implications arising from considering the draft Annual Report.

Production of the annual report has involved mainly existing staff resources and the printing of a small number of hard copies. Small external costs are associated with design of the final copy.

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

The Annual Report contains information of the provision of services and facilities to the Adelaide Hills community in the financial year. It also provides an overview of performance against targets including for Council’s Customer Service Standards. It highlights potential areas for improvement in addition to those performing well.

➤ **Sustainability Implications**

The Council’s sustainability (financial, social and environmental) is reflected within the statistics and results discussed within the Annual Report.

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

Consultation on the development of this report was as follows:

Council Committees: Audit Committee were presented with the Audited Financial Statements which are included as Appendix 1 of the Annual Report, at their 16 October 2023 Meeting

Council Workshops: Not Applicable

Advisory Groups: Not Applicable

External Agencies: Annual reports were supplied by all Council Subsidiaries: Adelaide Hills Region Waste Management Authority; East Waste Management Authority; Gawler River Floodplain Management Authority; and Southern & Hills Local Government Association

Community: Engagement with the community is not applicable for the development of the Annual Report. However, the Annual Report

itself, once finalised, is one way of communicating key achievements and Council performance to the community.

➤ **Additional Analysis**

The draft Annual Report, contained in **Appendix 1**, provides an overview of Council's achievements and activities during the reporting year.

The Report provides a summary of achievements against the goals and objectives set out in Council's *Strategic Plan 2020-24 – A brighter future* and *2022-23 Annual Business Plan*. It also contains highlights and statistics of other activities of note.

Much of the additional content in the Annual Report under "Our Governance" addresses statutory requirements, particularly those set out in Schedule 4 of the Act and Regulation 35 of the *Local Government (General) Regulations 2013* (the Regulations).

The financial statements previously reviewed by Audit Committee will be included as Appendix 1 within the final Annual Report.

Council's regional subsidiaries Annual Reports are available upon request and will be included as Appendix 2 within the final Annual Report.

The draft content presented in **Appendix 1** differs from the final draft that will be presented to Council in the following ways:

- The Mayor and CEO message will be included in the final draft
- Some elements of the report will be changed to include more photos and other visual designs. Also some tables of data will be presented as infographics.

This missing information will not influence any of the elements that Audit Committee need in order to determine the Report's compliance against the legislative requirements.

3. **OPTIONS**

The Committee has the following options:

- I. To advise Council that the Committee has reviewed the draft *2022-23 Annual Report*, as contained in **Appendix 1**, in terms of the reports adequacy in meeting its legislative requirements and recommend it for adoption. (Recommended)
- II. To recommend amendments to any/all of the draft *2022-23 Annual Report* to Council prior to adoption.
- III. To not recommend the Draft *2022-23 Annual Report* to Council for adoption. (Not Recommended)

4. **APPENDICES**

- (1) Draft 2022-23 Annual Report

Appendix 1

Draft 2022-23 Annual Report



Annual Report 2022-23





Welcome

This is our Annual Report for 2022-23 which provides an account of our performance over the financial year 1 July 2022 to 30 June 2023 and highlights our achievements against the goals we set in our *Strategic Plan 2020-24 – A Brighter Future* and *Annual Business Plan 2022-23*.

The Annual Report meets the requirements of the *Local Government Act 1999*, and is provided for our ratepayers, residents, business operators, visitors, government agencies and other interested parties.

ISBN XXX

Cover photo: Uraidla Vineyards. Credit: South Australian Tourism Commission

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	Our Elected Council		Goal 4: A valued Natural Environment
	Our Organisation		Goal 5: A progressive Organisation
07	Our 2022-23 Performance Highlights	30	Our focus in 2023-24
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	Customer Service Standards		Appendix 1: Financial Statements
	Our Events		Appendix 2: Subsidiary Annual Reports
			Appendix 3: Strategic plan objectives and priorities

Council acknowledges that we conduct our business 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

An online version of this Annual Report can be downloaded at ahc.sa.gov.au or request a copy by contacting us:

(08) 8408 0400
mail@ahc.sa.gov.au
63 Mount Barker Road
Stirling SA 5152

We welcome your feedback on this Report or any other Council matter.



From the Mayor

Dr. Jan-Claire Wisdom

Lorem ipsum dolor sit amet, consectetur adipiscing elit. Aliquam tempor ultrices dui quis consectetur. Donec neque urna, tempor vitae facilisis a, varius eget leo. Aliquam vehicula eget metus sed lacinia.

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From the CEO

Greg Georgopoulos

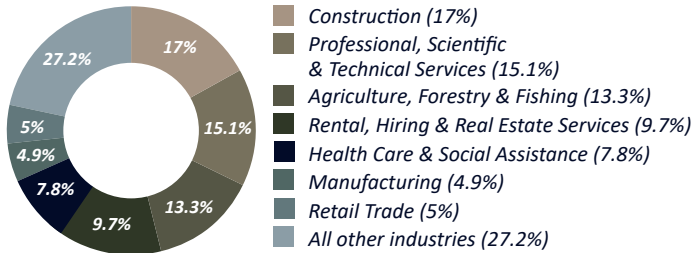
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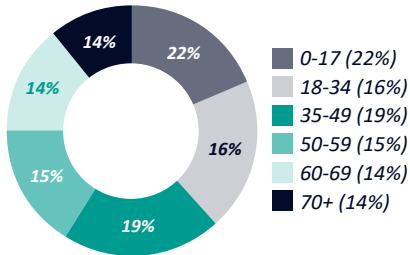
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Our District

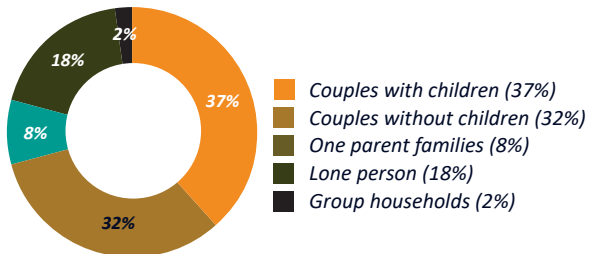
Number of registered businesses by Industry



Age Profile of Adelaide Hills Council



Household Types



618km
of sealed Roads



399km
of unsealed Roads



3 Libraries
3 Community Centres



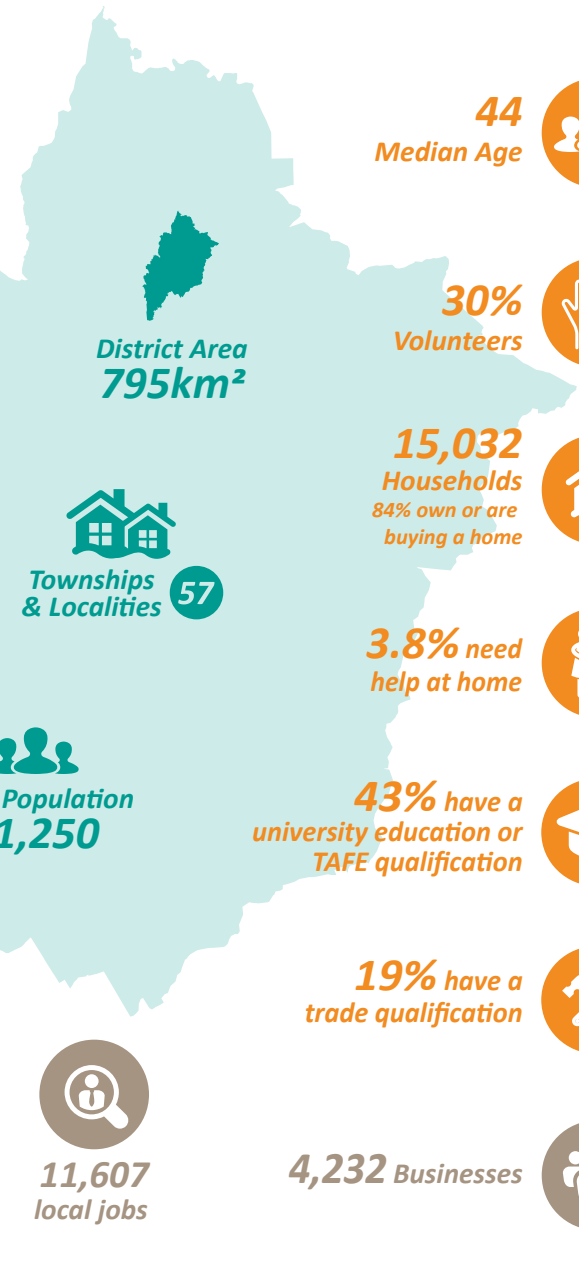
39 Playgrounds
100+ pieces
of equipment



309
Council Owned
Buildings



1.2M+ domestic day
trips were taken the
Adelaide Hills
region in 2022-23



Data source: ABS Census of Population and Housing 2021, and ABS Count of Australian Business 2021

Our Elected Council



Mayor

Dr Jan-Claire Wisdom



Deputy Mayor

Cr Nathan Daniell
(Ranges Ward)



Cr Kirrilee Boyd
(Ranges Ward)



Cr Adrian Cheater
(Ranges Ward)



Cr Pauline Gill
(Valleys Ward)



Cr Chris Grant
(Valleys Ward)



Cr Malcolm Herrmann
(Valleys Ward)



Cr Lucy Huxter
(Valleys Ward)



Cr Leith Mudge
(Ranges Ward)



Cr Mark Osterstock
(Ranges Ward)



Cr Louise Pascale
(Ranges Ward)



Cr Kirsty Parkin
(Ranges Ward)



Cr Melanie Selwood
(Valleys Ward)

Council and Committees

The Elected Council's role is to provide for the governance and management of the Council area. It does this through:

- Representing the interests of the community,
- Providing and coordinating public services and facilities,
- Encouraging and developing initiatives to improve the community's quality of life, and
- Undertaking its functions under legislation and its strategic management plans.

A number of committees have been established in accordance with legislation to assist the Council to discharge its responsibilities in specific areas. These are the Audit Committee, the Chief Executive Officer Performance Review Panel (CEOPRP), the Council Assessment Panel (CAP), the Building Fire Safety Committee and the Health & Safety Committee.



Our Organisation

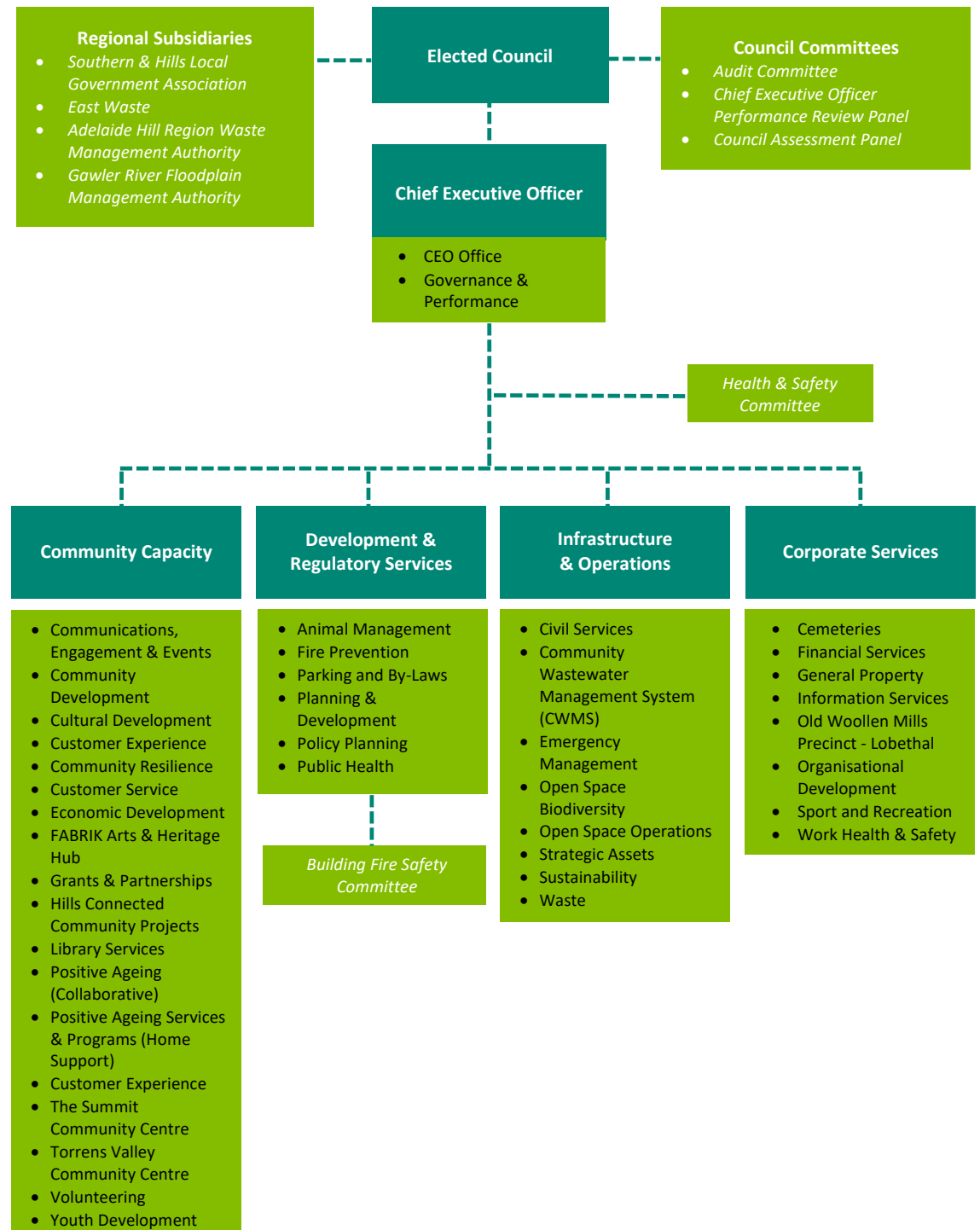
Regional Subsidiaries

Council is a member of four regional subsidiaries which assist in the strategic planning and service delivery activities. The subsidiaries are the Southern and Hills Local Government Association (SHLGA), the Eastern Waste Management Authority (East Waste), the Adelaide Hills Region Waste Management Authority (AHRWMA), and the Gawler River Floodplain Management Authority (GRFMA).

Administration

The Council's Administration is led by a Chief Executive Officer appointed by the Council.

The Chief Executive Officer appoints staff to carry out the functions and duties delegated to them and to implement Council decisions. The Administration is organised into directorates (see diagram), each with a specific area of focus and functional responsibilities. The arrangement of the directorates provides for the separation of the regulatory activities (into the Development & Regulatory Services Directorate) from the other activities of the Council.



Our 2022-23 Performance Highlights

Aged home support



7,255

hours of support
in and around
the home



17,300

hours of social
support



2,300

transport
trips

Planning and Building Approvals



1,166

Planning and Building
Applications lodged worth
\$181.61 million

Community programs and events



10,546

participants in
community centre
activities

Community Online Engagement

20%

overall growth in social
media community

17 Online
engagement
campaigns



18,700 project page views
969 total participants



Total social media
community
28,727 (30% growth)

Electronic newsletter
subscribers



29,947 (13% growth)

Economy

1.21m

day trips taken
to the region



3 home based business
networking events with 64
businesses engaged

Average of **157**
volunteers
across the year



12,304

volunteer hours provided across libraries,
community centres, assisting in aged
support and in youth development

Cultural Diversity



10 activities or programs offered across
the Community Centres and Libraries that
celebrated cultural diversity

Our 2022-23 Performance Highlights

Library



Physical visits
189,006



Physical loans
443,524



Digital loans
eBook **43,929**
eAudiobook **45,602**
eMagazine **8,690**



Early childhood programs delivered
271

Animal management



Dog registrations
9,569



Cat registrations
1,521



94%

of all Council decisions were made in meetings open to the public

Biodiversity, environment and sustainability

61,879KL



Volume of recycled water

Solar power panels



213 MWh produced by Council properties

22.2 ha of weeds and other fuels cleared which posed a fire risk

1,500 seedlings planted in 10 revegetation projects

10 reserves approved under Heritage agreements



Youth Volunteers



Delivered 49 youth events. Year 12 support program provided 300 support packs to high schools.



9,410 inspections completed as part of the annual bushfire prevention activities

249 private properties were issued a 105F notice

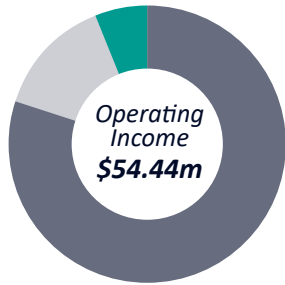


52.6% of waste collected was diverted from landfill as recyclable material

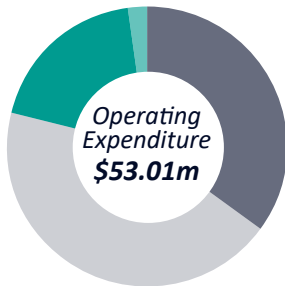
19 waste education sessions held

27 drop off days held at Heathfield, Gumeracha and Woodside resulting in 10,032 drop offs processed totaling 1,036 tonnes of green organic waste

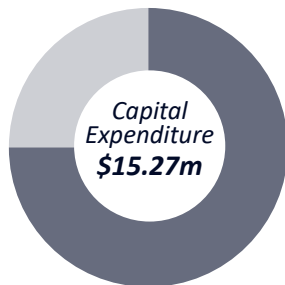
Financial Performance Highlights



- Rates income \$44.40m
- Grants income \$6.38m
- Other \$3.66m



- Employee costs \$20.69m
- Materials, contracts & other expenses \$21.27m
- Depreciation \$10.48m
- Other 570k



- Renewal & replacement of assets \$10.07m
- New or upgrades \$5.20m

Expenditure Highlights



Library and Customer Services
\$2.6m



Civil services
\$5.0m



Community, Cultural & Youth Development
\$1.58m



Waste & Recycling
\$5.8m



Aged Care Support
\$1.2m



Biodiversity & Sustainability
\$1.3m



Animal Management
\$564,000



Open Space - Operations
\$5.9m



Planning & Development
\$2.5m



Property Services
\$1.8m



Economic Development
\$573,000

2021-22 Capital Works Program



Road Works \$6.74 million

- 18.9km of sealed roads renewed
- Renewed 0.45% (16,450m²) of our road base pavement (under the sealed surface)
- 12.9km of unsealed roads renewed.



Footpaths \$800,000

- 1.37km new footpaths constructed including Glen Stuart Road, Woodforde
- 1.55 km of existing footpaths renewed including Onkaparinga Valley Road Balhannah, Mount Barker Road Bridgewater, Merrion Terrace Stirling.



Storm Water \$222,000

- Minor stormwater projects were completed at Wycomb Road, Aldgate, August Street, Birdwood, and at the Uraidla showgrounds
- Stormwater infrastructure was renewed and upgraded at Christie Street, Aldgate.



Buildings \$3.24 million

- Redevelopment works at Fabrik Arts and Heritage Hub
- New public toilets at Gumeracha Oval and Torrens Valley Community Centre
- New cricket nets at Stirling Oval, Woodside and Mylor Oval
- Refurbished new office accommodation at Garrod Crescent Stirling offices
- Upgraded Stirling transpotable building for office staff
- Upgraded Stirling theatre seating and carpet.



Other Capital Projects \$3.40 million

- Council Members device renewal including sharepoint portal
- Delivery of Phase 1 of the new Council Web Site - a new cloud hosted CMS (content management system)
- Preparation of Natural Burial ground at Kersbrook Cemetery.



CMWS Community Wastewater Management System \$382,000

- Replaced fencing at the Birdwood CWMS Lagoons and Treatment Facility
- Backup Power supply installed at Church Street Pump Station.

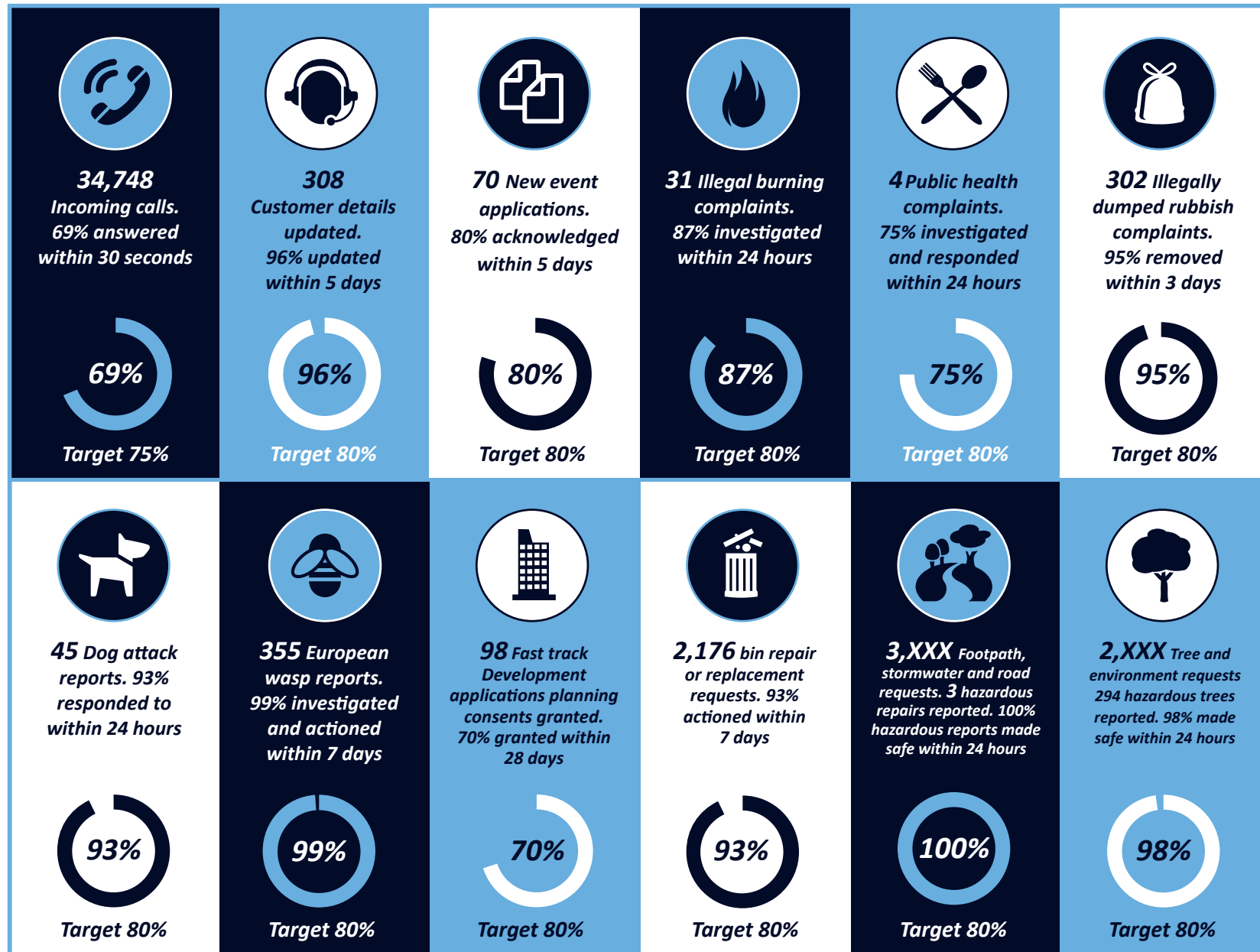


Sport and Recreation \$379,000

- Irrigation upgrade designs completed for Mylor Oval and Bradwood Park
- Completed a feasibility study for Adelaide Hills War Memorial Swimming Pool at Woodside to determine future investments.



Customer Service Standards



Our Events

The Adelaide Hills remains a destination of choice for arts and community events. In 2022-23 we supported 195 community events including markets, local cycling and walking events, nature and sustainability events, and Christmas events.

Discover, Play, Bikeway!

19 March 2023

Oakbank, Woodside, Charleston, Mount Torrens

Discover, Play, Bikeway! encouraged residents and visitors to ride or walk the Amy Gillett Pathway and discover an array of pop-up food, music, art and performances along the way, from Oakbank to Woodside, Charleston and Mount Torrens.

Christmas Events

December 2022

Stirling, Woodside and Lobethal

Christmas events were back in full swing in 2022 including the Stirling, Lobethal and Woodside Christmas Pageants. Christmas is a wonderful time to enjoy with friends and family, and it was great to see these events back on the calendar.

Santos Tour Down Under

13 – 22 January 2023

Birdwood, Uraidla, Mount Lofty

The Santos Tour Down Under returned with their international event in January 2023.

We hosted two stages in the Adelaide Hills, a women's stage starting in Birdwood and finishing in Uraidla, then the men's final finish at Mount Lofty.

The district put on a show again, winning the Santos Best Dressed Town award.



Delivering on our plans

Our *Strategic Plan 2020-24 – A Brighter Future* was formally adopted in April 2020 with the aspiration of making it easier for our community to prosper while maintaining and enhancing the unique environment, character and liveability of our area.

The Strategic Plan is supported by our Long Term Financial Plan, Infrastructure and Asset Management Plan, and Corporate Plan, all of which are critical to ensuring Council’s long-term sustainability. The following performance information is aligned with our Strategic Plan and the 2021-22 Annual Business Plan (ABP) strategy and goals.

Goal	Aspiration
 <i>A functional Built Environment</i>	Ensure that all decisions regarding the built environment recognise our unique character and natural environment to maintain and enhance liveability for our community.
 <i>Community Wellbeing</i>	An inclusive and prosperous community with the capacity to flourish and fulfil their potential through opportunities to engage, connect, participate and enhance wellbeing.
 <i>A prosperous Economy</i>	Our region’s economy is diverse and sustainable with a reputation for quality, niche products, services and experiences underpinned by a culture of creativity and innovation.
 <i>A valued Natural Environment</i>	The natural environment of the Adelaide Hills contributes significantly to the character of the region and is greatly valued by our local community and visitors.
 <i>A progressive Organisation</i>	Council is recognised for its skilled and agile workforce, for its representative and accountable governance, its commitment to cost effectiveness and efficient service delivery

Goal 1 – A functional Built Environment

Our *Strategic Plan 2020-24 – A Brighter Future* sets out our goals, objectives and priorities (listed in full in Appendix 3). As it is a four year plan, not every priority will have an achievement listed against it each year.

What we have achieved

Objective B1 - Our district is easily accessible for community, our businesses and visitors

- Developed a Trails and Recreation Site Signage Plan for promotion and accessibility (B1.1)
- Reviewed the provision of accessible car parking in identified areas, including Council's service centres, libraries and community centres, to inform priority upgrades. (B1.2)
- Continued to advocate for future transport improvements including actively participating in the Mount Barker and Adelaide Hills Transport Study being undertaken by DIT. (B1.4)
- Upgraded the Lake to Rail trail in Woorabinda Reserve (B1.5)

Objective B2 - Preserve and enhance the unique character of the Hills for current and future generations

- Finalised the property and sustainability audit report which provides a list of actions to improve the energy and water efficiency of 38 buildings. (B2.2 & B3.1)

Objective B3 - Consider external influences in our long term asset management and adaptation planning

- Committed to a 100% renewable energy target. Council continued to transition away from internal combustion powered engines with an order placed for electric vehicles for use in Council's fleet. (B3.2)
- Continued to participate in the Circular Procurement Pilot with other participating Councils. In total, Council has procured goods containing 3,579 tonnes of recycled content. (B3.3)

Objective B4 - Sustainable management of our built assets ensures a safe, functional and well serviced community

- Completed an audit of all of Council's buildings including administration buildings, halls, community centres, sporting clubs, public toilets, sheds and other outbuildings. This, together with other strategic plans will form the basis for delivery of Council's first Building Asset Management Plan in 2023/2024. (B4.1)
- Analysed the integration of the solar management system (Solar Analytics) across all of Council's solar installations which showed initial savings results of 219 MWh and \$66,000 across a 12 month period. (B4.2)
- Adopted the Community and Recreation Facilities Framework which aims to provide equitable support to the maintenance and upgrade of Council's ovals and open spaces. (B4.3)
- Completed works on the Woodhill Rd Blackspot project, and substantially completed the Montacute Rd blackspot project. (B4.4)

- Installed Electric vehicle charging stations at the Heathfield Works Depot. Planning commenced for the installation of electric vehicle charging stations at the Stirling Council Office. (B4.5)

Performance Measures

Measure	Target	Strategic objective	Reporting frequency	Actual
CPI-B01 Inspections of footpaths in high priority zones	100%	B1	Quarterly	100%
CPI-B02 Delivery of capital works program	90%	B1	Quarterly	Q1 = 62% Q2 = 75% Q3 = 65% Q4 = 84% Actual expenditure is less than budget due to significant projects that were work in progress as of 30 June, such as Montacute Rd and Warren Rd Blackspot projects.
CPI-B03 Compliance inspections completed within 5 business days of development completion notification	80%	B2	Quarterly	Q1 = 100% Q2 = 100% Q3 = 95% Q4 = 100%
CPI-B04 Compliance inspections completed within 5 business days of notification of alleged unlawful development	80%	B2	Quarterly	Q1 = 100% Q2 = 57% Q3 = 75% Q4 = 74% Insufficient resourcing to manage compliance matters was identified in the Service Review. An action plan to provide additional support is being progressed
CPI-B05 Comparison of Council's Energy Usage (Kwh) against previous financial year	Less than previous financial year	B3	Annually	2021-22 = 1,733,159 kWh 2022-23 = 1,944,989 kWh Energy usage is up as worker return to the office post COVID-19 work from home arrangements

CPI-B06 Tonnes of recycled plastic content in products purchased by Council	25	B3	Annually	35.7 tonnes
CPI-B07 Operational tasks completed within the Civil Zone Maintenance Program	80%	B4	Quarterly	Q1 = 50% Q2 = 40% Q3 = 60% Q4 = 60% A higher proportion of works occurred outside of zone than targeted due to the limits of the current paper based system.

Goal 2 – Community wellbeing

Our *Strategic Plan 2020-24 – A Brighter Future* sets out our goals, objectives and priorities (listed in full in Appendix 3). As it is a four year plan, not every priority will have an achievement listed against it each year.

What we have achieved

Objective C1 - A community for everyone that is inclusive, welcoming and accessible

- Reviewed and updated Library Opening Hours to improve efficiency and better reflect community use. The new hours will commence from 1 July 2023, including opening on Mondays at the Stirling Library. (C1.1)
- Completed refurbishment of the Gumeracha Library. The refurbishment includes accessible service desks for the Library, Customer Service, and the Community Centre; a cozy and fun children’s space; updated seating and reading areas; and new shelving to flexibly house the 5000 library items in the collection. (C1.1)
- Secured nine years of Department of Human Services grant funding to support community centre programs. (C1.1)
- The Summit Community Centre held an open day for the community to see the sustainability upgrades made to the site, explore opportunities to connect through centre programs and enjoy the opening of the 2022 SALA exhibition. The local school, local artists, community groups and program participants showcased their work and provided activities. (Sept 2022) (C1.1)
- Launched the renewed Mobile Library Service which houses approximately 1000 items, is solar powered and has wheelchair access. The refreshed timetable operates on a four week cycle, with public stops at key community hubs and townships, schools, kindergartens and aged care facilities (C1.1)

- Provided programs and activities across community centres and libraries including author talks, workshops in art, craft, cooking and cultural awareness. (C1.2)
- Held the Hills Harmony Picnic on 25 March which was attended by over 200 people and included a Welcome to Country and didgeridoo performance, a Yarning Circle, African drumming, henna art and Persian food prepared by the Ba'hai Community (C1.2)
- Engaged Orana to provide Disability Awareness Training to all staff who manage Council volunteers. Staff who participated reported increased confidence in supporting the inclusion of people with disability in Council's volunteering programs. (C1.2)
- Supported a series of free Come n' Try inclusive soccer sessions for people with disability, hosted by Woodside Warriors Soccer Club and delivered by One Culture Support Services. (C1.2)
- Completed an internal audit at the Summit Community Centre to meet the organisational Dementia-Friendly Communities Action Plan (C1.3)
- Established a team of volunteer Access and Inclusion Advisors comprising of residents with lived experience of disability along with representatives from local service providers. During the year, this team progressed actions in Council's Disability Access & Inclusion Plan (DAIP) 2020-24.(C1.3)
- Collaborated with Mount Barker District Council to deliver the Hills Community Passenger Network Service which provides travel information and medical transport for transport disadvantaged. (C1.4)
- Provided shopping transport for eligible Commonwealth Home Support Program clients. (C1.4)

Objective C2 - A connected, engaged and supported community

- Supported our aging community by providing over 7,000 hours of essential assistance (in and around the home), nearly 2,500 transport trips, and over 17,000 hours of social support programs. These initiatives were complemented by a regular suite of programs all designed to foster lifelong learning, capacity building and meaningful connections. (C2.2)
- Hosted the Hills Treasures regional event which brought together remarkable individuals aged 65 and above from across the district, recognizing their exceptional contributions to the Hills community. (C2.2)
- Provided 49 youth events and activities for skills development and building connections. These included school holiday workshops on topics ranging from home recording to young drivers awareness classes, self-defence classes, market-stall ready workshops and a musical end of year celebration.(C2.3)
- Provided parent and community education sessions regarding Alcohol and Other Drugs, Vaping and Safe Partying. (C2.3)
- Developed and delivered LGBTIQ+ youth support programs in collaboration with Headspace Mount Barker and The Hut, Aldgate. (C2.3)
- Recorded over 18,700 visitors to our online engagement platform (C2.4)
- Delivered the 2023 Community survey which resulted in 726 people participating. Comments and data will help inform Council decisions including development of the next Adelaide Hills Council Strategic Plan. (C2.4)
- Consulted on the Animal Management Plan resulting in contributions from 586 people. (C2.4)

Objective C3 - A community that grows together

- Created a new *What's On Guide* for Libraries to communicate and promote library events and programs. (C3.1)
- Implemented a recognition strategy for volunteers which provides them with length of service badges for every 5 years. (C3.2)
- Held volunteer appreciation events for volunteers including the End of Year Thank You event for AHC volunteers with 103 in attendance, and an Annual Thank You Volunteer Movie Day with attendance by 616 community volunteers. (C3.2)
- Awarded over \$37,000 worth of community grants as part of the Annual Community Grants program. (C3.3)
- Completed RediCommunities workshops communities in Scott Creek, Ironbank, Bradbury, Longwood, Houghton, Inglewood, Paracombe, Uraidla and Summertown. The workshops support communities to develop action plans to increase their capacity to prepare for, respond to and recovery from future emergencies (C3.4)

Objective C4 - An active, healthy, thriving and resilient community

- Installed a public art piece in Bushland Park called Reflections of Home which was designed with the community during the Cuddlee Creek bushfire recovery. (C4.1)
- Published new webpage content to provide information about recovery, readiness and resilience for the community to support longer term recovery (C4.1)
- Led the development of the Southern & Hills LGA Regional Public Health and Wellbeing Plan 2022-27, in partnership with its fellow constituent councils, communities and stakeholders across the Southern & Hills region. The Plan identifies key actions the 6 constituent councils will take over the 2022-27 period to help protect and improve the health and wellbeing of their communities (C4.1)
- Created a Club Support Officer role to assist in the rollout of the Community and Recreation facilities framework, and to support clubs and groups to access council services and funding opportunities. (C4.4)
- Supported three Riverland Councils during the 2022-23 River Murray flood event utilising Council's Incident Management Team (C4.5)
- Developed a Recovery Operations Manual to guide Council's community recovery response following an emergency event or natural disaster. (C4.5)

Objective C5 - Respect for Aboriginal culture & values

- Submitted the *Draft Innovate Reconciliation Action Plan* to Reconciliation Australia for feedback on the continued development. (C5.1)
- Provided Reconciliation Week activities including cultural immersive family workshops with bush-tucker tasting, art and stories, and a Nunga Screen short film showcase. (C5.1)
- Offered storytelling and activities in the library as part of book week with David Booth. (C5.2)
- Undertook Kurna place naming at the new Lewis Yarlupurka O'Brien Reserve in Hamilton Hill. (C5.2)

Objective C6 - Celebrate our community's unique culture through arts, heritage & events

- Hosted the final stage of the Santos Tour Down Under which finished at the top of Mt Lofty for the very first time with large numbers of visitors and community visiting right across the circuit. Uraidla was the winner of the overall Best dressed Town prize. (C6.2)
- Hosted the Discover, Play Bikeway! along the Amy Gillett Pathway in March which provided a day of entertainment, food, craft and fun for all ages from Oakbank to Mt Torrens (C6.2)
- Supported writers and provided literary arts, poetry and creative writing experiences through the Winter Words program. (C6.3)

Performance Measures

Measure	Target	Strategic objective	Reporting frequency	Actual
CPI-C01 Positive ageing wellbeing score	7 Average	C2	Quarterly	6.8 average Across the year, the subjective level of wellbeing score fluctuated across the quarters. While the target of 7 was not quite reached, positive factors such as social connections (through participation in programs) and a sense of purpose were consistently present, offering hope for continued improvement in overall wellbeing.
CPI-C02 Community Centre participants who feel better connected to others or community	85%	C2	Bi-annual	Q2 = 82.5% Q4 = 82% Survey responses were lower from regular participants who were more likely to see better connections from their regular attendance at the centre. More surveys have been received from once off participants who are less likely to experience better

				connection outcomes from just one encounter.
CPI-C03 Community centre participants who would use the knowledge/skills gained in the future	80%	C3	Bi-annual	Q2 = 74% Q4 = 80% Survey responses were lower from regular participants who were more likely to see better connections from their regular attendance at the centre. More surveys have been received from once off participants who are less likely to experience better connection outcomes from just one encounter.
CPI-C04 Number of volunteer hours contributed to AHC programs each year	4800	C3	Quarterly	Q1 = 3564 Q2 = 2744 Q3 = 2720 Q4 = 3276 Volunteer numbers are slow to bounce back after Covid which follows the national and global trend
CPI-C05 Library visits per capita compared with the state average	25% above state average	C3	Annually	4.1= AHC 2021-22* 4.5 = enhanced ALIA target The reporting period of 2021-22 includes periods where in-person library usage was lower due to COVID restrictions and/or lockdowns. * previous year's results reported as ALIA data not available until December
CPI-C06	35% above state average	C3	Annually	13 loans

Library loans per capita compared with the state average				2021-22* Enhanced ALIA target = 7 per capita Library loans by AHC borrowers exceeded the enhanced ALIA target with 13 loans per capita. * previous year's results reported as ALIA data not available until December
CPI-C07 Attendance at programs, events and workshops at Fabrik Arts and Heritage Hub	8,000	C6	Annually	None Fabrik closed due to redevelopment works
CPI-C08 Percent of available studio spaces occupied	50	C6	Annually	None Fabrik closed due to redevelopment works
CPI-C09 Number of events and programs celebrating cultural diversity	8	C6	Annually	8

Goal 3 – A prosperous Economy

Our *Strategic Plan 2020-24 – A Brighter Future* sets out our goals, objectives and priorities (listed in full in Appendix 3). As it is a four year plan, not every priority will have an achievement listed against it each year.

What we have achieved

Objective E1 - Support and grow our region's existing and emerging industries

- Installed a RV dump point and approved free camping at Balhannah Oval. Council applied for and received an RV Dump Point from the Campervan and Motorhome Club of Australia's Camp and Dump Point program. (E1.1)
- Attended Adelaide Hills Tourism board meetings and networking events. (E1.1)
- Provided advice and support for Fruit Producers SA members for their industry events including running a workshop for Cherry Trail participants (E1.2)
- Participated in the Echunga Small Acreage Field day providing information on business support services, land management and circular economy/waste services (E1.2)
- Distributed Quarterly e-newsletters which were opened by nearly 10,500 businesses and received an average click rate of 37.5%. (E1.4)
- Developed and uploaded to the website information videos about Councils Economic Development functions. (E1.5)

- Provided training session on how to engage in Council’s procurement processes which had 8 businesses attend. (E1.6)
- Processed 20 new applications for both new tourist accommodation buildings and conversion of existing buildings which will contribute to tourism growth. (E1)
- Approved the Function centre/restaurant associated with a cellar door, and a community/function facility at Oakbank and Houghton. (E1)

Objective E2 - Provide local infrastructure to drive growth and productivity

- Continued to advocate for future transport improvements including actively participating in the Mount Barker and Adelaide Hills Transport Study being undertaken by Department of Infrastructure and Transport. (E2.1)

Objective E3 - Encourage, attract and retain a creative, talented and skilled workforce in our region

- Advised the Office for Small and Family Business on their engagement with small businesses within the region to help shape their new Small Business Strategy. Attended and contributed to Hon Andrea Michaels MP’s roundtable. (E3.2)

E4 - Cultivate a clear, unique and consistent regional identity that can be leveraged to attract national and international attention

- Participated in a workshop to progress the Adelaide and its Rural Settlement Landscapes initiative resulting in written support form the Deputy Premier for nominations to proceed. (E4.4)

Performance Measures

Measure	Target	Strategic objective	Reporting frequency	Actual
CPI-E01 Net Easy Score of respondents who rated ease of getting assistance from Council as Easy or Very Easy v Difficult or Very Difficult	>0	E1	Every 2 Years	Not conducted this financial year
CPI-E02 Visitor numbers (visitor domestic day trips)	1.2mil	E1	Annually	1,210,000
CPI-E03 Average number of days for Building Rules Consents	20 or 60 business days*	E2	Quarterly	Average = 12.6 days
CPI-E04 Percentage of new development application decisions upheld in Council/CAPs favour under appeal	85%	E2	Quarterly	Average 83% In Quarter 1, one of two appeals were not upheld in Council’s favour which brought the average down.

				All other quarters have 100% achievement.
CPI-E05 Percentage of Planning Consents completed within statutory timeframes	85%	E2	Quarterly	Average 83%
CPI-E06 Number of local jobs in AHC area compared to previous financial year	Maintain 2019-20 Financial Year = 11200	E3	Annually	Average 92%

Goal 4 – A valued Natural Environment

Our *Strategic Plan 2020-24 – A Brighter Future* sets out our goals, objectives and priorities (listed in full in Appendix 3). As it is a four year plan, not every priority will have an achievement listed against it each year.

What we have achieved

N1 - Conserve and enhance the regional natural landscape character and amenity values of our region

- Complete landscaping at the Aldgate roundabout to improve the plants to better suit the conditions. (N1.1)
 - Continued riparian restoration works in Cox Creek at Bridgewater Recreation Reserve and Michael Moran Reserve; Kenton Creek in Federation Park; Carey Gully Water Reserve; Lenswood Centennial Reserve; Aldgate Creek in Aldgate Valley Reserve and Heathfield Conservation Reserve, and Woorabinda Bushland reserves; Leslie Creek in Mylor Parklands; and the Onkaparinga tributary in Bradwood Park. (N1.2)
- Registered two new Bushcare Volunteer Groups to assist Council with conservation projects. (N1.2)
- Conducted bushcare on 48 high value reserves. (N1.2)
- Implemented the use of compostable barricade tape in high value reserves to reduce risk of plastic pollution (N1)

N2 - Recognise the benefits of ecosystem services and improve environmental resilience by reducing environmental impacts

- Undertook 78 assessments across 58 National Vegetation Marker Sites using the BushRAT Assessment Methodology and as part of the *Adelaide Hills Council Roadside Weed Control Work Plan*. (N2.1)

- Assessed four Conservation Reserves using the BushRAT Assessment Methodology (N2.1)
- Secured \$10,000 in Heritage Agreement Grant funding for Woorabinda Bushland Reserves (N2.1)
- Partnered in the Nature Conservation Society of SA's Woodland Bird Monitoring Program to track woodland bird populations in the Mount Lofty Ranges (N2.2)
- Complete the following fire prevention activities including 9,410 inspections during the fire danger season; 249 105F notices; 11 Council organised block clearings; 9 expiations for non-compliance and processed 651 Burning Permits
- Completed prescribed burns at 10 sites and undertook post fire weed management. (N2.3)
- Managed 14 conservation reserves and trails targeting woody weeds. (N2.3)
- Managed 146kms of Council Road Reserves and Cleared approximately 22.2 ha of Council Reserves removing of weeds and other fuels which posed a fire risk. (N2.3)
- Supported *Trees For Life* in managing fire affected Bush For Life sites. (N2.4)
- Supported the efforts of National Parks & Wildlife in managing reserves following bushfire and developing operation guidelines to help inform Councils post fire activities. (N2.4)
- Facilitated seed collection permits where appropriate to assist agencies and individuals in seedling germination projects and revegetation projects (N2.4)
- Increased the number of Heritage Agreements to 19.
- Joined the Bandicoot Superhighway project team to facilitate Southern Brown Bandicoot Conservation

Objective N3 - Nurture valuable partnerships and collaborations and engage the local community in the management of our natural environment

- Engaged with 3 schools and 1 kindergarten providing environmental education and projects such as bushwalks and revegetation projects.
- Developed environmental website content for public education regarding topics such as roadside vegetation management, weed management, fishing in Council waterways, firewood collection and feral rabbit management. (N3.1)
- Developed informative signage to commemorate school and community efforts in restoration projects. (N3.1)
- Undertook Council wide Yabby net swap net program. 80 wildlife friendly 'lift nets' swapped for the newly banned Opera House net designs. (N3.1)
- Provided free butterfly kits to promote awareness of pollinator friendly native plant species good for landscape gardening. (N3.1)
- Participated with various environmental groups such as Green Web to share ideas and provide updates on Council's projects, programs and achievements. (N3.2)
- Continued to support the *Trees for Life* Partnership which targets the management of 28 Bush For Life sites on Council lands. 39 'adopt-a-site' volunteers were allocated to these sites, contributing an estimated 1,422 hours of site-specific bush regeneration work. (N3.2)
- Organised conservation activities in Hender Reserve for Activities Week with Heathfield High School students (N3.2)
- Collaborated on bushfire mitigation activities as part of the Cross Council Bushfire Action Group consisting of 5 neighbouring councils. (N3.3)

Objective N4 - Reduce the impact of waste to landfill by maintaining a robust waste and resource management framework

- Completed a high level study of options to reduce waste to landfill and reduce environmental impacts from community waste disposal. (N4.1)
- Resolved to undertake a 12 month trial of changes to the kerbside bin system including provision of green organic bins to rural properties, and changing the collection frequency of green organic bins and residual waste bins (N4.2)
- Continued community waste and recycling education which included 31 sessions at various locations including at schools and community events. (N4.3)
- Continued to provide kerbside waste and recycling services, free green organic drop off days, hard waste collection and the Heathfield Resource Recovery Centre including free household chemical disposal and polystyrene recycling (N4.4)

Objective N5 - Assist our community to reduce the impact of waste to landfill on the environment

- Undertook kerbside bin audits to maintain understanding of the community's waste and recycling behaviours. (N5.1)
- Provided waste education sessions including providing information on the waste management hierarchy. (N5.2)

Performance Measures

Measure	Target	Strategic objective	Reporting frequency	Actual
CPI-N01 Number of Native Vegetation Marker System (NVMS) BushRAT Assessment sites complete (actual versus planned)	60 NVMS sites per annum	N2	Annually	78 Bushrat assessments undertaken across 58 NVMS sites Weather impacts affected planning and final results as well as the number of bushrat assessment areas within each site
CPI-N02 Woody Weed Control Program - no. of sites complete (actual versus planned)	15 sites per annum	N2	Quarterly	31
CPI-N03 Percent of nuisance and litter queries resolved	90%	N2	Quarterly	Average = 90.5%
CPI-N04 Percent of private properties inspected prior to bushfire season that comply with fuel load management requirements	At least 90%	N2	Annually	97.5%
CPI-N05 Tonnes of green organics collected on Green organic days	150	N4	Quarterly	Q1 = 71 Q2 = 243 Q3 = 426

				Q4 = 296 Average = 259 per quarter
CPI-N06 Percentage change in tonnes of waste disposed to landfill compared to previous financial year	Reduction in waste percentage	N5	Annual	Percentage of waste diverted from landfill 2021-22 = 52.6% 2022-23 = 52.6% Diversion rate remained the same as previous financial year. The diversion rate is determined by residents waste disposal practices
CPI-N07 Number of community education actions delivered (Waste Management Strategy 2016-2021) – Actioned vs Planned	6	N5	Quarterly	12

Nuisance & Litter	Nature	Number
Number of complaints	Illegal Dumping	321
	Noise Complaints	51
	Graffiti	38
	Nuisance	16
	Insanitary Conditions/Vermin	16
	Vandalism/Damage	12
	Air Pollution	11
	Littering	9
	Water Pollution	6
Expiated Offences	Disposal of litter onto any land or into any waters - excess of 50 Litres of class B hazardous or general litter	2
	Carry on an activity resulting in local nuisance	4
	Cause or permit the burning of matter by fire in the open	1
	Failure to comply with Local Nuisance abatement notice	2
Abatement notices issued	Nuisance Abatement Notice	1
Other controls. Eg: civil penalties	Civil Penalty	1

Goal 5 – A progressive Organisation

Our *Strategic Plan 2020-24 – A Brighter Future* sets out our goals, objectives and priorities (listed in full in Appendix 3). As it is a four year plan, not every priority will have an achievement listed against it each year.

What we have achieved

Objective O1 - We have the right people with the right knowledge and skills in the right jobs and they are supported and developed

- Implemented a WHS Improvement Plan that identifies strategic WHS priorities over a three year period. (O1.1)
- Implemented a number of initiatives and programs to support an equity, diversity and continuous improvement. These include the Our Watch Program which focuses on increasing awareness and support for victims of domestic violence; the Disability Action and Inclusion Plan; and the Reconciliation Action Plan. (O1.2)
- Provided opportunity for development of emerging leaders with a number of employees participating in the Management Challenge coordinated through LG Professionals SA (O1.3)
- Updated the induction training program for new employees to include a module on disability inclusion (C1.3)
- Delivered Disability Inclusion Training to Elected Members (C1.3)

Objective O2 - Our customers find it easier to interact and do business with Council and have an improved customer experience

- Completed a business case for renewal of the Customer Relationship Management (CRM) system, including the high level functional requirements to enable online/digital service delivery. (O2.1)
- Implemented a pilot of automated emails to communicate the outcome of service requests to customers. This pilot was initially implemented on reports of illegal dumping and has since been expanded to updating customer contact detail requests. (O2.2)
- Automated workflow notifications have been introduced for customers with tree enquires from the Confirm Enterprise System. The automated updates to customers are averaging 130 notifications per week (O2.2)
- Continued to undertake regular customer experience surveys to seek feedback from customers on their experience when interacting with Council, including over the phone and when they have a customer case that requires further action or response (O2.4)

Objective O3 - Our organisation is financially sustainable for both current and future generations

- Undertook an audit of all Council owned buildings to ascertain their current condition and and works required including prioritization of those works based on urgency and need. The assets audited included Council's administration buildings, libraries, community centres, sporting clubs, halls, public toilets, sheds and other outbuildings. The building audit has

informed building capital works plans for 2023/2024 and will also inform the Council’s first Building Asset Management Plan which will also be prepared in 2023/2024. (O3.2)

- Conducted an external services review on the Development Assessment function to analyse the service quality, effectiveness and efficiency (O3.4)

Objective O4 - We actively represent our community

- Assisted the Electoral Commission of SA in conducting the 2022 Local Government Election and inducted and trained the newly elected Council Members. (O4.2)

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

- Completed a full review and update of Council's corporate risks (O5.1)
- Conducted a detailed review of the Long Term Finance Plan incorporating significant ongoing savings strategies to keep rate increases below CPI and ensure financial sustainability is maintained. (O5.3)

Objective O6 - Technology and innovation is utilised to better meet our community’s expectations and deliver value for money

- Implemented the Cyber Security Framework established for the Local Government Sector to progress and enhance the Cyber Security Program. (O6.1)
- Implemented Cloud reporting tools (PowerBI) to enable presentation of corporate data into informative reports. (O6.2)
- Implemented a cloud based CMS (Content Management System) as part of phase 1 of the Council Web site renewal program. (O6.3)
- Recorded over 18,700 visits to our engagement page from 1 July 2022 to 30 June 2023. The highest engagement was for the Animal Management Plan Consultation with over 540 people completing the online survey. (O6.4)
- Held the Bridgewater Community Forum where over 70 ideas were submitted. (O6.4)

Performance Measures

Measure	Target	Strategic objective	Reporting frequency	Actual
CPI-O01 Number of Lost time injuries	0	O1	Quarterly	3 Whilst we must always target an LTI of zero, the actual level of reported is still considerable historically low for both the sector and AHC. All three incidents were minor
CPI-O02	50	O2	Bi-annual	Q2 = +66

Customer Net Ease Score (NES)				<p>Q4 = +42</p> <p>Annual figure = 46</p> <p>The Net Ease Score consistently indicates higher satisfaction levels (56+) among customers who contact the Council by phone, compared to those who use our CRM system (34+). This highlights an area of improvement in terms of providing better responses and services to customers.</p>
<p>CPI-003 Overall customer satisfaction</p>	75%	O2	Bi-annual	<p>Q2 = 79%</p> <p>Q4 = 71%</p> <p>Annual figure = 73%</p> <p>It is crucial to enhance our communication approach by providing clearer updates and information to keep customers informed about the progress of their requests. This will contribute to improving their overall experience and building trust and satisfaction.</p>
<p>CPI-004 Operating Surplus Ratio</p>	1-5%	O3	Annually	2.6%
<p>CPI-005 Net Financial Liabilities Ratio</p>	25-75%	O3	Annually	42%
<p>CPI-006 Asset Sustainability Ratio</p>	95-105%	O3	Annually	98%
<p>CPI-007 Decisions (Council resolutions) considered in open Ordinary & Special Council meetings during the reporting period</p>	90%	O4	Quarterly	94% average
<p>CPI-008 Council member attendance at Ordinary & Special meetings</p>	90%	O4	Quarterly	90% average
<p>CPI-009 FOI requests completed within the legislated timeframe</p>	100%	O6	Quarterly	<p>95%</p> <p>In Quarter 3, one internal review was</p>

				completed just outside of legislative timeframes. All other quarters achieved 100% target
CPI-O10 Ombudsman investigations upholding Council's decisions (general investigations and FOI external reviews)	100%	O6	Quarterly	100%
CPI-O11 Employee Turnover	7-15%	O1	Quarterly	10.9%

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Our focus for 2023-24

In addition to continuing our day to day services and programs, we are implementing strategic initiatives to further develop and support our region. Some highlights are included under each of the following long-term goals.

A prosperous Economy



- Support the Tour Down Under in 2024
- Collaborate with Adelaide Hills Tourism to promote and support tourism across our region
- Encourage and support the continued development of a Home-Based Business Network
- Undertake a biannual business survey
- Advocate for key economic development issues in the region with other levels of government

A valued Natural Environment



- Undertake a trial on changes to kerbside bin system collection frequency and a trial on increased rural food organics/green organics waste collections
- Local climate adaptations for landscape conservation
- Post-prescribed burn weed management
- Develop a strategy for the management of Council trees across the district

Community Wellbeing



- Continued development of Fabrik Arts and Heritage Hub as a facility offering exceptional cultural experiences, providing social, educational and economic outcomes for the region
- Implementation of the Community and Recreation Facilities Framework and the Play Space Framework
- Implementation of the "Our Watch Toolkit for Local Government" for the prevention of domestic and family violence in our community
- Implementation of the Towards Community Led Resilience Program
- Identification of initiatives to develop community connections within and between the established and newly developed areas of Woodforde

A functional Built Environment



- Delivering of road safety initiatives under the federally funded Black Spot Program
- Installation of further electric vehicle charging stations
- Stormwater master planning and implementation for the management of stormwater in the Balhannah township

A progressive Organisation



- Development of a new Strategic Plan which sets Council's goals and objectives over the next four years
- Conducting a representation review
- Further developing Council's new website to provide more streamlined customer services and access to information commonly sought by the community
- Upgrading the GPS units for operational vehicles to run on the 4G network

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Our Governance

Intro

Governance refers to the rules, practices and processes by which Council is directed and controlled. Adelaide Hills Council continuously strives for best practice in Governance by being:

- Accountable, transparent and responsive,
- Effective and efficient,
- Participatory, equitable and responsible, and
- By meeting legislative obligations.

The following information reports on our governance activity during 2022-23.

Good Governance is accountable, transparent and responsive

Council Meetings

Council is the ultimate decision-making body of the organisation; it consists of the Mayor and 12 Councillors. Council meetings were held on the second and fourth Tuesday of every month. All Council and Council Committee meetings are open to the public unless specific provisions in the *Local Government Act 1999* are satisfied to require the closing of the meeting under a confidentiality order.

Council meetings held in 2022-23:

- 17 ordinary meetings
- 3 special meetings

Council Committee meetings held in 2022-23:

- 6 Audit Committee meetings
- 2 Special Audit Committee meetings
- 4 CEO Performance Review Panel meetings
- 2 Boundary Change Committee meetings

The attendance of the Mayor and Councillors at 2022-23 Council and Committee meetings is detailed in the tables below.

Council Meeting attendance between 1/6/2022 to 23/11/2022

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Council Meeting	Ordinary Council		Special Council	
Total Meetings	4		2	
	P	A	P	A
Mayor Jan-Claire Wisdom	4	0	2	0
Cr Nathan Daniell	4	0	2	0
Cr Ian Bailey	4	0	2	0
Cr Kirrilee Boyd	4	0	2	0
Cr Pauline Gill	4	0	2	0
Cr Chris Grant	3	1	0	2
Cr Linda Green	4	0	1	1
Cr Malcolm Herrmann	4	0	2	0
Cr John Kemp	3	1	2	0
Cr Leith Mudge	4	0	2	0
Cr Mark Osterstock	4	0	2	0
Cr Kirsty Parkin	4	0	2	0
Cr Andrew Stratford	4	0	2	0

Council Meeting attendance between 23/11/2022 to 30/06/2023

Council Meeting	Ordinary Council		Special Council	
Total Meetings	13		1	
	P	A	P	A
Mayor Jan-Claire Wisdom	12	1	1	0
Cr Nathan Daniell	11	2	1	0
Cr Kirrilee Boyd	11	2	1	0
Cr Adrain Cheater	10	3	1	0
Cr Pauline Gill	6	7	0	1
Cr Chris Grant	10	3	0	1
Cr Lucy Huxter	12	1	1	0
Cr Malcolm Herrmann	12	1	1	0
Cr Leith Mudge	13	0	1	0
Cr Mark Osterstock	13	0	1	0
Cr Kirsty Parkin	10	3	1	0
Cr Louise Pascale	11	2	1	0
Cr Melanie Selwood	13	0	0	1

Good Governance is effective and efficient

Council Member training & development

Council is committed to providing training and development activities for Council Members and recognises the responsibility to develop and adopt a policy for this purpose under Section 80A of the *Local Government Act 1999*.

Monthly professional development training sessions have been held for Council Members. Professional development sessions conducted in-house are Closed Information or briefing sessions for the purposes of the *Information or Briefings Policy*. The dates and venues for these sessions are

publicly documented in agendas for Ordinary Council meetings and are posted on the Council's website.

Good Governance is participatory, equitable and responsible

Allowance Paid to Council Members

Council Members are entitled to receive an annual allowance, as determined by the Remuneration Tribunal pursuant to Section 76 of the *Local Government Act 1999* (the Act) for performing and discharging their official functions and duties.

Pursuant to the Remuneration Tribunal's determination, the following amounts were prescribed for Council Members 2022-23:

Period	Annual Allowance prior to 23/11/2022	Annual Allowance after 23/11/2022
Mayor/Principal member	\$74,212	\$76,440
Deputy Mayor/Presiding member of a prescribed committee*	\$23,171	\$23,887
Other Council Members	\$18,533	\$19,110

*Council's prescribed committees are the Audit Committee, Boundary Change Committee and the CEO Performance Review Panel.

In addition to the allowance paid under section 76 of the *Local Government Act 1999*, Council Members were entitled to receive the following under the *Council Member Allowances and Support Policy*. Council members are not provided with purchase cards, and are instead provided with reimbursements or provisions such as:

- Reimbursement for travelling within/outside the area of Council and child/dependent care expenses associated with attendance at a Prescribed Meeting or undertaking a function or activity on the business of Council.
- Provision of an annual Travel Time Payment for Members residing greater than 30km from the Principal Office.
- Reimbursement of other expenses including:
 - Stationary and office supply expenses
 - Conference, seminar and training course fees and associated travel expenses.
- Provision of the following to assist Members in performing their official functions:
 - An iPad (or similar tablet computer), associated software and 4G/5G connection for document management (including Council Agenda and Minutes), communication and research (both Council workspace and internet)
 - A Council email address
 - A mobile phone (including SIM) if requested
 - Paper for printing
 - Stationery (such as pads, pens, diaries, etc.)
 - Meals and beverages provided in association with attendance at prescribed meetings.

Notwithstanding their entitlement under the Policy, not all of these provisions were accessed by all Council Members.

In addition to these, Council resolved to make available to the Mayor (or Deputy Mayor during the Mayor's absence) the following additional facilities and support to assist them in performing and discharging their official functions and duties:

- Laptop computer with appropriate software
- Supply and maintenance of a motor vehicle (not allocated in 2022-23)
- Mayoral Office accessible 24/7 providing desk and meeting facilities
- Provision of media and communications support
- Access to administrative officer services.

The Chief Executive Officer maintains a Register of Allowances and Benefits provided to Council Members which is available to the public on our website.

Council Member Interstate and International Travel

During 2022-23, the following interstate and international travel was conducted by Council Members:

Event	Date	Location	Travel Expenses
National General Assembly (NAG) for Local Government	13/6 – 16/6/2023	Canberra	\$3,290

Local Government Act 1999 Section 41 Committees

The Adelaide Hills Council has three Section 41 (Council) Committees which operate under Terms of Reference determined by Council.

1. Audit Committee,
2. CEO Performance Review Panel, and
3. Boundary Change Committee

Audit Committee

The Audit Committee was established by Council in 2005 in accordance with Section 126 of the *Local Government Act 1999* (the Act).

The Audit Committee's role is to assist Council in the discharge of its responsibilities for financial reporting, maintain a reliable system of internal controls, risk management and asset management, liaise with the external auditor, and foster the organisation's ethical development.

There are five members of the Audit Committee, three independent members and two Council Members. The membership and attendance during the financial year was:

	Ordinary Meetings		Special meetings	
	6		2	
Audit committee - Member name	No of meetings present	No of meetings Absent/apology	No of meetings present	No of meetings Absent/apology
Cr Malcolm Herrmann (Presiding Member)	6	0	2	0
Cr Leith Mudge Until 30/11/2022	2	0	0	0
Cr Melanie Selwood Commenced 30/11/2022	4	0	2	0
Peter Brass (Independent member)	6	0	2	0
Natalie Johnston (Independent member) Until 30/4/2023	5	0	1	0
David Moffatt (Independent member)	6	0	2	0
Pamela Lee (independent member) Commenced 1/5/2023	2	0	1	0

Six (6) ordinary meetings and two (2) special meeting was held during 2022-23. Sitting fees were paid to independent members of the Audit Committee. The Presiding Member receives an allowance equivalent to that received by Presiding Members of Prescribed Committees in accordance with the Remuneration Tribunal's determination.

The Presiding Member receives an allowance equivalent to that received by Presiding Members of Prescribed Committees in accordance with the Remuneration Tribunal's determination.

Sitting fees paid until 30 June 2023:

- Independent Presiding Member: \$575 per meeting (not utilised in 2022-23).
- Independent Member: \$450 per meeting.

Chief Executive Officer Performance Review Panel

The Chief Executive Officer Performance Review Panel (CEOPRP) was established in 2014 to provide advice to Council on matters related to the Chief Executive Officer (CEO) and their performance.

In 2022-23, a process was undertaken to review the CEO's performance against the position description requirements and the agreed set of key performance indicators for the year. External advice was also received on the remuneration package payable.

Membership and attendance during the financial year was:

Member name	No of meetings present	No of meetings Absent/apology
Cr Mark Osterstock (Presiding Member until 29/11/2022)	2	1
Cr Chris Grant (Presiding member from 29/11/2022)	3	1
Mayor Jan-Claire Wisdom	3	1
Cr Nathan Daniell	3	1
Cr Kirsty Parkin (member from 29/11/2022)	0	1
Ms Janet Miller (Independent member)	4	0

Four (4) ordinary meetings were held in 2022-23. The Presiding Member receives an allowance equivalent to that received by Presiding Members of Prescribed Committees in accordance with the Remuneration Tribunal's determination.

Sitting fees paid until 30 June 2023:

- Independent Presiding Member: \$575 per meeting (not utilised in 2022-23).
- Independent Member: \$450 per meeting.

Boundary Change Committee

The Boundary Change Committee was established in 2022 to provide advice to Council regarding the operation and implications of Chapter 3 – Constitution of councils, and Part 2 – Reform proposals of the Act associated with the Campbelltown City Council Woodforde/Rostrevor boundary change proposal.

The committee comprises five (5) members which include the Deputy Mayor of Council and four (4) Council Members.

Membership and attendance during the financial year was:

Member name	No of meetings present	No of meetings Absent/apology
Cr Mark Osterstock (Presiding Member)	2	0
Cr Leith Mudge <i>Commenced 29/11/2022</i>	1	0
Cr Nathan Daniell <i>Commenced 29/11/2022</i>	1	0
Cr Kirsty Parkin	2	0
Cr Ian Bailey <i>Ceased 29/11/2022</i>	1	0
Cr John Kemp <i>Ceased 29/11/2022</i>	1	0

Two (2) ordinary meetings were held in 2022-23. The Presiding Member receives an allowance equivalent to that received by Presiding Members of Prescribed Committees in accordance with the Remuneration Tribunal's determination.

No additional allowance is paid to the Members of the Committee over and above the allowance already received by Council Members in accordance with the determination of the Remuneration Tribunal.

Council's Assessment Panel (CAP)

As a result of the State Government's rollout of the Planning Reform for South Australia Adelaide Hills Council established a Council Assessment Panel (CAP) as required by Sections 82 and 83 of the *Planning, Development and Infrastructure Act 2016* (PDI Act). This CAP replaced the former Council Development Assessment Panel and membership comprises one Council member and four Independent members (which includes an Independent Presiding member).

Membership and attendance during the financial year was:

Member name	No of meetings present	No of meetings Absent/apology
Geoff Parsons (Independent Presiding Member)	6	1
Ross Bateup (Independent Member)	7	0
Myles Somers (Independent Member)	6	1
Paul Mickan (Independent Member)	7	0
Cr John Kemp (Council Member ceased 29 Nov 2022)	3	0
Cr Leith Mudge (Deputy Member* ceased 29 Nov 2022) (Council Member commenced 29 Nov 2022)	3	0

Cr Nathan Daniell (Deputy Member* commenced 29 Nov 2022)	0	0
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**The Deputy Member only attends meetings where the Council Member cannot attend*

The Panel considers certain development applications (i.e. requests from people wishing to construct buildings or undertake other developments in the area) which cannot be decided upon by staff under delegation. It also hears submissions lodged in relation to publicly notified development applications. CAP meetings are generally held in Stirling on the second Wednesday of each month from 6:30pm. In 2022-23, 7 meetings of the Panel were held.

Sitting fees paid to independent members of the CAP were:

- Independent Presiding Member: \$550 per meeting
- Independent Ordinary Member: \$420 per meeting
- Council Member: \$293 per meeting

Council Advisory (Working) Groups

Advisory Groups, operating under their own terms of reference, provide advice and support to Council's administration.

The following Adelaide Hills Council's Advisory (Working) Groups were in place until November 2022:

- Biodiversity Advisory Group
- Bushfire Advisory Group
- Cemetery Advisory Group
- Property Advisory Group
- Rural Land Management Advisory Group
- Sustainability Advisory Group
- Community & Recreation Facility Framework Internal Working Group
- AHC Reconciliation Working Group

These Groups do not report directly to Council however they provide advice to the Administration which informs Council and Committee decisions.

Building Fire Safety Committee

Council's Building Fire Safety Committee held 4 scheduled meetings during the year to review the adequacy of fire safety for large buildings in the district with an aim of improving the level of fire and life safety. The membership of the Committee was amended halfway through the year with a new Presiding Member joining the Committee with experience in fire safety. Members and attendance for the Committee was:

Member name	No of meetings present	No of meetings Absent/apology
Colin Paton, (CFS Representative)	7	0

Louis Palumbo – Council Staff Member (Experience in Fire Safety)	7	0
Tom Warneke - Council Staff Member (Qualifications in Building Surveyor)	6	1

The Committee conducted 24 inspections and considered 18 buildings during the year, working with building owners to negotiate an improved level of safety for their buildings in relation to fire exits, emergency lighting, fire-fighting equipment, water supply, hydrant coverage, access for fire services, and bushfire survival plans. One (1) new fire safety defect notice was issued during 2023 and six (6) of the buildings requiring upgrades. The negotiated works were completed enabling the Committee to acknowledge the owners co-operation and works undertaken to improve the fire and life safety of their buildings. Additionally, the Committee progressed the aluminium composite panel (ACP) investigations for the three identified buildings with the ACP removed and replaced in one case and solutions continuing to be negotiated in regards to the other two buildings.

Information or Briefing Sessions

Information or Briefing Sessions (workshops, briefings, and professional development sessions) are held with Council Members twice a month and provide a valuable opportunity to enhance the decision-making process. Council and Committee Members use the gatherings to become better informed on issues, seek further clarification, or explore a topic further in an informal environment.

Information or Briefing Sessions are not used to make decisions; all decision-making is conducted at the formal Council and Section 41 Committee meetings. Information or Briefing Sessions that involve the discussion of matters that will be considered at a formal council or council committee meeting must be open to the public unless the appropriate confidentiality provisions of the Local Government Act 1999 are utilised.

All Information or Briefing Sessions are advertised on the Council website.

Date of Information Gathering	Topic	Type of session
12/07/2022	Event Waste and Recycling	ODIG
12/07/2022	Management of Built Heritage - Policy and Procedure Review	ODIG
12/07/2022	Community & Recreation Facilities Framework	ODIG
12/07/2022	CEO Update	OIG
19/07/2022	Council & Committee Meetings and Information & Briefing Session (including Advisory Groups) arrangements	ODIG
19/07/2022	Land Acquisition Offer	CDIG
19/07/2022	CEO Update	OIG
9/08/2022	Regional Public Health Plan 2022-27	ODIG
9/08/2022	Quarterly Performance Reporting - Key Projects	ODIG
9/08/2022	Stirling Library Lawn - replacement structure	ODIG
9/08/2022	CEO Update	CDIG

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16/08/2022	Disability Inclusion Webinar	CIG
16/08/2022	St Johns Road Norton Summit (CFS & Church boundary realignment	ODIG
16/08/2022	CEO Recruitment - Acting and Substantive	ODIG
16/08/2022	Election Preparation and Caretaker Refresher	ODIG
16/08/2022	CEO Update	CDIG
13/09/2022	High level Waste and Recycling Studies	ODIG
13/09/2022	Profile ID - Census data	OIG
13/09/2022	2022-23 Service Review Discussion	ODIG
13/09/2022	CEO Update	ODIG
20/09/2022	Miscellaneous Technical Enhancement Code Amendment – AHC Draft Submission	ODIG
20/09/2022	Understanding LGGC model	ODIG
20/09/2022	CEO Update	ODIG
11/10/2022	Context setting for LTFP	ODIG
11/10/2022	Electricity Tender	ODIG
11/10/2022	Expert Panel - Planning System Implementation Review	ODIG
11/10/2022	CEO Update	ODIG
18/10/2022	Presentation from South Australian Local Government Grants Commission	ODIG
18/10/2022	Stirling Business Association (SBA) Update	ODIG
18/10/2022	Reflection on 2018 -2022 term by Council Members	OIG
18/10/2022	CEO Update	ODIG
23/11/2022	Photos & Taking Oath	OIBS
26/11/2022	Council Member Induction	OIBS
5/12/2022	Manadatory Training - Strategic Management Planning	OIBS
5/12/2022	Mandatory Training - Financial Sustainability & Long-Term Financial Plan (LTFP)	OIBS
5/12/2022	CEO Update	OIBS
13/12/2022	Directorate Presentation - Community Capacity	OIBS
13/12/2022	Expert Planning Review	OIBS
13/12/2022	Directorate Presentation - Development & Regulatory Services	OIBS
13/12/2022	Directorate Presentation - Office of the CEO	OIBS
13/12/2022	Substantive CEO Recruitment	OIBS
13/12/2022	CEO Update	OIBS
17/01/2022	Animal Management Plan (AMP)- Consultation	OIBS
17/01/2022	Directorate Presentation - Corporate Services	OIBS
17/01/2022	Directorate Presentation – Infrastructure & Operations	OIBS
17/01/2022	Council Member Mandatory Training - Effective Meetings & Meeting Procedure	OIBS
17/01/2022	CEO Update	OIBS
6/02/2023	Council Member Mandatory Training – Introduction to Local Government	OIBS
6/02/2023	Advisory Groups Review	OIBS
6/02/2023	LTFP Workshop Preliminary Briefing	OIBS
6/02/2023	Amy Gillett Bikeway	OIBS
6/02/2023	CEO Update	OIBS
11/02/2023	LTFP Workshop	OIBS
21/02/2023	Council Member Mandatory Training – Legal	OIBS
21/02/2023	CEO Update	OIBS

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6/03/2023	Kerbside Bin System Options	OIBS
6/03/2023	Tourism – one of our engines	OIBS
6/03/2023	Workshop on Workshops	OIBS
6/03/2023	CEO Update	OIBS
21/03/2023	Council Member Mandatory Training – RECORDS MANAGEMENT	OIBS
21/03/2023	Strategic Plan Introduction	OIBS
21/03/2023	Library Opening Hours	OIBS
21/03/2023	CEO Update	OIBS
1/04/2023	ABP Workshop	OIBS
3/04/2023	Strategic Plan (reconvene)	OIBS
3/04/2023	Compliance - Education vs Enforcement	OIBS
3/04/2023	LGA Ordinary General Meeting	OIBS
3/04/2023	CEO Update	OIBS
11/04/2023	Amy Gillett Update	CIBS
18/04/2023	MANDATORY TRAINING – Behavioural Modules	OIBS
18/04/2023	Behavioural Support Policy – do we need one?	OIBS
18/04/2023	CEO Update	OIBS
26/04/2023	2023-24 Annual Business Plan - Additional Workshop Items	OIBS
1/05/2023	Innovate Reconciliation Action Plan	OIBS
1/05/2023	Remoteness Sculpture Treatment	OIBS
1/05/2023	Legislative Delegations	OIBS
1/05/2023	CEO Update	OIBS
5/06/2023	Service Review - Planning and Development	OIBS
5/06/2023	First Nations Use of Council land	OIBS
5/06/2023	Draft ABP and Rating Structure Change consultation results	OIBS
5/06/2023	Delegations Review – LG Act	OIBS
5/06/2023	CEO Update	OIBS
20/06/2023	WH&S at AHC	OIBS
20/06/2023	Implementation of the Our Watch Toolkit (includes training)	OIBS
20/06/2023	Ashton Landfill Update	CIBS
20/06/2023	CEO Update	OIBS

CIG – Closed Informal Gathering
 OIG – Open Information Gathering
 CDIG – Closed Designated Informal Gathering
 ODIG – Open Designated Informal Gathering
 CIBS= Confidential Information or Briefing Session
 OIBS = Open Information or Briefing Session

Ordinary Council Meeting agendas publicly document the dates and venues of regular workshops and professional development sessions. The professional development sessions are reported under Council Member Training and Development and are run as Closed Informal Gatherings.

Agendas and Minutes

All Council, Committee and CAP meeting agendas are placed on public display at least three days prior to the holding of these meetings.

Minutes are placed on display within five days of meetings. Copies of agendas and minutes are available at Council's service centres and libraries, and can be downloaded from the Council's website.

Section 90(2) and 91(7) Requirements - confidentiality orders

During 2022-23, 28 new items were considered in closed session in accordance with Section 90(2) of the Local Government Act 1999, and 12 items remained on the register from the previous financial years. Of these, 18 items were released in full and 22 remained in confidence, in accordance with Section 91(7) of the Act as at 30 June 2023.

See table below for details.

Date	Council / Committee	Item No.	Title	LGA 1999 Section	New confidentiality Recommendation or Date Released	Status as at 30 June 2023
22/04/2014	Council	18.2.1	AHRWMA	90(3)(b,d,i)		Retained in confidence
1/08/2018	Special Council	7.2.1	Retirement Village Review	90(3)(b)		Retained in confidence
23/06/2020	Council	18.1.1	Event Opportunity	90(3)(j)	5 September 2022	Released
27/01/2021	Council	18.2	CWMS Review	90(3)(d)		Retained in confidence
25/05/2021	Ordinary Council	18.1.1	Multi-Year Road Rally Proposal	90(3)(d)	Partial release 08 October 2021. Redaction and Appendices Remain Confidential	Retained in confidence
22/06/2021	Ordinary Council	18.2	Event Opportunity - SANTOS TDU 2022	90(3)(j)	20 February 2023	Retained in confidence
22/06/2021	Ordinary Council	18.1.1	Cyber Security Plan	90(3)(e)	20 February 2023	Retained in confidence
26/10/2021	Council	18.2	Ashton Landfill	90(3)(i)		Retained in confidence
26/10/2021	Council	18.1	Electricity Procurement Legal Matter	90(3)(h)		Retained in confidence
26/04/2022	Council	11.1.2	Property Lobethal Road, Lenswood - Confidential	90(3)(a)	Minute not confidential	Retained in confidence
28/06/2022	Council	18.1	Warren Road Birdwood Blackspot	90(3)(d)		Retained in confidence

DRAFT 2022-23 Annual Report

28/06/2022	Council	18.3	Ashton Landfill	90(3)(i)		Retained in confidence
28/06/2022	Council	18.4	East Waste Charter Amendment	90(3)(k)	19 September 2022	Released
28/06/2022	Council	18.2	Event Opportunity – Santos Tour Down Under 2023	90(3)(j)	16 September 2022	Released
28/06/2022	Council	18.5	FABRIK redevelopment Project – Construction Contract	90(3)(d)	19 August 2022	Released
4/08/2022	CEO PRP	10.1.2	CEO Performance & Remuneration Report - Confidential Item	90(3)(a)	7 September 2022	Released
4/08/2022	CEO PRP	10.1	CEO Performance & Remuneration Report	90(3)(a)	7 September 2022	Released
23/08/2022	Council	18.5	Ministerial Exemption	90(3)(i)		Retained in confidence
23/08/2022	Council	18.4	Revised East Waste 2022-23 Annual Plan & Budget	90(3)(d)		Retained in confidence
23/08/2022	Council	18.3	East Waste Recycling Contract	90(3)(d)		Retained in confidence
23/08/2022	Council	18.2.1.1	Acting and Substantive Chief Executive Officer Recruitment – Acting CEO Selection Panel	90(3)(a)	7 September 2022	Released
23/08/2022	Council	18.2	Acting and Substantive Chief Executive Officer Recruitment	90(3)(a)	7 September 2022	Released
23/08/2022	Council	18.1	2022 CEO Performance & Remuneration Reviews	90(3)(a)	7 September 2022	Released
20/09/2022	Special Council	8.1.2	Appointment of Acting CEO	90(3)(a)	21 September 2022	Released
27/09/2022	Ordinary Council	18.1	CEO Performance Review Panel Independent Member	90(3)(a)	30 September 2022	Released
12/12/2022	Audit Committee	10.3	External Audit Tender	90(3)(d)	Partial release 20 February 2023. Appendix 2 remains in confidence	Retained in confidence
20/12/2022	Council	18.3	Appointment of External Auditor	90(3)(d)	20 February 2023	Released
20/12/2022	Council	18.1	Surplus Government Land Notification	90(3)(d)		Retained in confidence

20/12/2022	Council	18.2	Citizen of the Year Awards 2023	90(3)(o)	20 February 2023	Released
24/01/2023	Council	18.1	Appointment of Audit & Risk Committee Independent Members to the Adelaide Hills Region Waste Management Authority	90(3)(a)	30 June 2023	Released
14/02/2023	Council	9.1	South Australian Tourism Commission re Santos Tour Down Under	90(3)(j)		Retained in confidence
14/02/2023	Council	18.1	18.1 Substantive CEO Recruitment – Remuneration & Independent Advice	90(3)(b)	19 May 2023	Released
11/04/2023	Council	18.1.1	Audit committee Independent Member Appointment	90(3)(a)	30 April 2023	Released
26/04/2023	Council	18.1	Amy Gillett Bikeway Stage 4 Agreement	90(3)(j)		Retained in confidence
9/05/2023	Council	18.1	Bridgewater Retirement Village	90(3)(b)		Retained in confidence
12/05/2023	Special Council	8.1	Appointment of Substantive Chief Executive Officer	91(9)(c)	19 May 2023	Released
23/05/2023	Council	18.1.1	Event Opportunity Santos Tour Down Under	90(3)(j)		Retained in confidence
23/05/2023	Council	18.2.1	Electricity Tenders Post 30 June 2023	90(3)(k)	30 June 2023	Released
13/06/2023	Council	18.1	Sale of Land for non payment of Rates	90(3)(i)		Retained in confidence
27/06/2023	Council	18.1	Appointment of GRFMA Chairperson	90(3)(a)		Retained in confidence

Council's Representation Quota

The Adelaide Hills Council's total representation quota (the number of electors for each Council Member including Mayor) in 2022-23 is 1 for every 2,330 electors. The total number of electors is 30,295.

The Adelaide Hills Council's representation quota is comparable with councils of similar populations (albeit different numbers of Council Members):

- City of Holdfast Bay (electors 28,533) = 1:2,194
- City of Mount Barker (electors 28,675) = 1:2,606

- City of Norwood Payneham and St Peters (electors 26,147) = 1:1,867
- Burnside (electors 32,295) = 1:2,484
- City of Unley (electors 28,092) = 1:2,160.

(Data source: Electoral Commission SA 2023 (made available via LGA))

The next representation review is scheduled to commence April 2024, at which time electors will be advised of the process to make submissions on representation under the *Local Government Act 1999*.

Public involvement in Council business

Members of the public may put forward their views to Council in a number of ways.

Public Forum

Any member of the public is allocated up to five minutes at each Council meeting to address the Members with comments or questions.

Deputations

With the permission of the Mayor or Committee Presiding Member, a member of the public can address a Committee or the Council personally or on behalf of a group of residents as a deputation. Each deputation is usually limited to a maximum of ten minutes. People wishing to access this opportunity should make prior arrangements through the Mayor's Office on (08) 8408 0438.

Petitions

Written petitions can be addressed to Council or a Committee on any issue within the Council's jurisdiction and these are presented at the next meeting of Council or Committee following receipt. Petitions must be in the format set out in legislation; Council's *Petitions Policy* provides guidelines on these requirements as well as on submission.

Written requests

A member of the public can write to the Council about any Council service, activity or policy via post or email.

Chief Executive Officer
Adelaide Hills Council
63 Mount Barker Rd, Stirling, SA 5152
mail@ahc.sa.gov.au

Community Engagement

The Adelaide Hills Council engages with local residents about many issues that may affect their neighbourhoods. Formal consultations are guided by Council's Public Consultation Policy. Everyone is encouraged to contribute to projects via the Your Say website at engage.ahc.sa.gov.au, by emailing engage@ahc.sa.gov.au, post, calling 8400 0400 or attending online or face to face drop in sessions. Over the last financial year there were 18,700 visits to the Your Say website and 17 community engagement projects for contributions or information. We held online engagement sessions, face to face engagement days

One Community Forum was held in 2022-23 (separate from Ordinary Council Meetings), this was in Bridgewater on Tuesday 30 August 2022 with 52 people attending. Local community members and

groups are invited to attend Community Forums across the district and to address Council on new initiatives or topics of concern. Holding the forums in different townships in the Council area is an important method of providing residents with opportunities to speak in person with Council Members and senior staff. We are re-assessing how we undertake community forums to best suit our community.

The Bi-annual Community Survey was undertaken in May- June 2023 and we received over 726 responses.

Internal review of Council decisions

The Council's Internal Review of Council Decisions Policy provides a process pursuant to Section 270 of the *Local Government Act 1999* for people to request a formal internal review of a decision made by Council (including by staff acting under delegation).

Formal reviews are normally the final avenue for a complainant before raising the matter with external agencies such as the South Australian Ombudsman. Formal internal reviews are distinct from routine complaint handling processes in that they involve a higher degree of scrutiny of the decision making process and merit and are conducted by a person who was not involved in the original decision.

Internal reviews in progress at 1 July 2022: 2

Internal review requests received in 2022-23: 3

Internal reviews closed in 2022-23: 5

Internal reviews in progress at 30 June 2023: 0

Summary of internal review requests dealt with during 2022-23

Internal review subject	Lodged	Closed	Outcome
Decision by Council (staff) to deny use of unmade road reserve to the rear of applicant's property for vehicular access	12 October 2021	29 November 2022	Original decision upheld
Decision by Council (staff) to not issue a permit over the use of unmade road reserve to the rear of applicants' property	27 February 2022	2 September 2022	Original decision upheld
Decision by Council (staff) to not issue a permit for vehicle access to	7 August 2022	11 November 2022	Withdrawn by applicant

applicant's property in the applicant's preferred location			
Decision by Council (staff) not to remove tree(s) in verge outside applicant's residence	26 August 2022	2 September 2022	Review terminated with consent of the applicant (matter resolved to applicant's satisfaction)
Inaction by Council and other agencies regarding stormwater management	9 March 2023	12 April 2023	Did not proceed to formal lodgement following consultation with applicant

Freedom of Information requests

Twelve requests for information were made under the *Freedom of Information Act 1991* during the 2022-23 financial year; a decrease from thirty-three managed in the previous year. Three applications rolled over from the 2020-21 year making the total managed during 2022-23 financial year being fifteen.

Freedom of Information (FOI) applications can be submitted using an FOI Application form, available from the State Records website, Council's website, or any of Council's Service Centres or by way of a request in writing. An application fee (in accordance with Council's *Fees and Charges Policy*) must accompany the application.

The State Records website provides detailed information on the FOI process or you can contact Council's FOI Officer. Requests should be forwarded to:

Freedom of Information Officer
Adelaide Hills Council
63 Mount Barker Road, STIRLING SA 5152

The Freedom of Information Statement is reviewed and published annually on our website in accordance with the requirements of the *Freedom of Information Act 1991*.

Annual Reporting is provided to State Records of South Australia at the end of each financial year, below outlines 2022-23 outcomes for Adelaide Hills Council.

FOI Requests	Total
Outstanding from previous period	Three
New applications	Twelve
Total to be processed	Fifteen
Transferred in full	Nil
Determined - Full release	Five

Determined – Partial release	One
Determined - Refused	Two
Withdrawn	Two
No records available	One
Information previously provided	One
Outstanding at the end of the period	Two
Internal review completed	One
External review completed	Three (one withdrawn)

Amendment to Council records

Any member of the public may inspect Council documents relating to their personal affairs with a request under Part 4 Division 2 of the *Freedom of Information Act 1991*. Access to the records is possible through the completion of a Freedom of Information Request Form.

A member of the public may then request a correction to any information about themselves that is incomplete, incorrect, misleading or out-of-date. Amendments to Council records must be requested using a Freedom of Information Amendment of Records Form.

Fraud and corruption prevention

Council recognises that fraud and corruption have the potential to cause significant financial and non-financial harm, and that the prevention and control of fraud and corruption should feature predominantly within the systems and procedures of a responsible council.

Council is committed to acting in the best interest of the community and to upholding the principles of honesty, integrity and transparency; the key components of good governance. A *Fraud and Corruption Prevention Policy* has been adopted by Council to provide guidance in managing these risks.

Council adopted a *Public Interest Disclosure Policy* to facilitate the disclosure of public interest information and provide guidance on the management and investigation of disclosures. This Policy and associated procedures have been developed in accordance with the *Public Interest Disclosures Act 2018* which replaced the *Whistleblowers Protection Act 1993* from 1 July 2019.

Delegations and sub-delegations

The Chief Executive Officer and other officers have the delegated authority from Council (in accordance with Section 44 and 101 of the *Local Government Act 1999*) to make decisions on a number of specified administrative and operational matters.

The Register of Delegations reflects the delegated authority from Council to the Chief Executive Officer (and subsequently any sub-delegations) and this is visible on Council's website. As a minimum, delegations are reviewed annually.

Good Governance involves meeting our legislative obligations

Registers, codes and policies

Documents available for public inspection are as follows.

Registers

- LG Act Section 63 | Gifts and Benefits Register – Council Members and Staff
- LG Act Section 70(a1) | Register of Interests for Council Members and Independent Members
- LG Act Section 79 | Council Members' Register of Allowances and Benefits
- LG Act Section 90 | Confidential Items
- LG Act Section 98 | Development Applications Register
- LG Act Section 105 | Council Employees Register of Salaries
- LG Act Section 188 | Fees and Charges
- LG Act Section 207 | Community Land Management Plan
- LG Act Section 231 | Public Roads
- LG Act Section 252 | By-laws
- Development Regulations 2008 Regulation 98 | Development Applications Register

Codes and Policies

Administration

- LG Act Section 110 | Code of Conduct for Council Employees

Community

- Acknowledgement and Welcome to Country
- Arts and Heritage Collection
- Cemetery Operating
- Burials Outside Cemeteries
- Community and Recreation Facilities
- Community Group Use of Photocopiers
- Community Information Display
- Community Loans
- Festivals & Events
- Flags Policy
- Grant Giving
- Memorials within Council Cemeteries
- Outdoor Dining
- Play Space
- Public Consultation
- Public Transport
- Safe Environments
- School Parking and Associated Facilities
- Tributes for Commemorative Services
- Volunteer Engagement
- Wastewater System Application Fee Refunds

Corporate Governance

- Advisory Group Operation and Conduct
- Caretaker

- LG Act Section 92 | Code of Practice for Access to Council & Council Committee Meetings and Documents
- Code of Practice for Meeting Procedures
- Complaint Handling
- Enforcement
- Fraud Corruption Misconduct & Maladministration
- Information or Briefing sessions
- Internal Audit
- Internal Review of Council Decisions
- Order Making
- Petitions
- Procurement
- Public Interest Disclosure
- Public Interest Disclosure Procedure
- Prudential Management
- Records and Information Management
- Request for Services
- Risk Management
- Unreasonable Complainant Conduct

Council Member

- Behaviour Management
- LG Act Section 75E | Behavioural Standards for Council Members
- Council Member Training & Development
- Council Member Allowances and Support
- Mayor Seeking Legal Advice
- One Team Communication Protocols

Development & Engineering

- Access to Development Application Documents
- Accredited Professionals
- Buffers
- Council Assessment Panel Review of Decisions of the Assessment Manager
- Delegations Policy for the Determination of Development Applications by CAP
- Development Application Fee Refunds
- Development Application Fee Waiver Policy 2020
- Development Applications Involving Regulated Trees
- Management of Built Heritage
- Models for Major Development
- Privately Funded (Council-led) Code Amendments
- Public Place & Road Naming
- Unsealed Roads

Environment & Open Space

- Directional Signage

- Burning Permit
- Genetically Modified Crops
- Telecommunications Installation Small Cell Stobie Pole Mounted Antennae
- Tree Management

Finance

- Debt Recovery (inc. CWMS Customer Hardship Policy)
- Disposal of Assets
- Grant & External Funding (Acceptance) Policy
- Rating
- Treasury

Infrastructure & Assets

- Alteration and Occupation of Public Roads
- Asset Management
- Occasional Hiring of Council Meeting Rooms
- Roadside Trading
- Street Lighting
- Trails and Cycling Routes Management
- Waste and Resource Recovery Services

The policies, codes and registers detailed are available at Council's Service Centres for inspection and/or purchase by members of the public for a fee as set out in Council's *Fees and Charges Policy*.

Many of these documents can be accessed on Council's website for no charge.

Community Land Management Plans

A new *Community Land Management Plan* was adopted by Council on 24 September 2019. The plan has been prepared for each category of community land, defining ownership details, location, area, principal usage and user groups.

Data verification of community land has been completed with all community land assigned to the appropriate category in the Community Lands Register. It lists community lands and does not include any lands revoked or excluded under the *Local Government Act 1999*.

Competitive tendering

In 2022-23 Council determined that a number of services it provides could be more efficiently provided by external contractors. Where services are outsourced a tender process is used to achieve best value for Council.

Details of the tendering process can be found in Council's *Procurement Policy*. In 2022-23, 64 services were subjected to a competitive bidding process.

Purchase of local goods and services

When goods and services are required by Council, local suppliers are invited to tender. In 2022-23 we had 111 competitive tender processes completed.

All tenders are considered on an equal basis in accordance with the principles of fair trading and the requirements of National Competition Policy and the *Competition and Consumer Act 2010*.

When paying for purchases, employees are encouraged under Council's *Procurement Policy* to utilise purchase cards as one of the most cost effective payment methods. During 2022-23, purchase cards were used for a total of \$480,790.76 (Excluding GST) of Council expenses.

National Competition Policy

Principles of competitive neutrality are designed to neutralise any net competitive advantage that a government or local government agency engaged in significant business activities would otherwise have, by virtue of its control by the government or local government, over private businesses operating in the same market.

Council has a complaints mechanism in place and in 2022-23 no complaints were received through this process with regard to competitive neutrality.

Our people

Council's success relies on the experience and skills of staff to provide services to the community. As at 30 June 2023, Council's workforce consisted of 199.78 FTE (full-time equivalent) people managing a diverse range of services and programs.

Employee turnover levels remain within a healthy range between 7-15 percent, with a turnover during 2022-23 of 10.9% percent.

Employees continue to focus on customer experience and service improvement across the organisation and continually review and refine processes to enable a better experience for our community.

Employee Travel

One of the ways Council supports employees is through the provision of travel to attend events to represent Council and/or that are relevant to the employees development. In 2022-23, the following employee travel occurred:

Event/Activity	Date	Location	Travel Expenses
Aborigiculture Australia – Tree Risk Assessment Qualification Training	November 2022	Melbourne	\$691
Human Resources Information Services Conference	June 2023	Sydney	\$598
National Health and Safety Conference	June 2023	Brisbane	\$708

Employee Performance

Through the development of our people to be skilled, knowledgeable and capable, we empower them to undertake their roles effectively to deliver services to our community. Their People Leaders provide support, coaching and guidance to assist the employees to manage their responsibilities. This is achieved through both informal and formal conversations that focus on:

- Reviewing progress against Key Result Areas

- Improving personal performance
- Taking responsibility for improving their work health and safety; and
- Undertaking development opportunities, either through on-the-job activities working with others or attending formal training.

Leadership Development

Leadership development opportunities are provided to our existing People Leaders who manage employees as part of their role as well as those employees who have been identified as emerging leaders. In the past year, we invested in six emerging leaders to participate in the Management Challenge facilitated through Local Government Professionals, SA which provides for not only personal growth for those individuals but also provides succession planning for when our current leaders leave the organisation.

Diversity and inclusion

Council has continued its journey towards being a diverse and inclusive organisation. Processes continue to be reviewed with the aim of improving our ability to be responsive to individual needs whilst managing expectations and successful outcomes for each role.

Our Recruitment Processes

Council facilitates merit-based selection processes to ensure that it provides equal opportunity for people to be employed. Our recruitment processes have continued to improve as we utilise systems to enable us to manage more effectively and with less waste. We continue to advertise our positions through Disability Employment Service providers to enable better access to those people living with a disability.

Council recognises that selecting the right person for each role has a significant impact on their team, the effectiveness of work undertaken, and services provided to our community. Effective and fair recruitment is critically important.

Work Health and Safety and Injury Management

Work Health and Safety (WHS) and Injury Management (IM) will always be of high importance and therefore many activities and improvements are undertaken regularly to ensure Council is managing its due diligence requirements and maintaining safe systems of work.

The Executive Leadership Team, with the Health and Safety Committee, promotes safe work practices that focus on delivering and maintaining a work environment that is safe, where hazards are identified and risks are managed, resulting in low injury rates.

The development and implementation of our WHS Action Plan (developed as a result of Audit processes) and monitored by the Local Government Association Workers Compensation Scheme has been a priority this year to ensure agreed actions have been closed out. An annual rebate is available where activities from the Action Plan are assessed as complete.

Education and support has been provided to employees in the operation of our Safety Management System both in the field and in the office that has resulted in increased reporting of incidents and hazards and any corrective actions being attended to promptly.

Executive Leadership Team Arrangements

Council has an Executive Leadership Team that operates under the direction of the Chief Executive Officer.

	No of positions	Salary Range as at 30 June 2023
CEO	1	\$241,244
Director	4	\$189,000 - \$200,500
Executive Manager	2	\$128,500 - \$158,000

The Executive Leadership Team have Total Remuneration Packages that incorporates salary (as above), compulsory superannuation and the provision of a motor vehicle for business and private use. Other benefits available to the Executive Team may include the provision of ICT equipment (a mobile telephone and tablet) and paid memberships for up to two professional bodies. No other bonuses or allowances are paid.

Remuneration payable to Council's auditor

Remuneration payable for the audit of the Adelaide Hills Council Internal Financial Controls and Annual Financial Statements for 2022-23 was \$45,000.

No other remuneration was paid to the auditors for non-audit services.

Appendices to be included in Final Draft

Appendix 1 - Financial Statements

Subsidiaries Annual Reports

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 20 November 2023
AGENDA BUSINESS ITEM**

Item: 8.4

Responsible Officer: Gary Lewis
Manager Financial Services
Corporate Services.

Subject: Auditors Completion Report 2023

For: Information

SUMMARY

At its meeting of 16 October 2023, the Audit Committee received a draft of the Audit Completion Report as a part of the Financial Statements and Year End Report.

While Councils auditors BDO, were able to notify the committee that they intended to issue an unmodified opinion on for both the Financial Statements and the Internal Controls the Auditors Completion Report had not been finalised and signed in time to be presented to the October Audit Committee meeting.

The report is now completed and has been signed and this is presented to the Audit Committee for their information. There is no change to the Auditors opinions since their attendance at the October Audit Committee meeting.

RECOMMENDATION

The Audit Committee resolves:

That the Audit Completion Report be received and noted.

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.

➤ 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.

➤ 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.

The Auditors Completion Report is the key document asserting the accuracy of the Financial Statements and the satisfactory completion of the statutory audit 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: Not Applicable

Council Workshops: Not Applicable

Advisory Groups: Not Applicable

External Agencies: BDO International, Ltd.

Community: Not Applicable

➤ **Additional Analysis**

At its meeting of 16 October 2023, the Audit Committee was presented with the Annual Financial Statements and Year End Report which included the Auditors draft Audit Completion Report. At that point in time Councils Auditors were in the final stages of completing the Audit.

They were able to notify the committee that they intended to issue an unmodified opinion on both the Financial Statements and the Internal Controls, however the Auditors Completion Report had not been finalised and signed in time to be presented to the October Audit Committee meeting.

The report has now been completed and signed and is presented to the Audit Committee for their information. There is no change in the opinions of the Auditors since their attendance at the previous Audit Committee meeting.

3. OPTIONS

The Committee has the following options:

- I. To note the report as prepared.
- II. To make additional comments or suggestions.

4. APPENDICES

- (1) Annual Audit Completion Report 2023
- (2) Certification of Auditor Independence 2023

Appendix 1

Annual Audit Completion Report 2023



ADELAIDE HILLS COUNCIL

Annual completion report

YEAR ENDED 30 JUNE 2023

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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
- ▶ 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"> 1. <input type="checkbox"/> \$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 2. <input type="checkbox"/> \$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>

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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"> • <input type="checkbox"/> 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 • <input type="checkbox"/> 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.	The loss of experience within the team has generated new challenges that will be addressed over the coming year. Recruitment is ongoing within the Finance team which will ensure that cross training can occur to decrease operational risks. This will also occur between the Asset team and Finance team to enhance understanding, coordinate work and improve internal controls.

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.	User access permissions have now been amended for the users identified to have inappropriate access to the 'All Associated Creditor Procession Functions' configuration which allowed for access to the Creditors Masterfile. A new payroll configuration, 'Payroll Processing' has been created, with only payroll team having access to this configuration. Responsible Officer: Team Leader, Financial Accounting Due Date: Completed
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 and consider the risk is low. The Finance team has only a small number of staff, so segregation of duties is difficult. The following are currently already in place: <ul style="list-style-type: none"> <input type="checkbox"/> No cash is received by the Accounts Receivable officer directly. <input type="checkbox"/> Debtors continue to be reported to Audit Committee twice yearly and a report provided detailing action taken to recover overdue balances is tabled. <input type="checkbox"/> Credits are approved by Team Leader Financial Accounting before being applied.

INTERNAL CONTROL CONTINUED



Risk Category/ Business Cycle	Risk assessment	Issues identified	Potential effects	Recommendation	Management comments
					<ul style="list-style-type: none"> Bad debt write-offs for more than \$5,000 will be submitted to the Audit Committee prior to consideration by the Council. <p>Responsibility: Team Leader, Financial Accounting Due Date: Review of additional preventative controls - on going</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>Council has upgraded the original grant register seen at the interim visit to a new template provided by BDO which was subsequently populated by the Accounts Receivable Officer for the 22-23FY closing balances.</p> <p>An assessment as to whether the grant has milestones attached will also be undertaken to ensure that we are not recognising any grants incorrectly as income. For materially large grants we will consider the funds to be deferred income until it can be accurately established that milestones do/do not exist. Appropriate documentation will be sourced from the relevant grant holder and filed appropriately for EOY purposes.</p> <p>Outstanding documentation will be reviewed quarterly, and follow-up action will be undertaken.</p> <p>Responsibility: Team Leader, Financial Accounting Due Date: Completed</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 2

Certification of Audit Independence 2023



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Australia

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*.

A handwritten signature in blue ink, appearing to read 'Linh Dao', is written over a light blue horizontal line.

Linh Dao
Director

BDO Audit Pty Ltd

Adelaide, 12 October 2023

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Tuesday 20 November 2023
AGENDA BUSINESS ITEM**

Item: 8.5

Responsible Officer: Gary Lewis
Manager, Financial Services
Corporate Services

Subject: Annual Investment Performance 2022-2023

For: Information

SUMMARY

In accordance with Council's *Treasury Policy* and Section 140 of the *Local Government Act 1999*, a council must review the performance of its investments at least annually.

RECOMMENDATION

Council resolves:

That the report on Investment Performance for 2022-2023 be received and noted.

1. BACKGROUND

in accordance with Council's *Treasury Policy* and Section 140 of the *Local Government Act 1999*, a council must review the performance of its investments at least annually. Given the timing of this report covering financial performance, it is considered that it is appropriate to also consider annual investment performance at this time.

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 structures 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.

Legislation requires Council to review and monitor Council’s Annual Budget with reference to actual results and its overall financial position to ensure Council continues to be financially sustainable.

➤ **Legal Implications**

Section 140 of the *Local Government Act 1999* - Review of Investments requires Council to at least once in each year, review the performance of its investments.

➤ **Risk Management Implications**

- Monitoring and reporting on Council’s investment performance will assist in mitigating the risk of:

Inaccurate budgets and unforecasted deficits leading to inadequate resourcing for current and future activities.

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

It ensures that financial resources are deployed in areas that align with Council’s Strategic Management Plans, are affordable and support Council’s *Long Term Financial Plan*.

➤ **Financial and Resource Implications**

Not applicable

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

There is a high expectation that Council has appropriate financial governance processes in place including the review of actual results to budget for a corresponding period.

➤ **Sustainability Implications**

Not applicable.

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

Not applicable.

➤ **Additional Analysis**

Annual Investment Performance

In accordance with Council’s *Treasury Policy* and Section 140 of the *Local Government Act 1999*, a council must review the performance of its investments at least annually.

Given that Council is utilising its short term drawdown facility throughout the period, Council’s investments are kept at a minimum during the year. As such the focus of Treasury Management has been on minimising interest expense and maintaining appropriate working capital rather than investment return.

As a result, interest earnings largely relate to:

- cash balances being transferred to an overnight investment account from Council’s general bank account with NAB, and
- where grants and other funds are placed directly with the Local Government Finance Authority (LGFA).

Both the NAB and LGFA investments are in accordance with Council’s *Treasury Policy*.

Year	RBA cash rate for June	LGFA Weighted Average Return	NAB Weighted Average Return	Overall Weighted Average Return	Actuals Investment Earnings	Annual Budget
2017-18	1.50%	1.50%	2.00%	1.75%	\$30k	\$34k
2018-19	1.25%	1.48%	1.98%	1.73%	\$41k	\$38k
2019-20	0.25%	0.67%	1.17%	0.92%	\$42k	\$42k
2020-21	0.10%	0.35%	0.65%	0.50%	\$8k	\$9k
2021-22	0.85%	0.37%	0.67%	0.52%	\$5k	\$5k
2022-23	4.10%	3.12%	3.27%	3.27%	\$26k	\$22k

As shown in the above table, revenue from investments of \$26k was stronger but broadly in line with the budget for the 2022-23 financial year.

The audited financial statements included an additional amount of \$11k under Investment Income in relation to unwinding of premiums and discounts in relation to Council’s remediation and post closure costs in accordance with Accounting Standards.

Borrowings

The fixed and variable interest rate borrowings as at 30 June 2023 totalled \$7.7m and \$7m respectively resulting in the fixed and variable rate portions of total borrowings at 52% and 48% respectively. The fixed rate borrowings consist of a \$5m loan borrowed for ten years (maturing in June 2025) and a \$3m credit foncier loan borrowed for 5 years (established in August 2022).

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, however Councils financing cost for

FY 23 was \$551k which compared to an origin budget of 594k. This was due to the lower level of actual funding required mitigating the higher rates of interest being paid.

\$ 000's

	2021-22	2022-23	
	Actual	Budget - ABP	Actual
Net Financial Liabilities	24,426	31,889	22,836
Finance costs	306	594	551

As Council has significant variability in cash flow given the timing and amount of quarterly rate payments, Council considers the balance of long term fixed term vs shorter term variable borrowings in the first quarter of the following financial year once the annual capital expenditure has been determined for the previous year.

3. OPTIONS

The Committee has the following options:

- I. To note the Annual Investment Performance report for FY2022/23.
- II. To determine not to note the report (not recommended).

4. APPENDICES

Nil

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 20 November 2023
AGENDA BUSINESS ITEM**

Item: 8.6

Responsible Officer: Gary Lewis
Manager Financial Services
Corporate Services

Subject: Policy Review – Treasury Policy

For: Decision

SUMMARY

The purpose of this report is to provide the Audit Committee with the opportunity to consider a review of the *Treasury Policy* (the Policy) prior to being presented to Council in accordance with its Policy Review Schedule.

The objectives of this policy are to provide direction to management, staff and Council in relation to the treasury function and establishes a decision framework that:

- Ensures funds are available as required to support strategic objectives and approved expenditure.
- Ensures that relevant risk exposures are acknowledged and responsibly managed.
- Is reasonably likely to minimise on average over the longer term, the net interest costs associated with borrowing and investing.
- Ensures that outstanding debt is repaid as quickly as possible and therefore that the gross level of debt held by Council is minimised, and
- Ensures that medium to longer term objectives of the Long Term Financial Plan are not compromised.

The Policy has been reviewed (**Appendix 1**) and is recommended to be adopted with minor changes.

RECOMMENDATION

Council resolves:

1. That the report on the Review of the Treasury Policy be received and noted.
 2. To recommend to Council the adoption of the Treasury Policy as detailed at Appendix 1.
-

1. BACKGROUND

Council has developed a range of policies over a number of years that are periodically reviewed to ensure they remain compliant and contemporary.

This report seeks a review of the *Treasury Policy* that was last adopted by Council in November 2020.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5	A Progressive Organisation
Objective O2	Our customers find it easier to interact and do business with Council and have an improved customer experience
Priority O2.4	Continuously strive to measure and improve performance and service delivery across all functions
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 *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.

➤ Risk Management Implications

The adoption and implementation of the *Treasury Policy* will assist in mitigating the risk of:

The absence of formal policies and procedures may lead to inconsistent or inappropriate practices resulting in errors. Formal and effective controls are particularly important where high volumes of transactions or where the total dollar value is significant.

Inherent Risk	Residual Risk	Target Risk
High (3B)	Medium (3C)	Medium (3D)

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

➤ Financial and Resource Implications

This policy ensures that financial resources are sourced and applied in an efficient manner.

➤ Customer Service and Community/Cultural Implications

There is a high expectation that Council has appropriate corporate governance processes in place including an effective suite of policies.

➤ **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: Not Applicable

Council Workshops: Not Applicable

Advisory Groups: Not Applicable

Administration: Finance Officer - Treasury
Team Leader Finance

External Agencies: Not Applicable

Community: Not Applicable

➤ **Additional Analysis**

Council first adopted the Policy in April 2008. Given the current version of the Policy was adopted in November 2020 is now due for revision.

As part of this review, consideration was given to the LGA Information Paper 15, Treasury Management and a number of other SA Council's Treasury Management Policies. However, Treasury processes and operating context have been stable since the last review and with LGA guidance also being unchanged no significant amendments are being recommended at this time.

3. OPTIONS

Committee has the following options:


- I. To review and recommend to Council as prepared.
- II. To make additional comments or suggestions for financial staff to include prior to the Policy being presented to Council for adoption.

4. APPENDICES

- (1) Treasury Policy

Appendix 1
Treasury Policy

COUNCIL POLICY

 <p>Adelaide Hills COUNCIL</p>	TREASURY
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Policy Number:	FIN-03
Responsible Department(s):	Finance
Relevant Delegations:	As per the delegation's schedule and as included in this Policy
Other Relevant Policies:	None
Relevant Procedure(s):	None
Relevant Legislation:	<i>Local Government Act 1999.</i>
Policies and Procedures Superseded by this policy on its Adoption:	Treasury, 10/06/14, Item 12.3, 36 Treasury, 26/09/17, Item 12.3, 208/17
Adoption Authority:	Council
Date of Adoption:	To be added administratively
Effective From:	To be added administratively
Minute Reference for Adoption:	To be added administratively
Next Review:	No later than November 2026 or as required by legislation or changed circumstances

TREASURY POLICY

1. INTRODUCTION

- 1.1 This policy underpins Council's decision-making in the financing of its operations in the context of its annual business plan & budget and long-term financial plan and associated projected and actual cash flow receipts and expenditure.
- 1.2 Council has developed a Long-Term Financial Plan and is committed to operating in a financially sustainable manner.

2. POLICY OBJECTIVES

- 2.1 This Treasury Policy provides direction to management, staff and Council in relation to the treasury function and establishes a decision framework that:
- ensures funds are available as required to support strategic objectives and approved expenditure.
 - ensures that relevant risk exposures (including credit risk, market risk, liquidity risk and interest rate risk) are acknowledged and responsibly managed.
 - is reasonably likely to minimise on average over the longer term, the net interest costs associated with borrowing and investing.
 - ensures that outstanding debt is repaid as quickly as possible and therefore that the gross level of debt held by Council is minimised, and
 - ensures that medium to longer term objectives of the Long Term Financial Plan are not compromised.

3. DEFINITIONS

- 3.1 **"Annual Business Plan"** In accordance with s123 of the *Local Government Act 1999* Council must have for each financial year a plan and budget that outlines annual and long term objectives, annual activities and measures of performance.
- 3.2 **"Financial Sustainability"** A Council's long term financial performance and position is sustainable where planned long term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.
- 3.3 **"Intergenerational Equity"** Intergenerational equity (or fairness) involves the costs associated with expenditure being spread over time in accordance with the distribution of the benefits that are generated from that expenditure. It is commensurate with spreading costs in relation to the pattern of benefits over time so that one generation is not excessively subsidising another generation.
- 3.4 **"LGFA – Local Government Financing Authority"** A Government guaranteed statutory authority established to develop and implement borrowing and investment programs for the benefit of Councils and prescribed local government bodies within the State.

- 3.5 **“Long Term Financial Plan”** In accordance with s122 of the Local Government Act 1999 Council must develop and adopt a long term financial plan for a period of at least 10 years.
- 3.6 **“Net Financial Liabilities (NFL)”** NFL equals total liabilities less financial assets, where financial assets for this purpose include cash, investments, receivables and prepayments, but exclude equity held in a Council subsidiary, inventories and assets held for sale. The Net Financial Liabilities Ratio is calculated by expressing net financial liabilities at the end of the year as a percentage of total operating revenue for the year.
- 3.7 **“Surplus Funds”** Funds over and above a level which is required to meet Council’s immediate working capital requirements
- 3.8 **“Treasury Management”** Refers to those activities which are related to the funding of Council operations. This includes funds management, cash flow budgeting, investment of surplus funds and borrowings

4. TREASURY MANAGEMENT STRATEGY

- 4.1 Operating and capital expenditure decisions are made based on:
- community need and benefit relative to other expenditure options.
 - cost effectiveness of the proposed means of service delivery.
 - affordability of proposals having regard to Council’s long-term financial sustainability (including consideration of the cost of capital and the impact of the proposal on Council’s Net Financial Liabilities), and
 - whether a borrowing needs to be raised and if so the nature of it is a separate decision to the expenditure one and it is made in accordance with the criteria specified in this policy.
- 4.2 Council manages its treasury functions – borrowings, investments and associated cash flow holistically in accordance with its overall financial sustainability strategies and targets.
- This means Council will:
- maintain a target range for its Net Financial Liabilities ratio
 - generally, only borrow funds to support cash flow and not specifically for particular Council projects
 - only retain or quarantine money for a particular future purpose when required by legislation or part of an agreement
 - apply where cost effective any funds that are not immediately required to meet approved expenditure, to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.
- 4.3 Council recognises that on average the rate of return that can be received from investing money is less than the interest rate charged on borrowed funds. As such, cash inflows that are surplus to short or medium term needs can be applied in the first instance to reduce the level of borrowings that would otherwise be necessary. This is more readily and effectively achievable with variable interest rate borrowings.

- 4.4 Community self-funding loans borrowed on behalf of community groups fall outside this definition, having no net impact on Council's cash position.

5. POLICY

5.1 Intergenerational Equity Funding

Council shall strive to achieve equity between generations of ratepayers (intergenerational equity) whereby the mechanisms to fund specific capital expenditure and operations take into account the ratepayers who benefit from the expenditure and therefore on a user pay basis, who should pay for the costs associated with such expenditure.

5.2 Borrowings

The level of borrowings shall be considered in the context of Council's strategic priorities within the adopted Net Financial liabilities ratio and in conjunction with Council's Long Term Financial Plan to ensure the long-term sustainability of Council.

5.2.1 Short Term Cash Flow Management

Short term cash advances may be used to sustain the cash flows of Council having regard to anticipated receipts and expenditures and the annual cash flow budget. For this purpose, Council may operate a cash advance facility from a financial institution and/or an overdraft on its bank account.

5.2.2 Interest Rate Risk Exposures

Council recognises that future movements in interest rates are uncertain in direction, timing and magnitude. Council considers that a mixture of both fixed and variable interest rate borrowings will assist in meeting Council's policy objective of minimizing net interest costs on average over the longer term and at the same time managing interest rate movement risks.

Management shall not speculate on interest rate movements.

5.2.3 Fixed and Variable Interest Rate Borrowings

Having regard to cost effectiveness, risk management criteria and flexibility, Council has restructured its portfolio of borrowings as old borrowings mature and new ones are raised to progressively achieve and thereafter strive to maintain a mixture of fixed and variable loans.

In order to spread its exposure to interest rate movements, Council will aim to have a variety of maturity dates on its fixed interest rate borrowings over the practically available maturity spectrum.

5.2.4 Risk Minimisation

To reduce the level of risk, which includes but is not limited to credit risk, market risk, liquidity risk and interest rate risk:

- Council approval is required for all new loans
- Loans are to be provided by institutions with long term credit ratings in line with the four major Australian banks
- All new loans are to be tendered to at least three lending institutions.

5.2.5 Borrowing Redemption

When surplus funds exist, the decision to repay borrowings shall be made based on the facts available at the time giving due regard to minimising the overall cost to Council.

5.3 Investments

Any funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings will be invested. The balance of funds held in any operating bank account that doesn't generate investment returns shall be kept at a level that is no greater than is required to meet immediate working capital requirements.

Any funds invested will be lodged at call or, having regard to differences in interest rates for fixed term investments of varying maturity rates, may be invested for a fixed term. The maturity date for a fixed term investment would not exceed a point in time where the funds otherwise could have been applied to cost-effectively either defer the need to raise a new borrowing or reduce the level of Council's variable interest rate borrowing facility.

When investing funds within the above criteria the investment which delivers the best value to Council is to be selected having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.

Investments are limited to the following (unless as specifically endorsed by Council):

- Deposits with the Local Government Finance Authority
- Bank interest bearing deposits or investment accounts with Council's current banking service provider
- Bank accepted/ endorsed bank bills, and
- State / Commonwealth Government Bonds.

To manage the level of risk Council will limit its investments to secure organisations. The following investment types are prohibited under this policy:

- Derivative based instruments
- Principal only investments or securities that provide potentially nil or negative cash flow
- Stand alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind, and
- Leveraging (borrowing to invest).

In addition, Council is prohibited from directly acquiring shares in a company.

5.4 Reporting

On or before 30 November, Council shall receive a specific report regarding treasury management performance of the previous financial year relative to this policy document.

This report shall highlight:

- For each Council borrowing and investment - the quantum of funds, its interest rate and maturity date, and changes in the quantum since the previous report
- The portion of fixed interest rate and variable interest rate borrowings at the end date of the reporting period, and
- Confirmation of compliance with c policy during the year.

6. DELEGATION

- 6.1 Section 44 Part 1c of the Act provides that a council must approve all loans and clearly states that the power to borrow money cannot be delegated from the Council itself.

In terms of Investments, there is no restriction upon the delegation of the powers at Section 139 or the duty at Section 140 of the Act.

Investment/Loan Transactions within **new** facilities which must be within the debt levels approved by Council have been delegated to two of the following to authorise:

- CEO
- Directors
- Manager Financial Services

Investment/Loan Transactions within **existing** approved facilities are delegated to one of the following to authorise:

- CEO
- Directors
- Manager Financial Services
- Management Accountant

In relation to the above delegations, the officer initiating the transaction must be separate from the officer authorising the transaction.

6.2 The Chief Executive Officer has the delegation to:

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

7. AVAILABILITY OF THE POLICY

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

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 20 November 2023
AGENDA BUSINESS ITEM**

Item: 8.7

Responsible Officer: Gary Lewis
Manager Financial Services
Corporate Services

Subject: Policy Review – Debt Recovery Policy

For: Decision

SUMMARY

The purpose of this report is to provide the Audit Committee with the opportunity to consider a review of the *Debt Recovery Policy* (the Policy) prior to being presented to Council in accordance with its Policy Review Schedule.

The objectives of this policy are:

- to provide guidance for Council to recover unpaid rates and sundry debtors.
- to ensure the fair, equitable and consistent collection of rates and sundry debtors in an effective and timely manner while recognising the need to identify and consider individual cases of genuine hardship

The Policy has been reviewed and there are no significant changes proposed to Council's current debt recovery and hardship.

RECOMMENDATION

Council resolves:

1. That the report on the Debt Recovery Policy be received and noted.
 2. To recommend to Council the adoption of the Debt Recovery Policy as detailed in Appendix 1.
-

1. BACKGROUND

Council has developed a range of policies over a number of years that are periodically reviewed to ensure they remain compliant and contemporary.

This report seeks a review of the Debtor Recovery Policy that was last adopted by Council in January 2021.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5	A Progressive Organisation
Objective O2	Our customers find it easier to interact and do business with Council and have an improved customer experience
Priority O2.4	Continuously strive to measure and improve performance and service delivery across all functions
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 *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.

➤ Risk Management Implications

The adoption and implementation of the *Debt Recovery Policy* will assist in mitigating the risk of:

The absence of formal policies and procedures may lead to inconsistent or inappropriate practices resulting in errors. Formal and effective controls are particularly important where high volumes of transactions or where the total dollar value is significant.

Inherent Risk	Residual Risk	Target Risk
High (3B)	Medium (3C)	Medium (3D)

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

➤ Financial and Resource Implications

There are no financial or resource implications associated with the implementation of this Policy.

➤ Customer Service and Community/Cultural Implications

There is a high expectation that Council has appropriate corporate governance processes in place including an effective suite of policies.

➤ 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: Not Applicable

Council Workshops: Not Applicable

Advisory Groups: Not Applicable

Administration: Executive Leadership Team
Senior Rates Officer
Team Leader Finance

External Agencies: Not Applicable

Community: Not Applicable

➤ **Additional Analysis**

In reviewing the Policy consideration has been given to Council's 2023-24 *Rating Policy*, the *LGA Guidelines - Rates Hardship Policy* released in May 2020 and other SA Council's Hardship and Debt Recovery Policies that have been adopted in recent years.

This review has identified that there are no significant changes proposed to Council's current debt recovery and hardship position as articulated in Council's 2023-24 *Rating Policy*.

3. OPTIONS

Committee has the following options:

- I. To review and recommend to Council as prepared.
- II. To make additional comments or suggestions for financial staff to include prior to the Policy being presented to Council for adoption.

4. APPENDICES

- (1) Debt Recovery Policy

Appendix 1

Debt Recovery Policy

COUNCIL POLICY

 <p>Adelaide Hills COUNCIL</p>	<h2>DEBT RECOVERY</h2>
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Policy Number:	FIN-04
Responsible Department(s):	Financial Services
Relevant Delegations:	As per the delegationsdelegation's schedule and as included in this Policy
Other Relevant Policies:	Community Loans Policy Internal Review of Council Decisions Rating Policy
Relevant Procedure(s):	Nil
Relevant Legislation:	Local Government Act 1999 Water Industry Act 2012
Policies and Procedures Superseded by this policy on its Adoption:	Debt Recovery, 15/12/15 Item 14.2, 209 Debt Recovery, 28/11/17, Item 12.13, 287/17
Adoption Authority:	Council
Date of Adoption:	15 December 2020
Effective From:	19 January 2021
Minute Reference for Adoption:	Item 12.11, 283/20
Next Review:	No later than November 20263 or as required by legislation or changed circumstances

Version Control

Version No.	Date of Effect	Description of Change(s)	Approval
<i>1.0</i>	<i>15 December 2015</i>	<i>Draft Policy</i>	<i>Council</i>
<i>2.0</i>	<i>28 November 2017</i>	<i>Policy Review</i>	<i>Council</i>
<i>3.0</i>	<i>19 January 2021</i>	<i>Policy Review</i>	<i>Council</i>
<u><i>3.1</i></u>		<u><i>Policy Review</i></u>	

DEBT RECOVERY POLICY

1. INTRODUCTION

- 1.1** The purpose of this policy is to set out Council's principles in regard to the management of debt and to ensure that money owed to Council is collected as soon as possible through efficient and effective debt recovery practices.
- 1.2** This policy will assist to ensure a strategic, equitable, accountable, consistent and transparent approach to Council's debt management, collection decisions and practices but also retain the flexibility to respond to the unique circumstances of individual customers.

2. OBJECTIVES

- 2.1** Council depends on incomes from rates and other debtors to fund services and facilities for the community. This policy provides the practice for Council to recover unpaid rates and other debtors.
- 2.2** Council undertakes recovery action for overdue rates and other debtors to ensure the fair, equitable and consistent collection of rates and other debtors in an effective and timely manner. Council will attempt to recover all costs, interest and expenses incurred by Council while recognising the need to identify and consider individual cases of genuine hardship.

3. DEFINITIONS

- 3.1** "**Council**" is the Adelaide Hills Council.
- 3.2** "**Council Debtor**" includes both rate debtors (including CWMS) and all other debtor types
- 3.3** "**Debt**" is the amount (of money) owed to Council.
- 3.4** "**Financial Counsellor**" - Means accredited financial counsellor.
- 3.5** "**Financial Hardship**" - Means a circumstance of experiencing a lack of financial means, which may be either ongoing or temporary, but does not include circumstances where a person chooses not to meet a liability for an unpaid debt.
- 3.6** "**Hardship Customer**" - Means a customer who has been identified under, accepted into, or is eligible for assistance under Council's hardship program.
- 3.7** "**Payment Arrangement for Hardship**" - Means anyone who meets the definition of Hardship Customer and has entered into an arrangement to pay their rates beyond the due date.
- 3.8** "**the Act**" is the *Local Government Act 1999*.

4. PRINCIPLES

4.1 Customers' Rights and Responsibilities

4.1.1 Rights:

- Be treated respectfully, sensitively and non-judgementally
- Have their cases individually considered and their circumstances kept confidential
- Receive prompt information on alternative payment arrangements
- Negotiate the amount they can afford and the frequency of instalments of their preferred payment plan
- Re-negotiate the amount of their instalment if there is change in their circumstances
- Receive information about free independent and accredited financial counselling services
- Be shielded from legal action and additional debt recovery costs, whilst they continue to make payments according to an agreed schedule, or an agreed altered schedule of payments
- Where possible speak with a person at Council (or Council's agent) who is familiar with their situation in order to re-negotiate their payment arrangement if a payment has been missed or is likely to be missed.

4.1.2 Responsibilities:

- Advise Council (or Council's agent) of their financial difficulties as soon as practicable
- Treat council employees respectfully
- Be reasonable in their negotiations with Council employees (or Council's agent) in pursuit of a mutually acceptable outcome
- Be honest and realistic in their assessment of their capacity to pay
- Seek independent financial advice or representation where appropriate
- Maintain any arranged payment plan and advise Council (or Council's agent) if they are unable to meet a scheduled payment
- Advise Council (or Council's agent) if their circumstances change as soon as practicable
- Maintain contact by phone, email or correspondence with Council (or Council's agent)
- Update Council on any changes to contact information including correct postal address, phone numbers and email address

4.2 Debtor Types

Given the diversity of services provided by Council there are a number of circumstances that will result in money being owed to Council. The following sections provide an outline of each key area, the process by which a debt is raised and the recovery process that will be followed for Council to recover any debt owed.

4.2.1 Rates Debtors (including CWMS)

Adelaide Hills Council operates a computerised rates billing system which records financial information on a transactional basis and maintains debtor information in accordance with established principles of rating in local government.

Annual rate notices are issued not less than one month prior to the due date of the first instalment. Subsequent instalment rate notices are issued not less than one month before the due date of payment.

All notices will be clear, concise and provide sufficient information to enable the debtor to be aware of their obligations.

Council rates become overdue when not paid in accordance with a Rate Notice that is issued pursuant to S180 of the Act and will be recovered in accordance with Section 5.3 of this Policy.

The Act provides for the raising of interest and penalties for overdue rates that are recognised as a charge against the property in accordance with Sections 177, 178 and 181.

Payment plans and flexible payment arrangements will be made available to ratepayers upon application for overdue amounts.

Recovery Process

Debtors considered overdue will be issued with a Reminder Notice which contains sufficient information regarding the original debt, any interest penalties imposed and proposed action to be taken by the Council should the account remain unpaid after a further 7 business days.

The debtor will be given the opportunity to dispute the amount owing or make alternative arrangements for payments within that 14 day period. Payment plans and flexible payment arrangements will be made available to ratepayers upon application for overdue amounts.

Those accounts still outstanding after the 14 day final notice period may be referred to a debt collection agency chosen by Council. The collection agency will issue a final demand that includes costs of recovery. All accounts outstanding after the expiry of the final demand letter, for which an arrangement has not been made, will be recovered through court proceedings.

Sale of Land To Recover Debt

Section 184 of the Act provides for the sale of land for non-payment of rates where the amount payable has been in arrears for three or more years.

Preparation for sale of properties will commence in accordance with the process prescribed within the Act as soon as practical after the three years rates have become due and no arrangements for payment have been agreed.

4.2.2 Other Debtors

Council operates a computerised debtor accounts system which records financial information on a transactional basis and maintains debtor information in accordance with the established principles of a commercial business.

There are various debtor types that are recorded within the debtors system including the following:

- Burial Fees
- Fire Hazard Reduction
- Food Premises Inspection
- Grants Receivable-
- Legal costs awarded to Council
- Rents and Miscellaneous (includes Adelaide Hills Business and Tourism Centre)
- Private Works
- Road Rents

Council issues tax invoices for money owing at the end of each month or on a time basis applicable to each debtor class (e.g. seasonal users of Council facilities receive an invoice at the start of its season).

The tax invoice issued contains sufficient information so that the debtor can recognise the transactions included on the invoice and reconcile the debt if required.

The invoice issued is due and payable within 14 days of its date and invoices not paid by the due date are considered overdue and will be recovered in accordance with Section 4.3 of this Policy.

Council may apply an administration charge to other debtors that are overdue as specified in Council's Fees & Charges register.

Whilst recovery of debt will proceed in accordance with this Policy, rights and responsibilities established under the Retail and Commercial Leases Act are not affected.

Recovery Process

Other Debtors with overdue balances will be issued with a monthly statement which essentially serves as a reminder that the debt is overdue.

Debtors are given the opportunity to dispute the amount owing or make alternative arrangements for payments. Payment plans and flexible payment arrangements will be made available to other debtors upon application for overdue amounts.

Debtors who have not disputed the amount owing, made alternative payment arrangements or made any contact with Council in relation to the debt will be referred to a debt collection agency chosen by Council.

The collection agency will issue a final demand and debts outstanding after the expiry of the final demand, for which an arrangement has not been made, may be recovered through legal proceedings. Any costs of recovery of the debt can be added to the debt outstanding.

Writing off paid debts will only be considered when all reasonable attempts have been made to recover the outstanding amount and amounts written off will be reported to the Audit Committee on a six monthly basis.

4.3 Financial Hardship Assistance

For the purposes of this policy “financial hardship” means a circumstance of experiencing a lack of financial means, which may be either ongoing or temporary, but does not include circumstances where a person chooses not to meet a liability for an unpaid debt.

Cases of financial hardship will be considered by application on an individual basis and always with a view to the council debtor re-establishing financial capability and, wherever possible, meeting their financial obligations.

If a Council Debtor is suffering financial hardship, they should contact Council as soon as possible to discuss the matter. Such inquiries are treated confidentially, and any application will be considered on its merits.

Options to address financial hardship include:

- 4.3.1** Referral to an accredited financial counsellor
- 4.3.2** Flexible Payment Arrangements (s181 (4))

If a ratepayer is experiencing financial hardship and anticipates difficulty paying the next rate instalment notice, Council will work with that ratepayer to make alternative arrangements.

In terms of rate debtors, in addition to quarterly instalments, ratepayers can arrange with Council to pay their rates weekly, fortnightly or monthly to provide for a smaller, more regular payment option via BPAY, phone or internet. In addition, Council offers the availability of Centrelink’s Centrepay service

Ratepayers should liaise directly with the Rates Team to complete an assessment process to ensure staff are able to determine the assistance required. Payment arrangements are to:

- be based on capacity to pay
- include the arrears and ongoing council rates where possible
- be fair and reasonable timeframes to pay the debt
- be mutually negotiated and agreed

4.3.3 Waiving of Fines and Interest

Council can consider the waiving of fines and interest as part of addressing financial hardship. When a ratepayer has committed to a payment plan and adheres to a regular payment, Council will consider the waiving of fines and interest to assist the ratepayer.

4.3.4 Postponement of Rates

A ratepayer may apply to Council to postpone payment of rates in whole or in part for a period of due to hardship. Any such application must be made in writing and outline the reasons why postponement is requested.

If postponement is granted then Council will consider the waiving of fines and interest for the same period to assist the ratepayer.

In accordance with legislation, a postponement may, if Council thinks fit, be granted on condition that the ratepayer pays interest on the amount affected by the postponement at a rate fixed by the council (but not exceeding the cash advance debenture rate as defined in the Local Government Act).

As postponement may only delay financial hardship for a period of time, options involving flexible payment arrangements and plans are more likely to be beneficial for ratepayers to assist in reducing rates balances outstanding over time.

All postponement will be subject to a timetable for periodic review

The ratepayer must be able to demonstrate financial hardship. As such, depending on the extent of the ratepayer's financial circumstances, Council may request that the ratepayer attend an appointment with an accredited financial counsellor through the South Australian Financial Counsellors Association

Applications for financial hardship assistance may be made by:

- the ratepayer direct with the rates team
- an accredited financial counsellor on behalf of the ratepayer

If postponement is approved the following will occur:

- a) the property will be flagged as a postponed property;
- b) rates and interest will still accrue (although fines and interest may be waived); and
- c) no debt recovery action will be taken while the terms for payment are met.

Postponement will be withdrawn if:

- d) the ratepayer advises financial hardship no longer exists; or
- e) the ratepayer ceases to own or occupy the property

4.3.5 Removal of financial hardship assistance

Council will ensure that a debtor is aware that they will be removed from financial hardship assistance, and be returned to Council's standard collection cycles, including debt recovery:

- should they cease to make payments according to the agreed payment arrangement
- fail to ~~contact, or~~ respond to, Council for a period of greater than 60 days
- provide false or misleading information in support of the application for hardship.

Council will advise the debtor that they have been removed from receiving hardship assistance for not meeting their obligations, and that Council will commence debt recovery, which may include legal action.

4.3.6 Remission of rates

The Council has a discretion to partially or wholly remit (i.e. waive) rates on the basis of hardship.

Council has a charge over the land under Section 177 of the Act and therefore is likely to be able to recover rates outstanding upon sale. The granting of a remission forgoes this right and therefore is only considered as an option in circumstances where the ratepayer has demonstrated serious and long term hardship and where there is no chance of improvement in the ratepayer's financial circumstances.

Consideration must also be given to the tax burden redistribution effect on other ratepayers of any remission.

For these reasons, and given the importance of ensuring fairness to other ratepayers, remission will only be considered as a last resort and only where there is no chance of improvement in the ratepayer's financial circumstances. As such, it is likely that postponement of payment of rates due to hardship has been occurring for some period to confirm the permanency of the ratepayer's situation.

4.4 Community Wastewater Management Systems Customer Hardship Policy

It should be noted that Council holds a licence for the provision of CWMS that is issued by the Essential Services Commission of South Australia under the *Water Industry Act 2012*. This licence requires specific provisions in relation to hardship that are specified in Appendix 1 to this Policy.

4.5 Seniors Postponement (under s182A of the Act)

The Seniors Postponement scheme under Section 182A of the Act simply provides an option for seniors to choose to free up money by postponing a

portion of their rates until the property is sold or any other time of their choosing. It is emphasised that the scheme is non-concessional and interest is charged by a council on the accumulating postponed amount.

The provisions of s182A are made available to seniors as a 'right' under the Act. There is no requirement for the senior to demonstrate financial hardship in order to access this scheme.

As such, any senior who is experiencing genuine financial hardship will have access to options under Section 4.4. as s182A of the Act is not intended to cater for seniors facing financial hardship.

When considering financial hardship for seniors, each situation should be assessed on its merits to determine whether the senior has the means available to substantially or permanently improve their financial position by disposing of any assets.

4.6 Right to seek review

If an application for relief is refused, the applicant may seek a review of the decision by a more senior officer or the CEO.

An Internal review of a Council decision is also available under section 270 of the *Local Government Act 1999*. This is a process established by legislation that enables a Council to reconsider all the evidence relied on to make a decision, including new evidence if relevant. This process is generally a last resort in the complaint handling process, but may also be used in situations which are not able to be resolved by other means.

4.7 Reporting

The summary of all overdue debts will be prepared on a monthly basis for review by the Manager Financial Services.

A biannual debtors report will be prepared and reported to the Council Executive Leadership Team for subsequent presentation to the Audit Committee and Council.

5. DELEGATION

5.1 The Chief Executive Officer has the delegation to:

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

6. AVAILABILITY OF THE POLICY

This Policy is 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 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 1

*Community Wastewater Management Systems
Customer Hardship Policy*

COMMUNITY WASTEWATER MANAGEMENT SYSTEM CUSTOMER HARDSHIP POLICY

1. PURPOSE

Adelaide Hills Council is committed to assisting residential customers of recycled water and sewage (CWMS) services, who are experiencing financial hardship, to manage their payments in a manner that best suits the customer and ensuring they remain connected to a retail service.

The purpose of this policy is to identify residential customers who are experiencing payment difficulties due to hardship and assist those customers to better manage their bills on an ongoing basis.

This policy sets out:

1.1 Processes to identify residential customers experiencing payment difficulties due to:

- Hardship
- Identification by Council
- Self-identification by a residential customer
- Identification by an accredited financial counsellor
- Welfare agency

1.2 An outline of a range of processes or programs that Council will use, or apply, to assist Council's customers who have been identified as experiencing payment difficulties.

2. LEGISLATIVE FRAMEWORK AND OTHER REFERENCES

The following legislation applies to this Policy:

2.1 *South Australia Water Industry Act 2012*

Under section 37(3) of this Act, a water industry entity must adopt a customer hardship policy published by the Minister under this section; or with the approval of the Commission, adopt such a policy with modifications.

2.2 Other references

Council's documents including:

- Fees and Charges Register
- Customer Service Charter for Recycled Water & Sewage (CWMS) Services
- Sale of Land for Non-payment of Council Rates as per Section 184 of the Local Government Act 1999
- Sec 182 of the Local Government Act 1999 – Remission and postponement of payment
- Sec 182A of the Local Government Act 1999 – Postponement of Rates - Seniors

- Complaints Policy
- Internal Review of Council Decisions Policy

External documents including:

- South Australia Water Industry Regulations 2012
- Water Retail Code – Minor and Intermediate Retailers
- Essential Services Commission Act 2002

This Policy is based on the Customer Hardship Policy, made by the Minister for Communities and Social Inclusion, pursuant to Section 37 of the *Water Industry Act 2012*, under a delegation by the Minister for Water and the River Murray.

3. DEFINITIONS

For the purposes of this Policy the following definitions apply:

- 3.1 “Accredited Financial Counsellor”** - In South Australia, means a person who holds a Diploma of Community Services (Financial Counselling), and who has worked at least 12 months as a financial counsellor under the supervision of the South Australian Financial Counsellors Association.
- 3.2 “Consumer”** - As defined in the *Water Industry Act 2012*, means a person supplied with retail services as a consumer or user of those services.
- 3.3 “Customer”** - As defined in the *Water Industry Act 2012* means a person who owns land in relation to which a retail service is provided and includes:
- Where the context requires, a person seeking the provision of a retail service, and
 - In prescribed circumstances, a person supplied with retail services as a consumer or user of those services (without limiting the application of this definition to owners of land) and
 - A person of a class declared by the regulations to be customers.
- 3.4 “CWMS”** - Community Wastewater Management System.
- 3.5 “Financial Counsellor”** - Means accredited financial counsellor.
- 3.6 “Financial Hardship”** - Means a circumstance of experiencing a lack of financial means, which may be either ongoing or temporary, but does not include circumstances where a person chooses not to meet a liability for an unpaid debt.
- 3.7 “Hardship Customer”** - Means a residential customer who has been identified under, accepted into, or is eligible for assistance under Council’s hardship program.
- 3.8 “Payment Arrangement for Hardship”** - Means anyone who meets the definition of Hardship Customer and has entered into an arrangement to pay their rates beyond the due date.
- 3.9 “Regulations”** - Means regulations under the *Water Industry Act 2012*.

- 3.10** “**Residential Customer**” - As defined in the *Water Industry Act 2012* means a customer or consumer who is supplied with retail services for use at residential premises.
- 3.11** “**Retail Service**” - As defined in the *Water Industry Act 2012* means a service constituted by:
- The sale and supply of recycled water to a person for use (and not for resale other than in prescribed circumstances (if any)) where the recycled water is to be conveyed by a reticulated system, or
 - The sale and supply of sewage (CWMS) services for the removal of sewage.
- (even if the service is not actually used) but does not include any service, or any service of a class, excluded from the ambit of this definition.
- 3.12** “**Sewage**” - As defined in the *Water Industry Act 2012* includes any form of waste that may be appropriately removed or dealt with through the use of a sewerage service.
- 3.13** “**Sewerage Service**” - As defined in the *Water Industry Act 2012* means:
- A service constituted by the collection, storage, treatment or conveyance of sewage through the use of a reticulated system, or
 - Any other service, or any service of a class, brought within the ambit of this definition by the regulations.
- 3.14** “**Water**” - As defined in the *Water Industry Act 2012*, includes rainwater, stormwater, desalinated water, recycled water and water that may include any material or impurities, but does not include sewage.
- 3.15** “**Water Service**” - As defined in the *Water Industry Act 2012* means:
- A service constituted by the collection, storage, production, treatment, conveyance, reticulation or supply of water, or
 - Any other service, or any service of a class, brought within the ambit of this definition by the regulations.

4. POLICY

4.1 Identifying residential customers experiencing financial hardship

A residential customer experiencing financial hardship is someone who is identified by themselves, by Council, by an accredited financial counsellor, or by a welfare agency as having the intention, but not the financial capacity, to make required payments in accordance with Council’s payment terms.

There are two types of financial hardship: ongoing and temporary. Depending on the type of hardship being experienced, hardship customers will have different needs and will require different solutions.

Residential customers that are identified as experiencing ongoing hardship are generally those on low or fixed incomes. These customers may require ongoing assistance.

Residential customers that may be identified as experiencing temporary hardship are those that have experienced a short-term change in circumstances, such as:

- Serious illness
- Disability or death in the family
- Loss or change in income
- Separation
- Divorce or other family crisis
- A loss arising from an accident
- Or some other temporary financial difficulty
- These customers generally require flexibility and temporary assistance, such as an extension of time to pay or an alternative payment arrangement.

The extent of hardship will be determined by either Council's assessment process or by an external body, such as an accredited financial counsellor.

Where Council assesses a residential customer's eligibility for hardship assistance, Council will consider indicators including (but not limited to) whether:

- The customer is on a Centrelink income and holds a Pensioner Concession Card or holds a Centrelink Low Income Health Care Card
- The customer is eligible for a South Australian Government concession
- The customer has been referred by an Accredited Financial Counsellor or welfare agency
- The customer has previously applied for emergency relief (irrespective of whether or not their application was successful)
- The customer's payment history indicates that they have had difficulty meeting their retail services bills in the past
- The customer, through self-assessment, has identified their position regarding their ability to pay.

4.2 Assisting residential customers who are experiencing financial hardship

Council will inform a residential customer of this Policy where:

- It appears to Council that non-payment of a bill for retail services is due to the customer experiencing payment difficulties due to hardship, or
- Council is proposing to install a flow restriction device.

Where a residential customer has been identified as experiencing financial hardship, we will offer the customer, as soon as is reasonably practicable, flexible and frequent payment options that have regard to the hardship customer's usage, capacity to pay and current financial situation. This is to be considered as a Payment Plan for Hardship. These options will include:

- An interest and fee free payment plan
- Centrelink's Centrepay Service

- Other arrangement, under which the customer is given more time to pay a bill or to pay in arrears (including any disconnection or restriction of charges)

Where a residential customer has been identified as experiencing financial hardship, Council will offer the customer, as soon as is reasonably practicable, flexible and frequent payment options that have regard to the hardship customer's usage, capacity to pay and current financial situation. Options may include:

- BPAY
- Councils online service
- Centrelink's Centrepay service, or
- Other arrangement, under which the customer is given more time to pay a bill or to pay in arrears (including any disconnection or restriction charges).

Recognising that some residential customers have a short-term financial hardship issue which may be resolved in the near to medium-term, where others may require a different type of assistance for ongoing financial issues.

Council will not charge a residential customer a reconnection charge where that customer is experiencing financial hardship and should have been identified as eligible for this Policy, so long as the customer agrees to participate in Council's hardship program, upon reconnection.

Council will engage in discussion with the hardship customer to determine a realistic payment option in line with the customer's capacity to pay.

Council will work with a hardship customer's financial counsellor to determine the Payment Arrangement for Hardship and instalment amount that best suits the customer and their individual circumstances.

Where a hardship customer's circumstances change, Council will work with the customer, and their financial counsellor, to re-negotiate their payment arrangement.

Council will not require a hardship customer to provide a security deposit.

Council will not restrict a hardship customer's retail services if:

- The customer has agreed to a payment arrangement and continues to adhere to the terms of that arrangement, or
- Council has failed to comply with the requirements of this Policy.
- Council will also offer the hardship customer:
- Where appropriate, information about the right to have a bill redirected to a third person, as long as that third person consents in writing to that redirection
- Information about, and referral to, Commonwealth and South Australian Government concessions, rebates, grants and assistance programs
- Information about, and referral to, accredited financial and other relevant counselling and support services, particularly where a customer that is identified as experiencing ongoing financial hardship.

Where hardship customer requests information or a redirection of their bills, Council will provide that information or redirection free of charge.

Council will provide information to the hardship customer on how to reduce usage and improve water efficiency, which may include referral to relevant government water efficiency programs. This will be provided at no charge to the customer.

Council will explain to the hardship customer how and when the customer will be returned to regular billing cycles (and collection), after they have successfully completed the hardship program.

Council will also explain to the hardship customer that they will be removed from Council's hardship program, and be returned to Council's standard collection cycles, including debt recovery, should they cease to make payments according to the agreed payment arrangement or fail to contact Council for a period of greater than 90 days.

Council will not take any action to remove a customer from Council's hardship program until Council has sent the customer a written notice, allowing them 10 working days from the date of the notice to contact Council to re-negotiate their re-entry into the program.

4.3 Payment plans

Council's Payment Plan for Hardship customer will be established having regard to:

- The customer's capacity to pay and current financial situation
- Any arrears owing by the customer, and
- The customer's expected usage needs over the following 12 month period.
- Subject to a hardship customer meeting their obligations interest and fines will be waived when on a payment plan.

The payment plan will also include an offer for the hardship customer to pay for their retail services in advance or in arrears by instalment payments at a frequency agreed with the customer (e.g. weekly, fortnightly, monthly or as otherwise agreed with the customer).

Where a payment plan is offered to a hardship customer, Council will inform the customer within 10 business days of an agreement being reached, of:

- The duration of the plan
- The amount of each instalment payable under the plan, the frequency of instalments and the date by which each instalment must be paid
- If the customer is in arrears, the number of instalments to pay the arrears, and
- If the customer is to pay in advance, the basis on which instalments are calculated.

Where a hardship customer is seeking assistance in accordance with this Policy, but has failed to fulfil their obligations under an existing hardship arrangement, Council will require them to sign up for Centrepay or direct debit deductions.

4.4 Debt recovery

Council will suspend debt recovery processes while negotiating a suitable payment arrangement with a hardship customer.

Council will not engage in legal action or commence proceedings for the recovery of a debt relating to a retail service for a hardship customer if:

- The customer has agreed to a payment arrangement and continues to adhere to the terms of that arrangement, or
- Council has failed to comply with the requirements of this Policy.

4.5 Rights of residential customers experiencing financial hardship

Every residential customer experiencing financial hardship has the right to:

- Be treated respectfully on a case-by-case basis, and have their circumstances kept confidential
- Receive information about alternative payment arrangements, this Policy, and government concessions, rebates, grants and assistance programs
- Negotiate an amount they can afford to pay on a payment plan or other payment arrangement
- Consider various payment methods and receive written confirmation of the agreed payment arrangement within 10 business days
- Renegotiate their payment arrangement if there is a change in their circumstances
- Receive information about free and independent, accredited financial counselling services
- Receive a language interpreter service at no cost to the customer
- Be shielded from legal action and additional debt recovery costs, whilst they continue to make payments according to an agreed payment arrangement
- Not have retail services restricted or disconnected as long as they have agreed to a payment arrangement and continue to make payments according to an agreed plan.

4.6 General provisions

Council will ensure residential customers have equitable access to this Policy, and that this Policy is applied consistently. A copy of the documentation will be available at no charge to customers.

Council will ensure appropriate training of employees dealing with residential customers in hardship to enable them to treat customers with respect and without making value judgements. Training will also assist employees in the early identification of hardship customers, with establishing payment plans based on a hardship customer's capacity to pay, and include processes for referral to an Accredited Financial Counsellor or welfare agency for assistance.

Council will also make a copy of this policy available free of charge to a customer upon request as soon as practicable following a request to do so.

4.7 Confidentiality

Any information disclosed by a customer is confidential and will not be used for any purpose other than the assessment of an application for assistance.

4.8 Complaints handling

Council's General Complaints Policy detailing Council's customer complaints and dispute resolution process is available, upon request.

A residential customer experiencing hardship has a right to have any complaint heard and addressed by Council, and in the event that their complaint cannot be resolved, the right to escalate their complaint to the Ombudsman SA as outlined in Council's Internal Review of Council Decisions Policy.

5. DELEGATION

5.1 The Chief Executive Officer has the delegation to:

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

6. AVAILABILITY OF THE POLICY

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**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 20 November 2023
AGENDA BUSINESS ITEM**

Item: 8.8

Responsible Officer: Kira-Marie Laverty
Corporate Planning and Performance Coordinator
Corporate Services

Subject: Audit Committee Self-Assessment 2023

For: Information

SUMMARY

In adopting its Work Plan for 2023 the Audit Committee identified the prudence of periodically conducting an assessment of the Committee's performance with a view to identifying improvements in governance practices and performance.

The purpose of this report is to provide the Audit Committee with the results of the Self- Assessment 2023 (*Appendix 1*).

RECOMMENDATION

The Audit Committee resolves the Audit Committee Self-Assessment 2023 report be received and noted.

1. BACKGROUND

As per the *Audit Committee Workplan 2023*, an annual self-assessment survey is completed by all members of the Audit Committee. The survey contains a series of questions to assist members in reflecting on the effectiveness, efficiency and improvement opportunities relating to:

- Meeting arrangements
- Staff and Committee Member performance, and
- The Organisation's risk management

The survey was completed by all members during October 2023 and the results are available in Appendix 1.

2. ANALYSIS

- **Strategic Management Plan/Functional Strategy/Council Policy Alignment**

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.

➤ **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.

Under 4.8 of the *Audit Committee Terms of Reference*, the committee will at least once in its term, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

➤ **Risk Management Implications**

Facilitating and well-functioning committee with a clear terms of reference 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)

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

➤ **Financial and Resource Implications**

Council’s current budget contains provision for the costs associated with the notification and conduct of Audit Committee meetings.

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

The community could reasonably expect that the Committee evaluates its effectiveness in discharging its functions as set out in the Terms of Reference on the regular basis.

➤ **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>	Audit Committee members
<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**

Five (5) of the five (5) members of the Audit Committee provided responses to the self-assessment. A consolidation of responses received has been provided as **Appendix 1** for review by the Committee.

As can be seen within the self-assessment **Appendix 1**, the scoring was generally very positive across all areas, and a number of comments were made by members of the Committee.

The Administration will consider the feedback and determine a range of actions to address concerns raised as relevant. Where significant changes are required, these will be further explored with the Committee (and Council if necessary) prior to implementation.

A number of the suggestions have been noted and will be considered in the development of the next Work and Action Plan, including:

- Reviewing the Director’s risk presentations to look at length and timing.
- Continuing constructive relationships between Audit Committee and staff, as well as maintaining current levels of governance & risk management through staff turnover.
- Considering future Internal Audit processes and models to develop a program that can delivered effectively and efficiently.

3. OPTIONS

The Committee has the following options:

1. To note the outcomes of the Audit Committee Self-Assessment 2022 (recommended).
2. To determine areas of improvement by way of resolution (not recommended).

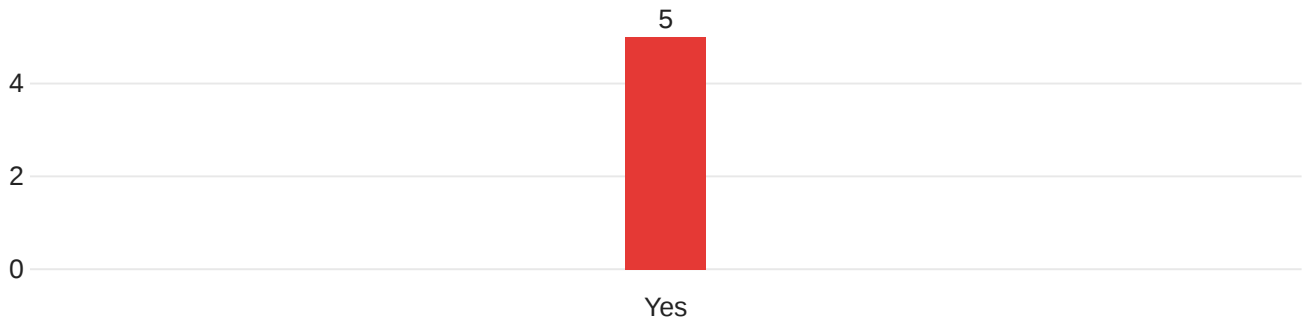
4. APPENDICES

- (1) Audit Committee Self-Assessment 2023 - Report

Appendix 1

Audit Committee Self-Assessment 2023 Result Summary

Do you understand and agree with the functions of the Committee as detailed in its Terms of Reference?



Do you have any comments about the Terms of Reference or the Committee functions?

An LGA paper about the role of Audit Committees in the local government sector was tabled at an Audit Committee meeting about two years ago. Topics were discussed at the meeting, but I have not heard of any further developments on the matter. I would like to know if further discussion about the future look of Audit Committees has taken place at LGA or Adelaide Hills Council since that time.

I support periodic review of Council committees TOR.

Are there any changes required following amendments to the LGAct? e.g more emphasis on Risk Management

No

CONSIDER the following statements about Meeting Administration and Effectiveness, and RATE how effective we are in achieving each one:

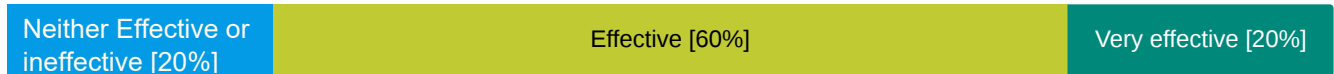
The meeting arrangements enhance the Committee's effectiveness and allow sufficient time for the discussion of agenda items. (e.g. frequency, timing, duration, venue and format)



The reports for each meeting are comprehensive and yet understandable enough for members to make informed decisions



The presentations are an interesting and helpful way of informing members about various issues



Minutes are effectively prepared, distributed and followed up



Overall the meetings are effective and efficient



Comments about Meeting administration and effectiveness

The Annual Plan is well scheduled and I have noticed that the agendas are now not so long as they were when I first joined the Audit Committee.

Some of the Directors take too long to complete their presentations

CONSIDER and RATE the following statements about Staff and Member Performance

The Committee collectively has sufficient skills, experience, time and resources to undertake its duties



The Committee works constructively as a team and work well with others attending the meetings



The relationship between Committee members strike the right balance between challenge and mutuality?



Staff and members conduct themselves in accordance with high standards of behaviour



Q6_5 - The Presiding Member is effective in preparing for and conducting the meetings

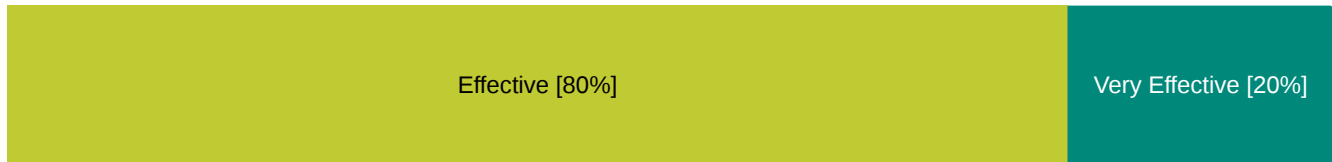


Comments about Staff and Member Performance

Good relationships have been established between staff and Audit Committee to facilitate honest and open discussion. There has been recent changes in both staff members and Audit Committee members. It is hoped that the constructive and collegiate approach to discussing agenda items continues.

I believe that the Committee works together efficiently with complimentary skills and experience supplemented with quality professional advice

How do you rate your own performance as a member of the Committee?



Consider and rate the following statements about the Organisation's Risk Management

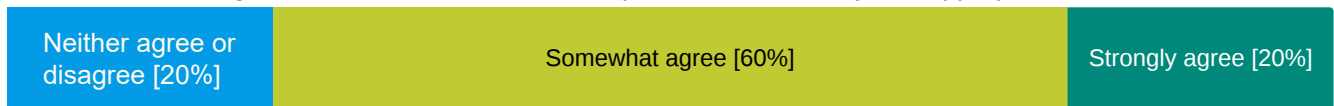
The Committee assure itself that the Executive take responsibility for risk identification and control, and give formal assurance through reporting that key risks are being adequately managed



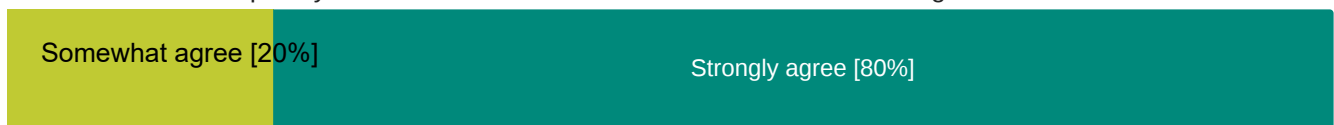
The Committee is satisfied that there is an effective program in place to ensure that risk management becomes an integral part of the way in which Council conducts business



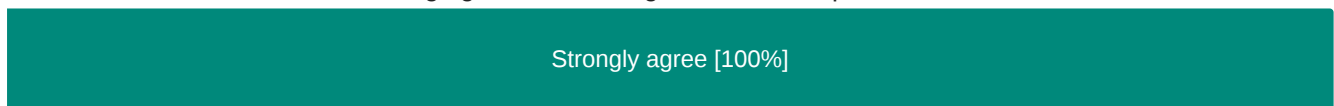
Internal audit findings and recommendations are responded to in a timely and appropriate manner



The Committee adequately reviews and discusses the external auditor's management letter



The Committee is effective in managing and monitoring the relationship with the external auditor



Comments about the Organisation's Risk Management

Significant work has been undertaken in recent years to raise the profile and standards of Council's risk management function. The immediate issue for the topic is the loss of two key corporate staff members that managed the function.

A couple of issues identified in EOY Audit report (IC)

I would like to see more rigour in Risk Assessment, Management and Evaluation, and I have spoken at length about that in the meetings.

Do you have any other suggestions for improving any aspect of the Committee's performance, role or functions?

As mentioned in the survey, there has been goodwill between Audit Committee members and key Council staff which has raised the effectiveness of the Audit Committee's work.

With the turnover of Audit Committee and staff members It is important that the collaboration and goodwill continues and to enable the culture of striving for continuous improvement to continue.

Consider presentation or round table by the teams involved in improvement initiatives balanced with overview by the relevant executive.

Develop an internal audit program that can be delivered effectively and efficiently. Look at a co-sourced model to ensure internal audits cover key strategic areas and operational activities.

No, apart from limiting the time for Director's presentations

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 20 November 2023
AGENDA BUSINESS ITEM**

Item: 8.9

Responsible Officer: Jody Atkins
A/Governance and Risk Coordinator
Corporate Services

Subject: Audit Committee Meeting Dates for 2024

For: Decision

SUMMARY

One of the fundamental principles of local government is that council meetings and council committee meetings, wherever possible, should be open to the public and documents made available.

The setting and publication of the meeting times and locations of Audit Committee meetings is required to enable public notices to be given under the *Local Government Act 1999*. This report contains the proposed Audit Committee 2024 meeting schedule for approval.

RECOMMENDATION

The Audit Committee resolves:

1. That the report on the Audit Committee Meeting Dates for 2024 be received and noted.
2. To approve the Audit Committee meeting schedule, timings, and locations for 2024 as follows:

Commencement	6.00pm
Meeting Dates and Locations	19 February 2024, 63 Mt Barker Road, Stirling
	22 April 2024, 63 Mt Barker Road, Stirling
	20 May 2024, 63 Mt Barker Road, Stirling
	19 August 2024, 63 Mt Barker Road, Stirling
	21 October 2024, 63 Mt Barker Road, Stirling
	18 November 2024, 63 Mt Barker Road, Stirling

1. BACKGROUND

Council has set the meeting schedule for 2023-24 Council meetings, which was resolved as Council meetings being held on the 2nd and 4th Tuesday of each month until February 2024.

Clause 11.1 of the *Audit Committee Terms of Reference* provides that the Committee shall meet at least four times a year at appropriate times and places as determined by the Committee. A special meeting of the Committee may be called in accordance with the Act.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

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 87(8) of the *Local Government Act 1999* requires that the notice an ordinary meeting of the committee must be given to members at least three (3) clear days before the date of the meeting.

Section 88(2) states that notice must be given as soon as practicable after the time that notice is given to the members of the committee.

➤ Risk Management Implications

The setting of a schedule of ordinary meetings for the Audit Committee 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)

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

➤ Financial and Resource Implications

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

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

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

➤ **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: Not Applicable
Council Workshops: Not Applicable
Advisory Groups: Not Applicable
External Agencies: Not Applicable
Community: Not Applicable

➤ **Additional Analysis**

During 2023 the Audit Committee generally met on the third Monday of the nominated months. On this basis, the following schedule is proposed for the Audit Committee in 2024 which will allow recommendations from the Audit Committee, where appropriate, to be considered by the Council in that same month.

Commencement	6.00pm
Meeting Dates and Locations	19 February 2024, 63 Mt Barker Road, Stirling
	22 April 2024, 63 Mt Barker Road, Stirling
	20 May 2024, 63 Mt Barker Road, Stirling
	19 August 2024, 63 Mt Barker Road, Stirling
	21 October 2024, 63 Mt Barker Road, Stirling
	20 November 2024, 63 Mt Barker Road, Stirling

3. OPTIONS

The Committee has the following options:

- I. To resolve to adopt the recommendations regarding the schedule, timing, and locations of Audit Committee meetings (Recommended); or
- II. To amend any/all aspect(s) of the recommendations regarding the schedule, timing, and locations of Audit Committee meetings (Not Recommended).

4. APPENDICES

Nil

Item 9 INFORMATION FOR NOTING

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 20 November 2023
AGENDA BUSINESS ITEM**

Item: 9.1

Responsible Officer: Gary Lewis
Manager Financial Services
Corporate Services

Subject: Accounting Standards on Environmental, Social and
Governance Reporting

For: Noting

SUMMARY

In response to a question raised at the October Audit Committee meeting this report has been prepared to outline the new sustainability reporting standards that are currently undergoing consultation in Australia.

These accounting standards are unlikely to be mandated for Adelaide Hills Council in the near future but they will become increasingly significant as they are rolled out to larger commercial organisations. There is currently a lack of detailed guidance on what the compliance expectations will be but this is likely to become available when the consultation phase is completed and the implementation plan for the standards is set.

The requirements set out in these new standards may have significant implications for the operation and management of Council in future years.

RECOMMENDATION

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

1. BACKGROUND

In response to a question raised at the October 2023 Audit Committee meeting this report has been prepared to outline the new sustainability reporting standards that are currently undergoing consultation in Australia.

While Adelaide Hills Council will not be required to comply with the new standards in the near future they do relate to existing streams of work and should be considered in that context.

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.

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.

➤ **Legal Implications**

There are no legal implications from this report.

➤ **Risk Management Implications**

Failure to prepare for changes to the mandated reporting requirements may result in increased financial, compliance and reputational risk.

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

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

➤ **Financial and Resource Implications**

There are no direct financial or resource implications from this report.

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

There are no direct Customer Service or Community implications from this report.

➤ **Sustainability Implications**

There are no direct sustainability implications arising from this report.

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

Council Committees: Not Applicable

Council Workshops: Not Applicable

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

➤ **Additional Analysis**

Council is mandated to follow Australian Accounting Standards as set by the Australian Accounting Standards Board (AASB), which adopts standards that are consistent with the International Financial Reporting Standards (IFRS).

Two new IFRS's have been released that relate to Environmental, Social and Governance (ESG) reporting and consultation on them is underway in Australia, with regards to their implementation.

The Federal Government has indicated it will adopt these standards but they are unlikely to be mandated for all organisations. There is a proposed progressive roll-out which will mean larger organisations will need to meet these requirements sooner, potentially from financial year 2024/25 and 2026/27. There is no indication of when this roll-out would impact Adelaide Hills Council.

However, the new standards are relevant to Council for several reasons:

- They will become the standard approach to reporting on ESG matters in Australia and Community expectations may oblige Council to follow them.
- Council may choose to adopt these standards voluntarily.
- Organisations that Council work with who have adopted these standards may need information from Council to support their reporting (particularly in relation to Scope 3 emissions).
- Organisations that work with Council or will potentially work with Council may require Councils ESG related data to support the relationship.

This last point may become an increasingly common factor in doing business of any sort through jurisdictions that implement these standards.

These standards are not entirely new as they are based on existing non-mandatory framework's,

- Global Reporting Initiative
- Sustainability Accounting Standard Board
- Taskforce on Climate-Related Financial Disclosures (TCFD)

Both of the IFRS are based on four pillars, which are:

- Governance
- Strategy
- Risk Management
- Metrics and targets

IFRS S1

The first sustainability standard considers the sustainability risks to the organisation. Some of the considerations will include:

- Potential loss of/loss of value of operations and assets
- Risk of loss of labor and resource shortages
- Costs of labor and resources
- Challenges in achieving carbon neutrality

This standard is not focused on climate change but rather the sustainability of the organisation in general. It will require significant sustainability related risks and opportunities to be assessed and reported on. Risks and challenges in Councils supply chain will also need to be considered and reported on.

Some of these factors that should be considered are already included in the existing planning processes including the Infrastructure Asset Management Plans, Long Term Financial plan and the Strategic Plan but many will need to be explored in more detail. In 2019 AHC were part of a pilot study to prepare a climate change adaptation governance assessment to identify how adaptation considerations have been incorporated within corporate processes and frameworks. It is also likely the time horizon is likely to be extended.

IFRS S2

The second standard is focused on climate related sustainability risks and opportunities. This may include reporting on:

- Scope 1,2 and 3 emissions
- De-carbonisation plans and their resourcing
- Scenario analysis

The scenario analysis would cover modelling the operations of Council across multiple possible climate outcomes, assessing the risks and opportunities, operating plans and resourcing of them.

Council currently uses the Trellis platform which is a data management system that collates electricity, fuel and water data and provides outcomes on Scope 1, 2 and 3 emissions by Council. The Regional climate Change Plan also provides scenario analysis for the region which may form the basis for new reporting requirements.

Looking forward

These standards are the first that are not focused on financial reporting, and this combined with their novelty mean that there are many open questions with regards to what the expectations of regulators and auditors will be. As implementation dates draw closer there will be further advice issued by the Accounting Standard Board and also Councils Auditors.

3. OPTIONS

The Audit Committee has the following options:

- I. To note the update on the two new IFRS as presented (recommended).
- II. To determine not to note the report and/or identify additional actions to be undertaken (not recommended).

4. APPENDIX

Nil



Adelaide Hills Council
Financial Governance and Future
Financial Capacity Assessment

October 2023

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BRM ADVISORY BUSINESS RESOURCE MANAGEMENT

Level 8, 420 King William Street, Adelaide SA 5000
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EXECUTIVE SUMMARY

The Adelaide Hills Council (AHC) Administration has mature and robust processes in place to prepare and update its Long Term Financial Plan (LTFP) annually. The AHC LTFP considers the financial cost of implementing key strategic initiatives, managing and maintaining AHC's asset base and contains reasonable assumptions and indexes to inflate and forecast changes to AHC's operational cost base over the LTFP period.

The key financial ratios output from the LTFP provide guidance for the AHC Elected Members and Administration around AHC's capacity to make investments in future strategic initiatives.

The LTFP is being utilised by both staff and Elected Members as an important planning tool to guide future strategic decision making as well as providing the starting point for the creation of each annual budget. While we see the current proactive use of the LTFP as a strength and a sign that AHC has mature financial governance processes in place, care should be taken to ensure that there are sufficient opportunities for Elected Members to be fully apprised of the inputs into the LTFP and to have an appropriate influence over the specific initiatives included in each LTFP and budget update cycle. This is particularly important if circumstances and assumptions change between review of the LTFP (which usually occurs in the first two months of the calendar year) and review of the annual budget which usually occurs in April / May.

In the 2023/24 LTFP, over the 10 year forecast period, AHC is forecasting small operating surpluses with debt levels comfortably within the target range set by council.

AHC is about to embark on a strategic planning cycle where it is likely that new ideas and strategic initiatives will be identified. Funding the implementation of these new strategies will be an important consideration for AHC. While we do not consider the current forecasted borrowing levels in the LTFP to be unreasonably high, to maintain intergenerational equity, it is preferable if future increases in borrowings above the targets set in the LTFP only occurs to fund strategic initiatives that benefit future generations of AHC ratepayers. Shorter term or more operational initiatives identified through the upcoming strategic planning cycle should continue to be funded through rates and / or through realising operational savings so that AHC's current modest operating surpluses can be maintained. In this way, intergenerational equity can be preserved by AHC.

Over the last 12 months, AHC has undertaken a large body of preliminary work to identify potential internal service improvement and savings opportunities. There is an opportunity for further resources to be allocated towards realising these improvements and savings opportunities to create future financial capacity which could then be used by AHC to fund new strategic initiatives identified during this planning cycle.

Over recent years, AHC has been unable to deliver the level of capital works envisaged in its Annual Business Plan and Budget, which has resulted in an increase in capital work in progress and carry forwards. While there are undoubtedly some mitigating factors caused by recent global events, increasing carry forwards can reduce confidence in the Annual Budget process and can lead to cost increases for delayed projects. There appears to be improvement opportunities for AHC to better resource and manage its capital projects, to ensure that carry forwards do not continue to increase.

INTRODUCTION

Background

Section 122(4)(b) of the Local Government Act (the Act) requires a council to undertake a comprehensive review of its strategic management plans within two years after each general election.



A Brighter Future – Strategic Plan 2020 to 2024 is the current version of the Adelaide Hills Council (AHC) Strategic Plan. At the time of development of the current Strategic Plan, the Adelaide Hills district was a very different place, with the catastrophic Cudlee Creek bushfire in December 2019 closely followed by the onset of the COVID-19 pandemic. The uncertainty and strategic challenges these events created had a significant influence on AHC’s strategic priorities during the last planning cycle.

Elected Members will embark on a formal process to create a new AHC strategic plan over the coming months. The Administration are supporting this process by undertaking preparedness tasks so that Elected Members have a bank of information available to ensure that a robust and informed strategic planning process can be undertaken.

One of these preparedness tasks is to assess the governance processes around AHC long term financial planning and the current financial capacity of AHC to make future investments in strategic initiatives or projects.



Each year AHC prepares and publishes an updated Long Term Financial Plan (LTFP). The LTFP helps to ensure that AHC deploys financial resources in areas that align with Council’s Strategic Management Plans and that they are affordable in the context of maintaining intergenerational equity and controlling council rate increases.

The LTFP forecasts the future performance of AHC against three key ratios:

- The Operating Surplus Ratio – which indicates whether operating revenue is sufficient to meet all operating expenses and whether current ratepayers are paying for their consumption of resources;
- The Net Financial Liabilities Ratio – which provides a measure of council’s total borrowings as a percentage of its operating revenues; and
- The Asset Renewal Funding Ratio – which indicates whether a council is renewing or replacing existing infrastructure assets at the same rate that its Asset Management Plans (AMP) require.

By measuring these three key ratios against industry benchmarks and internal targets set by council, AHC can assess the financial impact of its strategic decision making so that financial sustainability and intergenerational equity is maintained.

Scope

We have been asked by the AHC CEO to perform a high level and independent review of:

1. the current processes and methodology implemented by AHC Administration to prepare the LTFP;

2. the future financial capacity of AHC to invest in strategic initiatives based on the outputs of the 2023-24 Long Term Financial Plan.

And following the review, to identify future opportunities and/or make recommendations to improve processes or create additional financial capacity for new strategic initiatives or projects. This report responds to this request.

Methodology

In undertaking our review we have held discussions with the AHC CEO; Director Corporate Services; Director Community Capacity; Manager Finance; and Deputy Mayor.

We also undertook a documentary review of the suite of AHC Strategic Management Plans (including the LTFP) and other relevant strategic and operational documents.

We provided a draft report to the AHC CEO and Director Corporate Services for comment and feedback and this final report has been prepared for the benefit of Elected Members.

This report should be presented and discussed at a future council workshop so that the Elected Members can consider and discuss the findings and observations with the Administration and the report author.

Exclusions

We have not sought to validate the mechanics of the AHC LTFP model nor audited or reviewed the detailed formulas contained within it. We have relied upon the outputs of the modelling to inform our review and recommendations.

ESCOSA Local Government Advice Scheme

The Essential Services Commission of South Australia (ESCOSA) is an independent economic regulator and advisory body. ESCOSA has been given a role by the State Government to provide advice to local councils and to support councils to make financially sustainable decisions (Scheme).

AHC was one of the first of 15 councils to be reviewed by ESCOSA under the new Scheme with its final report dated February 2023 available for public download at (<https://www.escosa.sa.gov.au/advice/advice-to-local-government>).

The ESCOSA report concluded that:

"the Adelaide Hills Council (Council) to be in a sustainable financial position with historical and projected operating surpluses and the forecast renewal of its infrastructure assets to continue to underpin its strong financial performance, without the need for further significant rate increases."

ESCOSA also made recommendations to improve financial processes in support of the LTFP including an observation that some AMP's are not as comprehensive as they should be, particularly around the buildings and stormwater asset classes.

LTFP GOVERNANCE

Updating the LTFP

Over recent financial years, AHC has reviewed and updated its LTFP annually between the months of December and February and has engaged with Elected Members through council workshops about these updates. The Draft LTFP is then released for community consultation around March. The first year of the council endorsed LTFP then forms the basis of budget discussions in the lead up to the preparation of the Annual Business Plan and Budget which is generally provided to the community for consultation around May of each year.

Many councils take an alternative approach to AHC to update their LTFP, by focussing early in the calendar year on developing and finalising the annual budget and rates setting process and then using the endorsed budget to form the basis of the new LTFP. The LTFP is then finalised towards the end of the calendar year once the previous financial year accounts are completed and the forthcoming year budget is settled.

We consider AHC's high level approach to long term financial planning represents best practice; where the methodology supports long-term financial planning principles informing short term budgetary decisions rather than the other way around. The AHC approach seeks to produce a less reactive budget setting process and improved alignment of financial decisions with key strategic initiatives.

Two potential areas of concern with the AHC approach are ensuring that Elected Members feel they have sufficient input and a detailed understanding of key budgetary decisions and ensuring that there are opportunities in the process to revisit and debate decisions where information may have changed between the time of endorsing the LTFP and endorsing the budget.

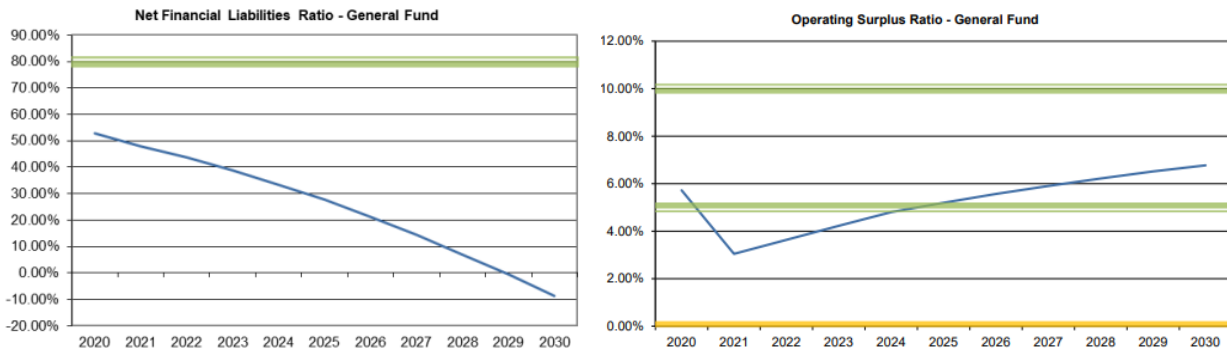
For future LTFP and budget setting periods, the AHC Administration should work closely with Elected Members to agree a process whereby the major parameters of the budget continue to be set based on AHC's LTFP and agreed strategic initiatives but with some added flexibility in the process to consider new ideas and initiatives from Elected Members which may have financial implications.

Key inputs into the LTFP

Across the local government sector there are different approaches and levels of detail contained within council LTFP's.

Some council's prepare their LTFP based on a Year 1 endorsed budget with growth indices incorporated to develop a ten year forecast, while providing for no or very few new capital projects or financial provisions for strategic initiatives. Such LTFPs generally demonstrate a council's capacity to invest over the latter years of the LTFP period rather than showing a genuine forecast of performance over the 10-year period. These 'Capacity LTFP's' usually result in a council's financial performance and position improving increasingly over the LTFP period as growth in rates revenue exceeds growth in both operational and capital expenditure. Figure One shows an example of the Net Financial Liabilities and Operating Surplus Ratio from a council adopting a 'Capacity LTFP'.

Figure One: Example ratio profile of an LTFP showing financial capacity



Some other councils, like AHC, opt to develop their LTFP to show more of a genuine forecast of future performance (as opposed to showing future financial capacity). These LTFP's contain more realistic provisions for new capital projects identified in council plans with funded other strategic initiatives to be implemented throughout the plan period. Such plans tend to not show significant improvements in performance during the plan period.

The key advantage of this approach is it provides a council with a more robust long-term forecast which can be used to inform future decision making about the financial impact of various strategic initiatives or projects. Sensitivity and scenario testing can also be more accurately performed.

The disadvantage of this approach is it can be complex to determine which strategic initiatives to include in the forecast noting that there can be uncertainty in relation to timing and quantum of cost relating to future projects and strategic initiatives. Therefore, these LTFP's are often more time consuming to prepare and there is a danger that expectations can be set based on imperfect information.

While they can be difficult to implement, councils with mature financial processes generally prepare LTFP's that include financial provisions for strategic initiatives and new capital, as the strategic planning framework and AMP's support the inclusion of these financial provisions.

2023/24 LTFFP and budget process

On 11 February 2023, Elected Members participated in a full day workshop with a stated objective to: *"reach an agreed understanding of key parameters and assumptions to be captured within the 'draft' Long Term Financial Plan to enable a sustainable position to be presented to Council on 28 February prior to community consultation."*

This detailed presentation provided a preview of the 2023/2024 draft LTFFP, sought feedback from Elected Members about future rating levels, identified potential operational savings, disclosed the proposed capital works program and sought to agree on next steps.

During this session and in the subsequent decision making, Council elected to support a rate increase commensurate to CPI in FY2023/24 and support implementation of several 'Tier 1' savings initiatives which had the impact of increasing the forecast operating surplus for FY2024.

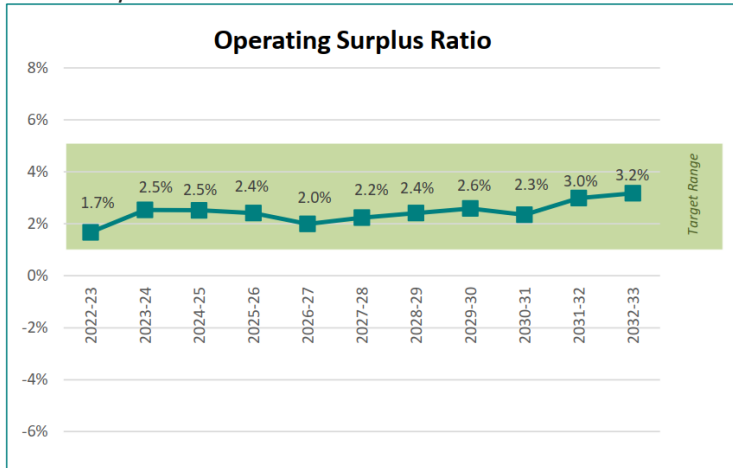
These decisions have put AHC in a stronger financial position approaching the next strategic planning cycle, and provides additional flexibility for future strategic investments.

AHC has mature and well tested processes in place to monitor, maintain and update its LTFFP on an annual basis. The LTFFP is playing its role in driving accountability for the AHC Administration and Elected Members, informing annual budget setting and guiding strategic thinking.

While the LTFFP is a key input into strategic decision making, the LTFFP and budget update process requires flexibility to ensure that Elected Members have appropriate levels of control over the budget setting process and so that it does not act as an impediment or constraint to strategic decision making.

FUTURE FINANCIAL CAPACITY

We have reviewed the forecast key financial indicators to understand the key drivers and assumptions that have been included in the LTFP. The following charts have been extracted from the 2023/24 LTFP.

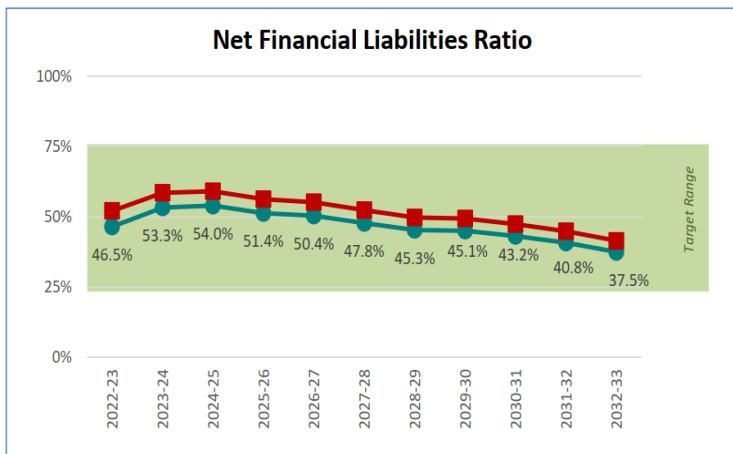


Profitability:

The operating surplus ratio expresses the annual forecast operating surplus as a percentage of operating income.

This ratio is key to determining if AHC can meet its operating costs with its future forecast revenue base.

AHC is forecasting operating surpluses over the next ten years between the target range of 1% and 5% per annum.

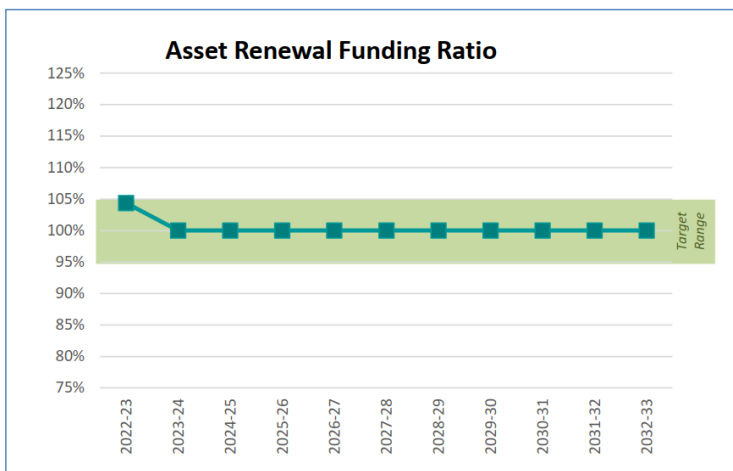


Leverage:

The Net Financial Liabilities (NFL) ratio shows AHC's level of borrowings relative to total revenue.

AHC is forecasting for the NFL ratio to decrease over the LTFP but to remain within the target ratio range of 25% to 75%. Borrowings in the LTFP remain relatively steady as revenue levels grow through the application of CPI.

The red line represents an additional \$3 million of notional borrowings required to respond to a major emergency event.



Asset management

The Asset Renewal Funding Ratio (ARF) shows the extent to which forecast asset renewal and replacement costs (per AMPs) are incorporated into the future forecasts.

A ratio of 100% confirms that AHC is planning on renewing and replacing assets consistent with the rates proposed in the existing AMPs.

Based on the outputs of the LTFP, AHC is currently in a financially sustainable position, with adequate operational revenue to meet both current and future forecast costs without the need for excessive rating or borrowings increases.

AHC's current capacity to borrow

Section 5.1 of the AHC Treasury Management Policy states:

"Council shall strive to achieve equity between generations of ratepayers (intergenerational equity) whereby the mechanisms to fund specific capital expenditure and operations take into account the ratepayers who benefit from the expenditure and therefore on a user pay basis, who should pay for the costs associated with such expenditure."

As a general rule, borrowings should be used to fund the development of long-term assets so that future ratepayers pay a fair proportion of the cost of asset acquisition for long term assets (via the associated interest charges on borrowings and the repayment of those borrowings). AHC's operational expenses and capital renewal costs should generally be funded through operational revenue (mainly council rates) rather than through borrowings.

The LTFP identifies that borrowing levels, stated in terms of the NFL ratio, will fluctuate between 40% and 55% over the LTFP period. AHC's stated target ratio for NFL is between 25% and 75%. Based on the current LTFP this notionally means that AHC could borrow approximately \$12 million more without breaching the top end of the NFL ratio or the targeted operational surplus ratio (when considering the additional interest burden).

As a mature council with limited rateable property growth to service new borrowings moving forward, a high level of borrowings (i.e. a NFL level towards the top or above the current target band) would indicate that future ratepayers could be paying an unreasonably high burden of costs to fund current levels of services and infrastructure.

Table One summarises our view on the appropriate source of funding for various new example initiatives which could be identified during the upcoming Strategic Planning cycle.

Table One: Funding future initiatives

Funding Requirement	Appropriate Funding Source	Example Environmental Initiatives:
Operational initiatives such changes to desired service levels	Operating budgets	Resourcing the ongoing implementation of a new climate adaptation plan
Changes to asset renewal work identified in asset management plans	Operating budgets	Renewal of the white vehicle fleet
Changes to asset renewal work incorporating upgraded elements	Incremental additional costs over a like for like replacement could be funded by borrowings, with capital repayment terms ideally aligned to the life of the new assets created.	Renewal of the white vehicle fleet from petrol / diesel to electric vehicles
New capital projects with long term benefits	Borrowings, with capital repayment terms ideally aligned to the life of the new assets created	Construction of electric vehicle charging stations across the district

AHC's current borrowing levels are manageable and well within the targets set by AHC and general industry standards.

There is certainly capacity to increase borrowings over the life of the LTFP but we would only suggest this funding source is used to fund new strategic initiatives which provide long term benefits to the community. Operational initiatives for the benefit of current day ratepayers should ideally be funded through rates or operational savings.

Future operational savings measures

Future financial capacity can be created by identifying and realising operational cost savings or by increasing revenue from sources other than Council rates.

In late 2022, the AHC Administration commenced a process to identify and rank several savings, revenue generation, and performance improvement initiatives that could be implemented during this term of council.

Each senior staff member in AHC with responsibility for a major function was tasked with completing an 'Sustainability Austerity Options' template which sought to identify the manager's view of:

- What can be cut or reduced (e.g.: services, programs, contributions, contract & material expenses, etc.);
- What can be done differently to achieve real \$ savings within the function;
- What additional revenue can be raised – e.g.: fines, fees and charges, shared service contributions, commercial activities, etc.

In total, this process was completed for 44 different functions with a total of 162 individual initiatives identified across the approximately 200 different services currently offered by AHC.

The Executive Leadership Team then worked through this list to categorise each initiative into:

- Tier 1 – Recommended for immediate implementation with minimal negative strategic or community impact;
- Tier 2 – More analysis of impacts required;
- Tier 3 – Service changes having greater negative community impact and/or requiring further impact analysis; and
- Tier 4 – Hardest to implement and greatest negative impacts.

A decision was made as part of the FY2024 budget setting process to implement several 'Tier 1' savings initiatives, totalling \$600k.

Future interrogation of other identified initiatives (Tier 2, 3 and 4) can, and should, form part of a future phase of 'service review' work undertaken by AHC to capitalise on the work undertaken by the Administration to date. This further work would seek to validate the thinking undertaken and provide further clarity and options to Elected Members about any initiatives which could be implemented moving forward and an assessment of the pros and cons of each option.

Realising operational efficiencies and/or taking future decisions to reduce or cut services in a particular area provides the opportunity for AHC to redirect resources to other services which may be more strategically aligned to the next iteration of the Strategic Plan, thus creating additional financial capacity.

Implementing a more structured and better resourced Service Review program will help the Administration undertake further due diligence work on the savings identified during the 2022 process and to report back to council with more detailed recommendations.

Interrogation of the capital renewal program

In relation to asset management planning, the 2023 ESCOSA Review concluded:

"Community service levels appear to have been maintained through the Council's focus on renewing its asset base, but it has also added to its asset base in recent years, with an accompanied expansion of service levels. However, its asset management planning is not yet as comprehensive as it should be, with significant asset classes such as stormwater and buildings not yet covered by an adopted plan."

While a comprehensive review of AHC's Asset Management Plan was not within the scope our work, an alternative way to create financial capacity is to critically review AHC's forward capital renewal program. If capital renewal expenditure can be deferred through reshaping the capital renewal schedule within existing Asset Management Plans, it could mean funds that were earmarked for renewal could instead be redeployed into other strategic initiatives without impacting short term borrowing levels.

The risk of course is that deferring renewal capital may reduce the standard of asset infrastructure in the council area and result in greater whole of life asset management costs over a longer-term horizon.

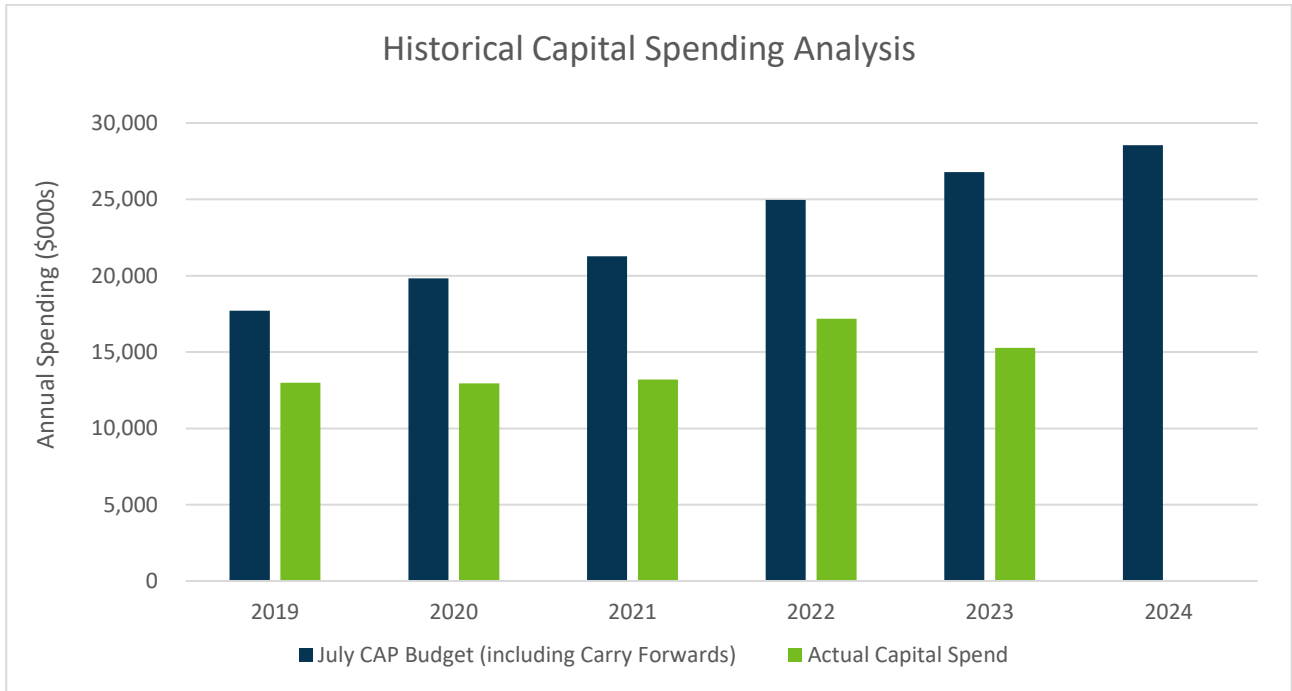
For those asset classes with more sophisticated asset management plans, AHC could undertake sensitivity or scenario testing on the longer term impact of deferral of renewal capital works on both whole of life asset costs and service standards. This could create additional financial capacity to allow for increased investments in other areas.

Carry forwards and Capital WIP

Over the last five financial years, AHC has been unable to deliver on the full scope of capital works foreshadowed in its Annual Business Plan and Budget. As the capital budget has increased, the ability to deliver capital works has not grown at the same rate, causing a gradual increase in carry forwards. The variance between actual capital spending (\$15.27 million) and budgeted capital spending (\$26.79 including carry forwards) in the Annual Business Plan and Budget of FY2023 was over \$11 million.

There are mitigating factors that have contributed towards the recent capital underspend, such as the COVID-19 pandemic and supply chain limitations. Notwithstanding these factors, the issue with under delivering on a capital works program and increasing carry forwards is that community expectations on capital project delivery are not being met, and in an environment of high inflation and rising building costs, delayed projects inevitably end up being harder to deliver in line with original budget provisions. The capital spending for the past five years is shown in Figure Two.

Figure Two: Variance between capital budget and actual capital spend



In FY2024, AHC is budgeting to deliver \$28.54 million of capital works (including carry forwards). Over the past five years, the maximum capital works delivered was in FY2022 of \$17.17 million. This suggests there is a growing structural, or capacity issue to deliver the level of capital works proposed and to drive a long-term reduction in carry forwards.

In addition, increasing carry forwards can also be caused by a failure to regularly review capital work in progress balances and to expense capitalised costs which do not meet the accounting standards definition of an asset (i.e. costs that may relate to projects that are unlikely to go ahead or have been rescoped). The draft FY2023 Financial Statement Audit Annual Completion Report, prepared by BDO, highlights a \$2.17 million adjustment processed in FY2023, made to Capital WIP in FY2022 (prior year).

We have not been provided with any further detailed breakdown of the carry forward balance as at 30 June 2023, nor the processes being put in place by the Administration to support delivery of the FY2024 capital works program to prevent carry forwards from further increasing.

AHC has been unable to deliver the level of capital works envisaged in its Annual Business Plan and Budget for several years, which has resulted in an increase in capital work in progress and carry forwards. Increasing carry forwards can reduce confidence in the Annual Budget process and can lead to cost increases for delayed projects.

The Administration should report back to Council on the specific strategies being implemented to reduce carry forwards and to confirm that Capital WIP ledgers are being annually reviewed in accordance with Accounting Standards.

Table Two: Summary table of key observations and recommendations (from body of report)

Report Section	Key observations and recommendations (reproduced from body of report)
1. Background	This report should be presented and discussed at a future council workshop so that the Elected Members can consider and discuss the findings and observations with the Administration and the report author.
2. LTFP Updates	For future LTFP and budget setting periods, the AHC Administration should work closely with Elected Members to agree a process whereby the major parameters of the budget continue to be set based on AHC's LTFP and agreed strategic initiatives but with some added flexibility in the process to consider new ideas and initiatives from Elected Members which may have financial implications.
3. LTFP Process	<p>AHC has mature and well tested process in place to monitor, maintain and update its LTFP on an annual basis. The LTFP is playing its role in driving accountability for the AHC Administration and Elected Members, informing annual budget setting and guiding strategic thinking.</p> <p>While the LTFP is a key input into strategic decision making, the LTFP and budget update process requires flexibility to ensure that Elected Members have appropriate levels of control over the budget setting process and so that it does not act as an impediment or constraint to strategic decision making.</p>
4. Future Financial Capacity	Based on the outputs of the LTFP, AHC is currently in a financial sustainable position, with adequate operational revenue to meet both current and future forecast costs without excessive rating or borrowings increases.
5. Capacity to Borrow	<p>AHC's current borrowing levels are manageable and well within the targets set by AHC and general industry standards.</p> <p>There is certainly capacity to increase borrowings over the life of the LTFP but we would only suggest this funding source is used to fund new strategic initiatives which provide long term benefits to the community. Operational initiatives for the benefit of current day ratepayers should ideally be funded through rates or operational savings.</p>
6. Operational Saving Measures	<p>Realising operational efficiencies and/or taking future decisions to reduce or cut services in a particular area provides the opportunity for AHC to redirect resources to other services which may be more strategically aligned to the next iteration of the Strategic Plan, thus creating additional financial capacity.</p> <p>Implementing a more structured and better resourced Service Review program will help the Administration undertaken further due diligence work on the savings identified during the 2022 process and to report back to council with more detailed recommendations.</p>
7. Interrogation of the capital renewal program	For those asset classes with more sophisticated asset management plans, AHC could undertake sensitivity or scenario testing on the longer term impact of deferral of renewal capital works on both whole of life asset costs and service standards. This could create additional financial capacity to allow for increased investments in other areas.
8. Carry forwards and Capital WIP	<p>AHC has been unable to deliver the level of capital works envisaged in its Annual Business Plan and Budget for several years, which has resulted in an increase in capital work in progress and carry forwards. Increasing carry forwards can reduce confidence in the Annual Budget process and can lead to cost increases for delayed projects.</p> <p>The Administration should report back to Council on the specific strategies being implemented to reduce carry forwards and to confirm that Capital WIP ledgers are being annually reviewed in accordance with Accounting Standards.</p>