



**AUDIT COMMITTEE**

**NOTICE OF MEETING**

To: **Presiding Member** Cr Malcolm Herrmann

Members

David Moffatt  
Pamela Lee  
Cr Melanie Selwood  
Sarah Beesley

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 15 April 2024**  
**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.

A handwritten signature in black ink, appearing to read 'GG', with a small dot at the end.

Greg Georgopoulos  
Chief Executive Officer



## **AUDIT COMMITTEE**

**AGENDA FOR MEETING**  
**Monday 15 April 2024**  
**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. We will care for this country together by ensuring the decisions we make will be guided by the principle that we should never decrease our children's ability to live on this land.

### **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 – 19 February 2024**

*That the minutes of the Audit Committee meeting held on 19 February 2024, 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. Risk Presentation  
Nil

7.2. Action Report and Work Plan Update – 15 April 2024

1. *That the 2024 Action Report and Work Plan Update be received and noted.*
2. *That the 2024 Action Report, April 2024, be adopted.*
3. *That the 2024 Work Plan and Reporting Schedule be adopted.*

**8. OFFICER REPORTS**

8.1. External Audit Plan 2023-24

1. *That the report be received and noted.*
2. *To recommend to Council the approval of the 2023-24 External Audit Plan by BDO Audit Pty Ltd as contained in Appendix 1.*
3. *To note the 2023-24 Financial Statement Audit – Engagement Letter as contained in Appendix 2 and the 2023-24 Internal Financial Control Audit – Engagement Letter as contained in Appendix 3.*

8.2. Annual Business Plan 2024-25 Draft for Consultation

Option 1

1. *That the report on the Annual Business Plan 2024-25 Draft for Consultation be received and noted.*
2. *To advise Council that the Committee has reviewed the draft Annual Business Plan 2024-25 (ABP), as contained in Appendix 1, in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability.*
3. *That, on the basis of the Committee’s review, to recommend the draft ABP to Council for community consultation.*
4. *To recommend to Council that the CEO should be asked to conduct a review into Council’s long term financial sustainability, which will include an organisation wide service delivery review.*

Option 2

1. *That the report on the Annual Business Plan 2024-25 Draft for Consultation be received and noted.*
2. *To advise Council that the Committee has reviewed the draft Annual Business Plan 2024-25 (ABP), as contained in Appendix 1, in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability.*
3. *That, on the basis of the Committee's review, to recommend the draft ABP to Council that adjustments should be made to bring the Operating Result to a break-even level by one of the following options*
  - a) *Increasing Rates by inflation and an additional 1%*

*Or*

  - b) *A combination of*
    - i. *Removal of operating projects and*
    - ii. *Increasing rates**Such that a break-even operating result is achieved.*
4. *To recommend to Council that the CEO should be asked to conduct a review into Council's long term financial sustainability, which will include an organisation wide service delivery review.*

Option 3

1. *That the report on the Annual Business Plan 2024-25 Draft for Consultation be received and noted.*
2. *To advise Council that the Committee has reviewed the draft Annual Business Plan 2024-25 (ABP), as contained in Appendix 1, in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability.*
3. *That, on the basis of the Committee's review, to recommend the draft ABP to Council that adjustments should be made to bring the Operating Result to a 1% surplus level by one of the following options*
  - a) *Increasing Rates by inflation and an additional 2%*

*Or*

  - b) *A combination of*
    - i. *Removal operating projects and*
    - ii. *Increasing rates**Such that a 1% operating surplus is achieved.*

4. *To recommend to Council that the CEO should be asked to conduct a review into Council's long term financial sustainability, which will include an organisation wide service delivery review.*

8.3. Quarterly Council Performance Report – Q3 2023-24 – **Late report**  
*That the Quarterly Council Performance Report – Q3 2023-24 be received and noted.*

8.4. Risk Management Audit Review  
*That the report on risk management and audit review be received and noted.*

**9. QUESTIONS WITHOUT NOTICE**

**10. CONFIDENTIAL ITEMS**  
Nil

**11. NEXT MEETING**  
The next Audit Committee meeting will be held at 6.00pm on 20 May 2024 at 63 Mount Barker Road, Stirling.

**12. CLOSE MEETING**

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 20 NOVEMBER 2023  
63 MT BARKER ROAD STIRLING**

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**In Attendance****Members:**

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

**In Attendance:**

Greg Georgopoulos	Chief Executive Officer
Terry Crackett	Director Corporate Services
Gary Lewis	Manager Financial Services
Jody Atkins	A/Governance and Risk Coordinator/Minute Secretary

**Guests in Attendance:**

Nil	
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**1. COMMENCEMENT**

The meeting commenced at 6.02pm.

**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**

David Moffatt

**2.2 Leave of Absence**

Nil

**2.3 Absent**

Nil

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 20 NOVEMBER 2023  
63 MT BARKER ROAD STIRLING**

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**3. MINUTES OF PREVIOUS MEETINGS**

**3.1 Audit Committee Meeting Monday, 16 October 2023**

Moved Peter Brass  
S/- Pamela Lee

AC44/23

**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.**

<b>Carried Unanimously</b>
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Cr Melanie Selwood attended the meeting at 6.04pm.

**4. PRESIDING MEMBER'S OPENING REMARKS**

- Cr Malcolm Herrmann welcomed all members and staff to the meeting.
- On the recommendation of the Audit Committee, the Annual Financial Statements and End of Financial Year report were adopted by Council in October 2023.
- The Chief Executive Officer was queried regarding recruitment, he advised current shortlisting of candidates for interviews regarding the Governance and Risk Coordinator vacancy was occurring.
- Elected Members and Council staff attended a full day workshop on Saturday 18 November 2023 to develop the next Adelaide Hills Council Strategic Plan. The day was facilitated by an external party.

**5. DELEGATION OF AUTHORITY**

In accordance with the Audit Committee Terms of Reference, the Committee has no delegated decision-making powers. The Recommendations in Item(s) 6.1 are 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 Cr Melanie Selwood  
S/- Pamela Lee

AC45/23

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

<b>Carried Unanimously</b>
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**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 20 NOVEMBER 2023  
63 MT BARKER ROAD STIRLING**

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**8. OFFICER REPORTS – DECISION ITEMS**

**8.1 Presiding Member's report**

Moved Cr Malcolm Herrmann  
S/- Peter Brass

AC46/23

That the report of the Presiding Member for year ended 30 November 2023 be received and noted and a copy be included in the Audit Committee meeting minutes.

<b>Carried Unanimously</b>
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**8.2 Budget Review Quarter 1 2023-24**

Moved Peter Brass  
S/- Pamela Lee

AC47/23

1. That the report of the 2023-24 Budget Review 1 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.

<b>Carried Unanimously</b>
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**8.3 Draft Annual Report 2022-23**

Moved Pamela Lee  
S/- Peter Brass

AC48/23

1. That 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, and feedback to recommend the Annual Report to Council for adoption.

<b>Carried Unanimously</b>
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**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 20 NOVEMBER 2023  
63 MT BARKER ROAD STIRLING**

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**8.4 Auditors Completion Report**

Moved Peter Brass  
S/- Pamela Lee

AC49/23

That the report of the Audit Completion dated 25 October 2023 be received and noted

<b>Carried Unanimously</b>
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**8.5 Annual Investment Performance 2022-2023**

Moved Cr Melanie Selwood  
S/- Cr Malcolm Herrmann

AC50/23

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

<b>Carried Unanimously</b>
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**8.6 Treasury Policy Review**

Moved Peter Brass  
S/- Pamela Lee

AC51/23

1. That the report of 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.

<b>Carried Unanimously</b>
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**8.7 Debt Recovery Policy Review**

Moved Peter Brass  
S/- Pamela Lee

AC52/23

1. That the report of 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

<b>Carried Unanimously</b>
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**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 20 NOVEMBER 2023  
63 MT BARKER ROAD STIRLING**

**8.8 Audit Committee's Self-Assessment Review**

Moved Cr Malcolm Herrmann  
S/- Peter Brass

AC53/23

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

Carried Unanimously

**8.9 Audit Committee Meeting Dates 2024**

Moved Cr Malcolm Herrmann  
S/- Cr Melanie Selwood

AC54/23

1. That the report of 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
	15 April 2024, 63 Mt Barker Road, Stirling
	20 May 2024, 63 Mt Barker Road, Stirling
	19 August 2024, 63 Mt Barker Road, Stirling
	14 October 2024, 63 Mt Barker Road, Stirling
	18 November 2024, 63 Mt Barker Road, Stirling

Carried Unanimously

**9. INFORMATION FOR NOTING**

**9.1 Accounting Standards on Environmental, Social and Governance Reporting**

Moved Pamela Lee  
S/- Cr Selwood

AC55/23

That the report of the Accounting Standards on Environmental, Social and Governance be received and noted.

Carried Unanimously

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 20 NOVEMBER 2023  
63 MT BARKER ROAD STIRLING**

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**9.2 Financial Capacity Review – BRM Report**

**Moved Peter Brass  
S/- Cr Melanie Selwood**

**AC56/23**

**That the report of the Financial Capacity review – BRM dated October 2023 be received and noted.**

<b>Carried Unanimously</b>
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**9.3 Letter - Hon Geoff Brock MP – ESCOSA review**

**Moved Cr Malcolm Herrmann  
S/- Cr Melanie Selwood**

**AC57/23**

**That the letter from Hon Geoff Brock MP – ESCOSA Review dated 25 October 2023 be received and noted.**

<b>Carried Unanimously</b>
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**10. QUESTIONS WITHOUT NOTICE**

Nil

**11. CONFIDENTIAL ITEMS**

Nil

**12. NEXT MEETING**

The next ordinary meeting of the Audit Committee will be held on Monday 19 February 2024 from 6.00pm at 63 Mt Barker Road, Stirling.

**Additional Speech from Cr Malcolm Herrmann, Presiding Member:**

Tonight, is Independent Member Peter Brass's last meeting. As far as I can establish, Peter was first appointed in 2007 and has continued to be a member until 2023. During this time, he was also appointed as the Presiding Member in 2015 and 2016. Between 2016 and 2023, Peter has attended all but one (1) of the 50 meetings held. Peter has brought a breadth of skills and experience to assist the committee in its deliberations. His particular skills in risk management, internal controls and cyber security have been greatly appreciated. His deep interest in Long Term Financial Planning, Asset Management Planning and experience with other Audit Committees have assisted the Committee and Council to maintain financial stability. Thank you, Peter.

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE  
MINUTES OF MEETING  
MONDAY 20 NOVEMBER 2023  
63 MT BARKER ROAD STIRLING**

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The Presiding Member wished members the compliments of the season and a safe, relaxing Christmas and New Year.

**13. CLOSE MEETING**

The meeting closed at 7.20pm.

**ADELAIDE HILLS COUNCIL  
AUDIT COMMITTEE MEETING  
Monday 19 February 2024  
AGENDA BUSINESS ITEM**

**Item:** 7.2

**Responsible Officer:** Zoe Gill  
Governance and Risk Coordinator  
Office of the Chief Executive

**Subject:** 2024 Action Report and Work Plan Update

**For:** Decision

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**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 Draft Audit Committee Work Plan 2024 (*Appendix 2*) has been attached for review and adoption.

**RECOMMENDATION**

**The Audit Committee resolves:**

- 1. That the 2024 Action Report and Work Plan Update be received and noted.**
  - 2. That the 2024 Action Report, April 2024, be adopted.**
  - 3. That the 2024 Work Plan and Reporting Schedule be adopted.**
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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 Audit Committee Work Plan and Reporting Schedule 2024 for review and adoption.

## 2. ANALYSIS

### ➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

*Strategic Plan 2020-24 – A brighter future*

Goal 5 A Progressive Organisation

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

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

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 two outstanding items on the Audit Committee Action Report (**Appendix 1**) arising from previous Committee meetings. Commentary against the items is provided for the Committee’s information.

Work Plan and Reporting Schedule

As per the *2024 Audit Committee Work Plan and Reporting Schedule (Appendix 2)*, the following items detailed below are included in this meeting:

Item	Commentary	Month Scheduled
<b>Financial Reporting</b>		
Long Term Financial Plan (LTFP)	Deferred until strategic plan adoption	
Annual Business Plan	In this Meeting	April
Budget Review 1		November
Budget Review 2		February
Budget Review 3		May
End of Year Financial Report		November
End of financial year reporting timetable		May
End of financial year update		August
Final Annual Financial Statements (incl management representation letter)		October
<b>Internal Control and Risk Management</b>		
Placement of Council’s insurance portfolio (for noting)		August
Internal Financial Controls update		May
Risk Management Plan update		February/ August/November
Results of LGRS Risk Management Review		February (Biennial)
LGRS Risk Evaluation - Action Plan Review		May/November
<b>Internal Audit</b>		

Item	Commentary	Month Scheduled
Internal Audit quarterly update		February/May/ October/November
Internal audit reports		As Required
Implementation of internal audit actions progress report		February/August
Internal Audit Plan review		November
<b>External Audit</b>		
External audit interim letter		August
Implementation of external audit actions progress report		February/August
External Audit Plan review	In this meeting	April
Meeting attendance by external auditors	In this meeting	April/October
Review of auditor independence and legislative compliance		October
Audit Committee Completion Report		October/November
<b>Public Interest Disclosure</b>		
Public Interest Disclosure Policy review (replaces Whistle-blowers)	Deferred to May due to resourcing constraints in the Governance and Risk Team	April
Public Interest Disclosure Arrangements and Compliance		May
<b>Service Review</b>		
Service Review Brief		November
Service Review Report		November
Implementation of service review actions progress report	Deferred to May	April/August
<b>Other Business</b>		
Audit Committee self-assessment review		November
Presiding Member's Report		November
Work Plan and Reporting Schedule		November
Audit Committee Meeting Dates		November
Debtors Report		February/August
Council's Annual Report		November
Action Report & Work Plan Update	Included in this meeting	All Meetings
Audit Committee Terms of Reference		October
Climate Change Adaptation Governance Assessment Report -		October
Quarterly Performance Reports	Included in this meeting	February/April/ August/October



Item	Commentary	Month Scheduled
Directorate Risk Profile Presentation	Discontinued	April/August/ November
Other Reports	As required	As Required

### 3. OPTIONS

The Audit Committee has the following options:

- I. To note and adopt the status of the Action Report at **Appendix 1** (Recommended).
- II. To note and adopt the 2024 Work Plan and Reporting Schedule 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. 2024 Work Plan and Reporting Schedule

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# **Appendix 1**

*Audit Committee Action Report, April 2024*

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**Adelaide Hills Council**  
**Audit Committee Action Report Update**  
**April 2024**

Meeting Date	Res No.	Item Name	Previously Declared COI	Action Required (Council Resolution)	Responsible Director	Responsible Officer	Status	Date of Update	Due Date	Status
16/10/2023	AC43/23	Local Government Income Protection Fund	Nil	<p>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:</p> <ol style="list-style-type: none"> <li>1. When did the LGIPF commence;</li> <li>2. Was it part of an Enterprise Bargaining Agreement process at the time;</li> <li>3. The premiums paid;</li> <li>4. The number of claims lodged;</li> <li>5. The number of claims approved;</li> <li>6. The amount paid to employees under the provisions of the Plan;</li> <li>7. The eligibility criteria;</li> <li>8. The value for money of the Fund to both the council (as the employer) and employees;</li> <li>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;</li> <li>10. Whether there are alternatives to the current arrangements;</li> <li>11. If changes are to be considered, whether such changes could be incorporated into the next Enterprise Development Agreement.</li> </ol>	Director Corporate Services	Kira-Marie Laverty	In Progress	5/03/2024	20/05/2024	Report was presented to Audit Committee at Feb 2024 meeting. Per the resolution at the meeting, the report is to be presented to Council. Due to competing priorities for Council Agenda items, the report is scheduled to go to the 23 April 2024 Council Meeting.
31/10/2023	AC39/23	Development Services Service Review - Implementation Plan	Nil	<ol style="list-style-type: none"> <li>1. That the report be received and noted.</li> <li>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.</li> <li>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.</li> </ol>	Natalie Armstrong	Deryn Atkinson	In Progress	8/04/2024	20/05/2024	<p>Implementation of Action Plan in progress - immediate actions completed.</p> <p>Biannual Report will be presented to Audit Committee and Council at May meeting.</p>

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## **Appendix 2**

### *Audit Committee 2024 Work Plan and Reporting Schedule*

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**ADELAIDE HILLS COUNCIL  
AUDIT COMMITTEE MEETING  
Monday 15 April 2024  
AGENDA BUSINESS ITEM**

**Item:** 8.1

**Responsible Officer:** Gary Lewis  
Manager Financial Services  
Corporate Services

**Subject:** 2023-24 External Audit Plan

**For:** Decision

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**SUMMARY**

At its 20 December 2022 meeting, Council (upon the Audit Committee’s recommendation) resolved to appoint BDO Audit Pty Ltd (“BDO”) under a Professional Services Agreement for a three-year period to undertake the annual financial statement audit and internal financial control audit each year.

With the financial year approaching completion, BDO have prepared a *2023-24 External Audit Plan (Appendix 1)* for the 2023-24 Annual Financial Statements Audit and Internal Financial Control Audit.

Under the Audit Committee’s Terms of Reference, two of the key roles in relation to External Audit relate to recommending the approval of the auditor’s terms of engagement and reviewing and making recommendations regarding the proposed external audit plan.

Mitchell Bremner (Engagement Manager) of BDO will be attending the meeting to provide any further information or clarifications.

The purpose of this report is to provide the *2023-24 External Audit Plan* for the Committee’s review and, if satisfied, to seek the Committee’s recommendation to Council for approval.

**RECOMMENDATION**

**The Audit Committee resolves:**

1. That the report be received and noted.
  2. To recommend to Council the approval of the *2023-24 External Audit Plan* by BDO Audit Pty Ltd as contained in Appendix 1.
  3. To note the *2023-24 Financial Statement Audit – Engagement Letter* as contained in Appendix 2 and the *2023-24 Internal Financial Control Audit – Engagement Letter* as contained in Appendix 3.
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## 1. BACKGROUND

The Audit Committee's Terms of Reference (**Appendix 4**) set out a number of specific functions, one of which relates to External Audit and contains key roles for the Committee, relevant to the conduct of the 2023-24 Annual Financial Statement Audit and Internal Financial Control Audit, as follows:

- a) Recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit (clause 3.5.2.2)
- b) Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services (clause 3.5.2.3)
- c) Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business) (clause 3.5.2.4)
- d) Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement (clause 3.5.4).

Roles 1 & 4 occur in the framing of the external audit plan and engagement letter and can be considered by the Audit Committee at the April meeting. Roles 2 & 3 occur when considering the Audit Completion Report at the October meeting.

At its 20 December 2022 meeting, Council (upon the Audit Committee's recommendation) resolved to appoint BDO under a Professional Services Agreement for a three-year period. In recent months BDO have liaised with Council staff to finalise the engagement and develop the 2023-24 Audit Plan (**Appendix 2**).

## 2. ANALYSIS

### ➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

*Strategic Plan 2020-24 – A brighter future*

Goal 5	A Progressive Organisation
Objective O5	We are accountable, informed and make decisions in the best interests of the whole community.
Priority O5.1	Enhance governance 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.

External audit is a key accountability function to the community regarding the financial governance of the organisation.

### ➤ Legal Implications

Chapter 8 – Administrative and financial accountability, Part 3 – Accounts, financial statements and audit, Division 4 – Audit of the *Local Government Act 1999* and Part 6 - Audit of the *Local Government (Financial Management) Regulations 2011* set out the requirements regarding the appointment of the external auditor and the conduct of the audit.

➤ **Risk Management Implications**

The appointment of the external auditor consistent with the requirements of legislation assists in mitigating the risk of:

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

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Low (3E)	Low (3E)

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

➤ **Financial and Resource Implications**

Council makes a budget allocation each year for the expenses associated with the conduct of the external audit.

The external audit function is managed by the Governance & Performance Department although the Financial Services Department is most significantly impacted throughout the external audit process.

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

There is a high expectation that Council's accounts are audited by appropriately qualified and independent external auditors.

➤ **Sustainability Implications**

Not directly applicable

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

Consultation on the development of this report was as follows:

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

➤ **Additional Analysis**

Notwithstanding that the terms and condition of the contractual arrangement are contained in the Professional Services Agreement, BDO have provided a *2023-24 Financial Statement*



*Audit – Engagement Letter (**Appendix 2**) and a 2023-24 Internal Financial Control Audit – Engagement Letter (**Appendix 3**).*

In preparation for the 2023-24 External Audit, BDO have prepared a *2023-24 External Audit Plan (**Appendix 1**)* for the Audit Committee’s review and, if satisfied, recommendation to the Council for approval.

The Administration has reviewed the Plan and is agreeable with the scope, methodology and timeframes set out in the Plan.

Mitchell Bremner (Engagement Manager) of BDO will be attending the meeting to provide any further information or clarifications.

Should the Audit Committee determine to recommend to Council to approve both documents, a report will be prepared for Council’s consideration.

### **3. OPTIONS**

The Committee has the following options:

- I. To recommend to Council the scope of work and timing of the 2023-24 External Audit Plan by BDO Audit Pty Ltd as contained in **Appendix 1**. (Recommended)
- II. To seek amendments to the scope of work and timing of the 2023-24 External Audit Plan by BDO Audit Pty Ltd as contained in **Appendix 1**. Seeking amendment may impact on the timeliness and/or cost of External Audit service provision (Not Recommended)

### **4. APPENDICES**

- (1) 2023-24 External Audit Plan
- (2) 2023-24 Financial Statement Audit – Engagement Letter
- (3) 2023-24 Internal Financial Control Audit – Engagement Letter

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# **Appendix 1**

*2023-24 External Audit Plan*

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# ADELAIDE HILLS COUNCIL

Annual audit plan

30 June 2024

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# CONTENTS

Your BDO team .....	4
Our objectives and approach .....	5
Audit quality.....	7
Risk assessment and areas of focus .....	8
Internal control assessment .....	11
Materiality .....	15
Timeline.....	16
Fees.....	18
BDO's global portal.....	19
BDO Advantage.....	20
Appendix 1 Climate reporting.....	21
Appendix 2 Other communication.....	22



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Dear Audit Committee Members

Thank you for the opportunity to present our annual audit plan ('plan') for Adelaide Hills Council ('AHC' or the 'Council') for the year ending 30 June 2024.

Our plan has been developed with input from Council management and continues to be based on our understanding of AHC's business and operating environment.

We acknowledge that throughout the year there may be business developments, circumstances may change, and additional matters may arise. Our plan will be responsive to your needs and will maximise audit effectiveness so we can deliver the high-quality audit you expect.

This plan is intended solely for management and the Audit Committee and is not intended to be and should not be used by anyone other than these specified parties.

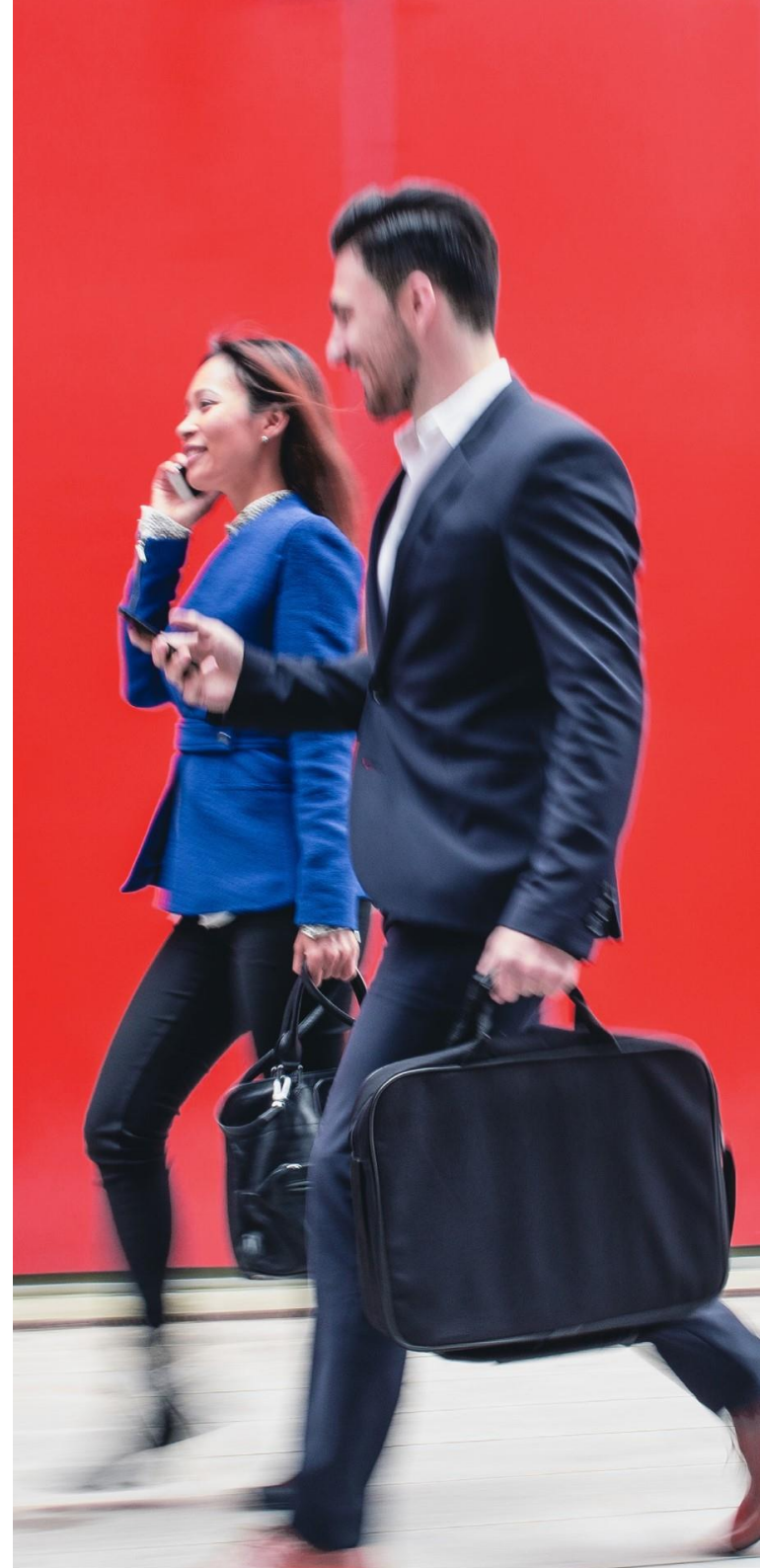
Please feel free to contact me on +61 8 7324 6147 if you have any questions or would like to discuss the content of this plan further.

Yours faithfully



**Linh Dao**  
Lead audit partner

Adelaide, 2 April 2024





## YOUR BDO TEAM

Your engagement team provides a combination of continuity and fresh ideas. This helps to ensure that we build on previous experience and make the audit process as smooth as possible.

### YOUR BDO TEAM

Our audit of Adelaide Hills Council will be led by Linh Dao as Engagement Partner. Linh will oversee the co-ordination of the audit and will have primary responsibility for working with Gary Lewis and his team.

Supporting Linh will be Mitchell Bremner as audit manager.

Mitchell is responsible for the day-to-day direction of the audit work and is the key point of contact for Gary Lewis. The day-to-day audit team will be led by Mitchell Bremner.

### SPECIALISTS

When auditing complex areas, we are often required to engage specialists who have qualifications and expertise not possessed by the core audit team. Supporting the engagement team will be our IT specialists, who will review the IT environment and any relevant IT general controls as part of the audit if considered necessary.



**LINH DAO**

Engagement Partner

Tel: +61 8 7324 6147

Linh.Dao@bdo.com.au



**MITCHELL BREMNER**

Engagement Manager

Tel: +61 8 7324 6057

Mitchell.Bremner@bdo.com.au



**EDMOND NG**

Audit Senior

Tel: +61 8 7324 6094

Edmond.Ng@bdo.com.au

# OUR OBJECTIVES AND APPROACH

## AUDIT OBJECTIVES

Our objective of the audit is to enable us to express an opinion as to whether

- ▶ The financial report is prepared, in all material respects, in accordance with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*, and
- ▶ Controls exercised by Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law based on criteria established in the Better Practice Model - Financial Internal Control for South Australia Councils issued by the Local Government Association of South Australia

## APPROACH

Our audit is performed in accordance with the BDO Audit Approach, which is documented using our global audit tool, APT. It consists of four key phases:



## A RISK DRIVEN AUDIT

Our audit approach is driven by our assessment of risks of material misstatement, based on a robust understanding of your business from an internal and external point of view. Our approach is centred around:

- ▶ Obtaining an understanding of the business, its environment, and the applicable financial reporting framework
- ▶ Identifying and assessing risks of material misstatement
- ▶ Assessing the controls in place to address and prevent these risks
- ▶ Designing and executing appropriate procedures to obtain evidence, including the use of data analytics where appropriate
- ▶ Ensuring rigorous quality management over audit performance.

## INTERNAL CONTROL

We obtain an understanding of the system of internal control relevant to the audit to assist us with our risk assessment procedures. Our understanding covers:

- ▶ The overall control environment
- ▶ The entity's risk assessment process
- ▶ The information system, including IT applications and related business processes, relevant to financial reporting, and communication
- ▶ Control activities relevant to the audit
- ▶ Activities the entity uses to monitor internal control relevant to financial reporting.

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## OUR OBJECTIVES AND APPROACH *CONTINUED*

### COMMUNICATIONS

We communicate to the Audit Committee in writing any significant deficiencies that come to our attention during the audit on a timely basis.

In addition, we communicate with management the significant deficiencies being reported to those charged with governance and any other deficiencies identified that in our judgement are of sufficient importance to merit management's attention. In doing so, we will provide recommendations to improve internal controls and business systems.

### FRAUD

During the course of our audit, we make enquiries of those charged with governance, management, and others to identify any known instances of fraud. We also make enquiries to understand where you consider the risks are in relation to fraud and if you have any knowledge of actual or suspected fraud. This also includes considering the risk of management override of controls.

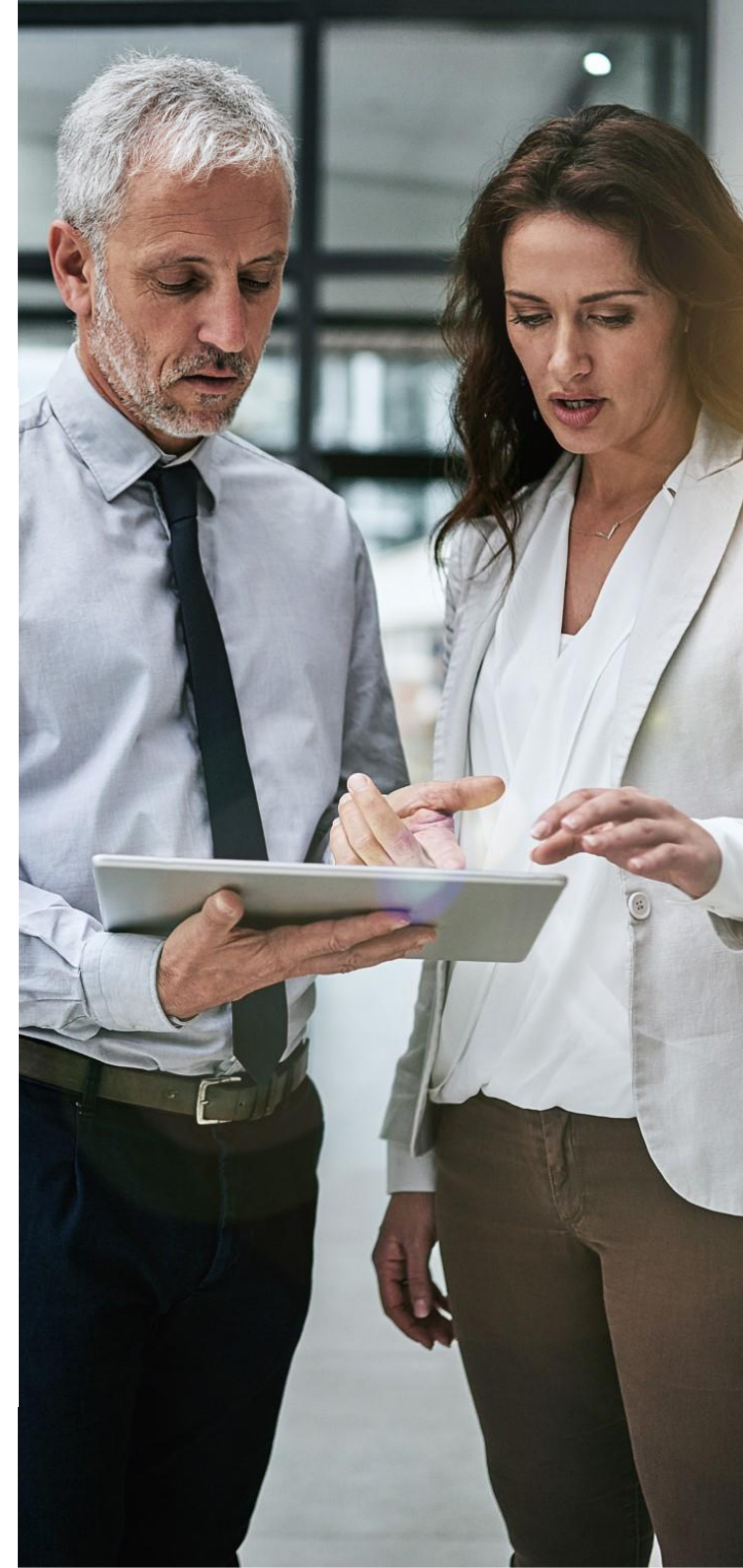
It should be noted that our audit is not designed to detect fraud, however, should instances of fraud come to our attention, we will report them to you.

### GOING CONCERN

As part of our audit, we will review management's assessment of the ability of the entity to continue as a going concern for the 12 months from the date of signing the financial report and therefore whether the going concern basis for the preparation of the financial report is appropriate.

### LAWS AND REGULATIONS

We make enquiries in relation to any non-compliance with laws and regulations impacting the period under audit. If we become aware of any instances of non-compliance with laws and regulations which would materially impact on the financial position or performance of the entity, then we will report them to you on a timely basis to consider the impact on the financial report.







## AUDIT QUALITY

Our System of Quality Management (SOQM) provides the foundation on which we build and maintain a culture of quality and it enables the behaviours and actions of our partners and staff to achieve quality on a consistent basis. Our SOQM sets out the key drivers of audit quality, including the specific attributes that are critical in enhancing and maintaining quality. For further information on the elements of our SOQM and how we consistently achieve quality outcomes, refer to our [Transparency Report](#).

### INDEPENDENCE AND OBJECTIVITY

Our commitment to be independent, act objectively, with the necessary integrity, professional competence and due care are key defining qualities that contribute to exceptional client service. At BDO, we adhere to all relevant ethical standards and requirements both within and external to our network.

All engagement team members, including experts and specialists, are required to confirm and declare their independence from audit clients and any related entities prior to commencing work on the engagement.

Your BDO team is independent and will continue to work with objectivity in all aspects of the engagement.

### EXPERIENCE AND EXPERTISE

The appropriate composition of engagement teams is fundamental to delivering a high-quality audit. We ensure partners and staff have the necessary experience, competencies, and technical skills to undertake their engagements. For complex engagements, we consider the need to appoint specialists or experts to assist with specific risk areas.

Your BDO team possesses the relevant experience and expertise necessary to perform an effective audit.

### PROFESSIONAL JUDGMENT AND SCEPTICISM

Professional judgment is the systematic practice of making the best possible decision considering professional standards and the facts and circumstances of a situation. To exercise professional judgment requires professional scepticism. This means having a questioning mind, being alert to anything that may indicate misstatement and critically assessing audit evidence.

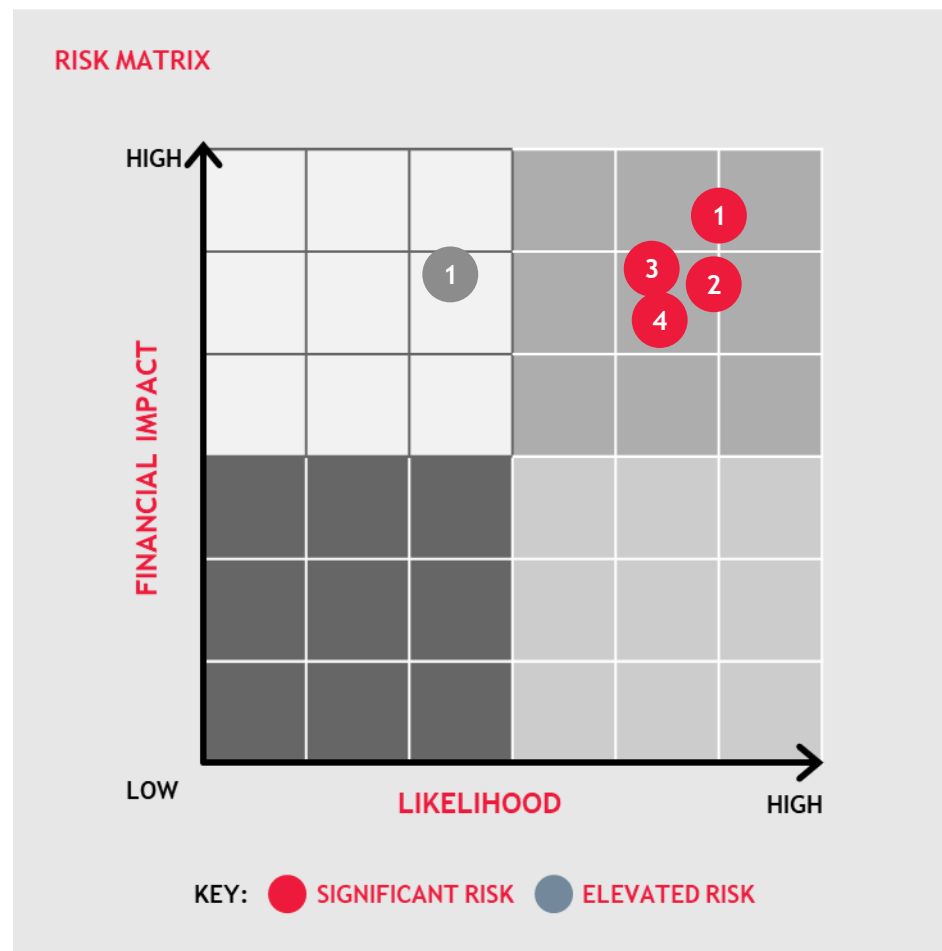
We will continue to question and challenge key assumptions and judgments made by management in preparing the 30 June 2024 financial report.

# RISK ASSESSMENT AND AREAS OF FOCUS

In line with our audit approach and based on our understanding of Adelaide Hills Council, we have identified the risks of material misstatement (RMM) at both the engagement and assertion level. In assessing the RMMs, we use a spectrum of risk based on the likelihood of a misstatement occurring and the magnitude of the misstatement in the context of our materiality. We use inherent risk factors (complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or fraud) to drive risk identification and assessment.

Our initial assessment is shown in the matrix for the risks identified at the upper end of our spectrum (Significant and Elevated).

On the subsequent page we have set out our perspective on the potential impact on the financial statements and our proposed approach to respond to the risks. We will continue to be alert for risks during the course of the audit and update our assessment and responses as required.



## RISK ASSESSMENT AND AREAS OF FOCUS *CONTINUED*

#	AREAS OF FOCUS	OUR PERSPECTIVE	PLANNED RESPONSE
1	Revaluation of infrastructure, property, plant and equipment.	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.	<p>We will evaluate the competence, capability and objectivity of the independent valuers, if any, obtain an understanding of their work and evaluate its appropriateness.</p> <p>Particular attention will be paid to building asset audit and revaluation, for which the data validation process was delayed in the prior year. We will review the process undertaken by management regarding the revaluation, perform necessary audit procedures and check the disclosures made to the financial statements for compliance with applicable Australian Accounting Standards.</p>
2	Accounting treatment of Capital Work In Progress (WIP)	There is a risk that the accounting treatment of items captured within Capital WIP may not be in accordance with Australian Accounting Standards.	<p>We will obtain the Capital WIP schedule, reconcile the opening balance this year to the audited closing balance in 2023, and review in detail a sample of projects outstanding at the end of the year to ensure they are likely to generate assets.</p> <p>We will also review 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>
3	Management override of internal controls	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.	Our response will include a review of key internal controls at the Council to mitigate the risk of management override. We will test the appropriateness of journal entries and other adjustments made in the preparation of the financial report. We will also review accounting estimates for bias and evaluate 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.

## RISK ASSESSMENT AND AREAS OF FOCUS *CONTINUED*

#	AREAS OF FOCUS	OUR PERSPECTIVE	PLANNED RESPONSE
4	Cut-off of grant funding and accuracy of any amounts deferred on 30 June 2024	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.	We will obtain the schedule of grant income recognised and deferred at year-end. We will select a sample of grants and obtain the agreements to review in detail and test that they have been recognised in accordance with AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities.
1	Measurement of rehabilitation liabilities	Council has made provision for its monitoring and rehabilitation obligations regarding 3 formal landfill sites. There is a risk of error that the liabilities are not measured in accordance with the requirements of AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> .	<p>We will inquire with management of the provisions made as at the reporting date. We will audit the accounting treatment by reference to supporting documents including management position papers, relevant agreements, and the requirement of applicable Accounting Standards.</p> <p>We will obtain written confirmation from the Council's external legal representatives for any outstanding matters and assess the completeness of the provision provided.</p> <p>We will evaluate if relevant disclosures made to the financial statements are in accordance with the applicable reporting framework.</p>

# INTERNAL CONTROL ASSESSMENT

We are required to provide an audit opinion on Council’s internal controls in accordance with Section 129(1)(b) of the *Local Government Act 1999*. Our assessment of internal controls is based on the criteria in the Better Practice Model - Financial Control for South Australian Councils as issued by the Local Government Association of South Australia.

The Better Practice Model emphasises a risk based approach to internal financial controls. It states that a Council should design and implement internal financial controls activities and monitoring systems that prioritise extreme and high financial risk as identified by the Council’s risk tolerance framework.

## RISK ASSESSMENT

BDO has used the risk assessment matrix per the Better Practice Model to create a general expected risk assessment. The assessment is only focused on the business impact of the risks. Each risk is assigned risk category of low, moderate, high. The result of our initial assessment is as follows:

RISK CATEGORY	RISK LEVEL		
	HIGH	MODERATE	LOW
Strategic Financial Planning	-	3	9
Assets	3	5	19
Liabilities	-	4	10
Revenue	3	6	5
Expenses	6	5	8
External Services	-	2	-
Financial Governance	-	-	3

We expect to receive Council’s risk assessment of internal controls as part of the planning process. Once received we will compare and understand any differences between the two assessments. Based on the results of this comparison, we will consider the impact on our audit approach.

## CONTROL ASSESSMENT

Once the risk assessment is complete, we undertake a control assessment classifying each control as key or non-key. All controls associated with high risks are considered to be key controls. Controls with moderate risks are assessed and allocated key or non-key.

CONTROL TYPE	DESCRIPTION
Key Control	The absence of these controls operating may have a significant impact on mitigating the risks. All key controls are included within our audit testing.
Non-Key Control	The absence of these controls in place may not have a significant impact on mitigating the risks as the operation of a key control in the same area may provide sufficient mitigation. The level of testing of non-key controls is dependent on the risk assessment. See the next section for more details.

# INTERNAL CONTROL ASSESSMENT CONTINUED

## CONTROL TESTING

The risk and control assessments performed by BDO will then determine our level of testing of the controls in place to address the risks.

RISK LEVEL	LEVEL OF TESTING OF CONTROLS	REASON
High	All key controls are tested.	Control failure may result in a significant business impact, therefore an increased level of assurance is required in relation to the effectiveness of the controls supporting high risks.
Moderate	All identified key controls and a selection of non-key controls selected based on our professional judgement.	Control failure may result in a moderate business impact, therefore a normal level of assurance is required in relation to effectiveness of the controls supporting moderate risks.
Low	No testing of controls.	Control failure is unlikely to result in a significant business impact.

The number of controls to we plan to test for each risk category is as follows:

RISK CATEGORY	TEST OF CONTROLS PERFORMED
Strategic Financial Planning	11
Assets	22
Liabilities	8
Revenue	16
Expenses	24
External Services	4
Financial Governance	-
<b>Total</b>	<b>85</b>

Due to the number of controls involved we have not provided a detailed list of controls in this report. We can provide the detailed list of controls separately as required. The controls selected for testing represent our assessment of those required to be tested to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law based on criteria established in the Better Practice Model - Financial Internal Control for South Australia Councils issued by the Local Government Association of South Australia.

# INTERNAL CONTROL ASSESSMENT *CONTINUED*

## FOLLOW UP ON PRIOR PERIOD FINDINGS

We have detailed below the current status of matters relating to internal control that have been raised in prior communications.

### SIGNIFICANT DEFICIENCIES

DESCRIPTION OF THE MATTER	DATE PREVIOUSLY COMMUNICATED	CURRENT STATUS
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 consistency in supporting schedules provided by the Assets Team.	12 October 2023	We were advised that Finance and Assets team have been working closely to improve the quality of information being provided by the Assets team relevant to the IPPE closing process, and to facilitate a more efficient and timely year-end process.

### OTHER DEFICIENCIES

RISK CATEGORY/ BUSINESS CYCLE	RISK ASSESSMENT	DESCRIPTION OF THE MATTER	DATE PREVIOUSLY COMMUNICATED	CURRENT STATUS
Expenses - Payroll	<b>Moderate</b>	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 are beyond the person's designated role and responsibility.	12 October 2023	We were advised that user access permissions have been amended. We will review the change as part of the audit this year and advise Council accordingly.

## INTERNAL CONTROL ASSESSMENT *CONTINUED*

RISK CATEGORY/ BUSINESS CYCLE	RISK ASSESSMENT	DESCRIPTION OF THE MATTER	DATE PREVIOUSLY COMMUNICATED	CURRENT STATUS
Assets - Debtors	<b>Moderate</b>	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.	12 October 2023	We were advised that as Council has a small number of staff in Finance team, segregation of duties in this area is challenging. A number of mitigating controls however have been identified to partially address the risk. We will continue to monitor and report to Council accordingly.
Revenue - Grants	<b>Moderate</b>	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.	12 October 2023	We were advised that the template recommended by BDO has been populated to improve record keeping process with outstanding documentation to be reviewed quarterly and follow-up action to be undertaken where appropriate.  We will visit the issue as part of the audit this year and report to Council accordingly.



# MATERIALITY

Materiality means, in the context of an audit, if financial information is omitted, misstated or not disclosed it has the potential to (adversely) affect the decisions of users of the financial report. Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and for evaluating the effect of misstatements. Materiality is initially calculated at the planning stage and re-assessed prior to providing our opinion.

During the course of our audit we may identify misstatements and these will be reported to you at the conclusion of our work based on our assessment of materiality at that stage (this may have been updated from the materiality calculated at the planning stage). It should be noted that the auditing standards do not require us to communicate misstatements that are considered 'clearly trivial' and as such, if we identify such misstatements we will not communicate these to you.

We determine materiality by considering a range of both qualitative and quantitative factors when applying our professional judgement.

Our engagement materiality for the 30 June 2024 audit is based on 1.8% forecasted total assets. Our estimated materiality levels are set in the table below:

<b>ENGAEMENT MATERIALITY</b>	\$8,900,000
<b>SPECIFIC MATERIALITY</b>	\$950,000
<b>CLEARLY TRIVIAL THRESHOLD</b>	\$47,500

Specific materiality will be applied to the financial statement areas that are related to operating activities, whereas engagement materiality will be applied to financial statement areas of capital expense nature. Specific materiality is set at 1.8% of Council's total expenditure for the year.

The planning materiality has been calculated based on Council's budgeted results and financial position for the year ended 30 June 2024. These will be revisited and amended accordingly based on final trial balance provided to us for audit.





# TIMELINE

## AUDIT MILESTONES

We recognise that regular, timely communication with management and the Audit Committee is critical to maintaining an effective and transparent relationship. Our audit process operates throughout the year so that we can respond to issues as they arise and maintain close communication, with management and the Audit Committee, as the audit cycle progresses.

We have set out below the timing of significant milestones to include on-site visits, key meeting dates and reporting deadlines with respect to the completion of the audit.

MILESTONE	RESPONSIBILITY	DATE
Planning meeting with management	BDO & management	Completed
Annual audit plan issued, updating Audit Committee on prior year finding's progress	BDO & management	February 2024
Audit Committee meeting and discussion of Annual audit plan	BDO & management	April 2024
BDO Portal requested items completed	Management	By 3 May 2024
Interim audit visit commences, including internal controls and transactional testing; follow-up on the prior year's internal control deficiencies	BDO & management	The week commencing 6 May 2024
Submission of interim management letter (including update on internal control audit)	BDO & management	By 3 June 2024
BDO Portal requested items completed including first copy of drafted financial statements	Management	By 13 September 2024
Final audit visit commences	BDO & management	The week commencing 16 September 2024
Close out meeting with management	BDO & management	20 September 2024
Submission of audit completion report	BDO	By 7 October 2024



## TIMELINE CONTINUED

MILESTONE	RESPONSIBILITY	DATE
Financial statements presented to Audit Committee	BDO & management & Audit Committee	21 October 2024
Chief Executive Officer and Principal Member of Council to approve and sign off Certification of Financial Statements, Certification of Auditors Independence and management representation letter	Council	October / November 2024
Issue Independent Auditor's Report and Certificate of Auditor Independence in relation to Independence	BDO	October / November 2024
Finalisation of various acquittal reports	BDO & management	TBC



## FEES

### FEES

The proposed fee for all services provided for the year ending 30 June 2024 is \$32,960. All amounts are exclusive of GST.

This fee compasses the audit of:

- ▶ Annual Financial Statements
- ▶ Internal Controls
- ▶ Roads to Recovery Chief Executive Officer's Financial Statement
- ▶ LGAWCS Actual Wages Declaration

Any additional acquittal audits will be charged at \$515 each if they are conducted at the time of the audit or \$1,030 each if undertaken outside of the audit fieldwork (all amounts GST exclusive).

### ASSUMPTIONS

This is a fee estimate only and not a fixed price fee arrangement. We invoice the actual costs to complete the audit. Any reasonable out of pocket expense are charged to you as disbursements when incurred. Our estimate is based on our understanding of your current operations and the required scope of the audit. If these alter, the fee estimate will need to be revised.

Our estimated fees do not include any advice or assistance that may be given in respect of accounting issues. Whilst brief ad hoc information provided in the course of our audit is generally included in our proposed fee, formal advice, assistance with complex issues or meetings to discuss these issues falls outside the scope of our proposed fee. Fees for assistance provided will be negotiated prior to services being performed.

In addition, we will disburse to you a technology levy as a percentage of our fees to cover software licensing, data storage and usage costs.

### ASSISTANCE REQUIRED

In order to keep our time and costs to a minimum, we appreciate your assistance with the following:

- ▶ Ensure you have documented your policies and procedures surrounding your business processes, from initiation and processing through to recording and reporting, of transactions, account balances and disclosures. Including how your IT systems and applications are being used in this process
- ▶ Preparing position papers for all key judgements and estimates, using your experts and specialists as required
- ▶ Management providing all deliverables in line with the agreed timetable
- ▶ Assistance from your staff with supporting documentation and explanations during the audit process
- ▶ Disclosure by your staff of all information relevant to the engagement in a timely manner
- ▶ Prior to the commencement of the audit, we will provide you with an audit preparation package through the BDO Portal, refer above for BDO Portal due dates.

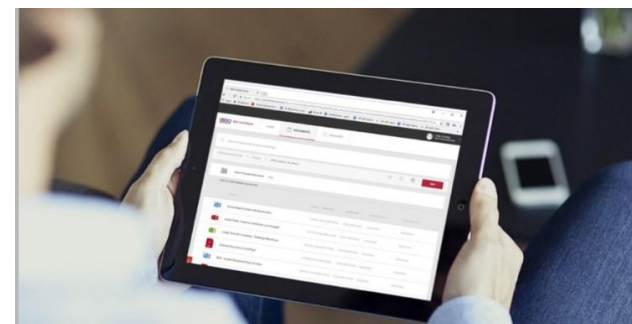
# BDO'S GLOBAL PORTAL

## BDO'S CLIENT PORTAL

To enhance our communication and to reduce any potential expectation gaps, we will continue to use the BDO Global Portal ('portal').

In addition to facilitating the secure exchange of information, the use of the portal assists with project management and provides a live view of progress to both BDO and Adelaide Hills Council.

We will consult with you about how you would like us to communicate during the engagement, and the frequency of our status updates. In addition, whether it is to provide ad-hoc support, brainstorm ideas, or discuss any aspect of our services, the portal can assist. The key features of the portal are illustrated below:



### ONLINE CLIENT COLLABORATION

- ▶ Upload information and documentation in one secure place
- ▶ Track actions and milestones for BDO and client responsibilities.



### A FLEXIBLE, SECURE PLATFORM WITH LOCAL CUSTOMISATION

- ▶ Security - permission and access can be set at a project level for different users such as your staff or our BDO teams
- ▶ You can receive a daily or weekly digest, summarising all activity that has occurred on the portal
- ▶ View document audit trails, reducing the risk of email misdirection.



### DIGITISED PAPERWORK AND WORKFLOW

- ▶ Approve and sign documents all within the portal, allowing for better transparency and speedier project progress
- ▶ Set dates with calendar reminders for when BDO requires certain documentation or information to be uploaded or completed
- ▶ Assign tasks to specific users
- ▶ Portal supports multiple document types and views.

# BDO ADVANTAGE

## BDO ADVANTAGE: OUR INNOVATIVE AUDIT TECHNOLOGY PLATFORM

Today's business, regardless of industry or location, becomes increasingly digital-centric. Companies accumulate a great amount of data in their systems, but data becomes valuable only if we present and analyse them in such a way that they actually bring benefits. Today, we can do this effectively with **BDO Advantage**.

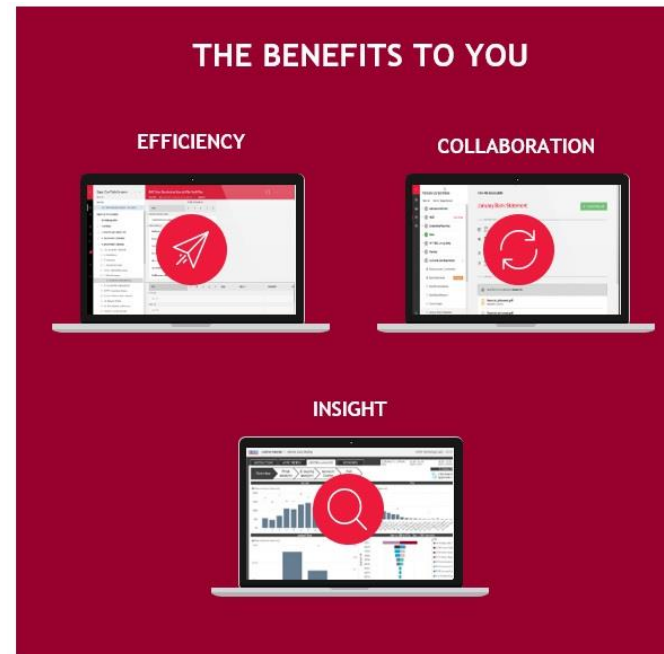
Our new suite of Data Analytics tools (BDO Advantage) enables us to enhance our audit approach through the extraction and analysis of data, to provide assurance for our audit and valuable insights for your business - allowing you to quickly address anomalies and make better decisions.

### BENEFITS TO YOU

- ▶ **Audit quality** - Audit Data Analytics (ADAs) are engineered to identify risk areas requiring attention more rapidly. Conversely, areas requiring less attention are similarly identified using consistent visualisations derived from underlying data, providing a more effective audit and enhanced audit quality
- ▶ **Reduced reliance on sampling** - ADAs and the supporting methodology focuses our attention on notable items indicating higher risk of material misstatement within a population, allowing for targeted efforts to be directed to those items meriting the most attention. Entire populations do not ordinarily require significant amounts of traditional sampling. Rather, efforts are directed to tests of transactions indicative of higher risk, while simultaneously reducing efforts on those that do not indicate risk
- ▶ **More meaningful audits** - As we perform less sampling on entire populations and focus our efforts on outliers and unusual patterns within your datasets in consistent models, we will increasingly focus our energy on performing more meaningful and interesting work.

### THE FUTURE

BDO is committed to innovation. As a firm, we are increasingly investing in building and implementing digital tools as part of the BDO Digital Audit Suite, to make the audits we deliver more efficient and insightful for you. As the BDO Digital Audit Suite evolves, we will apply these tools as part of your audit, where we believe they will deliver benefits to you as our client.



# APPENDIX 1 CLIMATE REPORTING

## DRAFT LEGISLATION TO MANDATE CLIMATE REPORTING IN AUSTRALIA

On 12<sup>th</sup> January 2024 the Australian Government released draft legislation for significant reforms establishing Australia’s climate risk disclosure framework.

The draft legislation amends the *Australian Securities and Investment Commission Act 2001* and the *Corporations Act 2001* to introduce mandated climate-related financial disclosures in a separate sustainability report, as part of some entities’ annual reports.

On 27 March 2024, the Australian Government followed its promise to mandate climate reporting in Australia by introducing the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill (Bill) into Parliament.

Entities will also be required to obtain an assurance report over the sustainability report from their financial statement auditors.

It is proposed that annual financial reports will consist of:

1. Annual financial report
2. Annual sustainability report
3. Directors’ Report
4. Auditor’s Report

Consequently, the standard setters have accelerated the proposed actions for mandatory climate related disclosures within financial reports and will now be based on **Group Size** rather than entity type, which now includes proprietary companies.

Disclosures will be phased into 3 groups over a 4-year period and one of the criteria will be **Size** (refer to table). If you are a National Greenhouse and Energy Reporting (NGER) reporter or manage \$5 billion of assets (asset owner column), this will also trigger the reporting requirements.

Refer to the table as to when your entity will likely be impacted:

First annual reporting periods starting on or after	Large entities and their controlled entities meeting at least two of three criteria:			National Greenhouse and Energy Reporting (NGER) Reporters	Asset Owners
	Consolidated revenue	EOFY consolidated gross assets	EOFY employees		
1 July 2025 Group 1	\$500 million or more	\$1 billion or more	500 or more	Above NGER publication threshold	N/A
1 July 2026 Group 2	\$200 million or more	\$500 million or more	250 or more	All other NGER reporters	\$5 billion assets under management or more
1 July 2027 Group 3	\$50 million or more	\$25 million or more	100 or more	N/A	N/A

## WHO WILL BE EXCLUDED FROM MANDATORY REPORTING?

- ▶ Small and medium businesses below the relevant size thresholds will be exempt;
- ▶ Entities that are exempt from lodging financial reports under Chapter 2M of the *Corporations Act 2001*, including:
  - Where exemptions have been made through the ASIC class orders; or
  - Where the entity is registered with the Australian Charities and Not-for profits Commission (ACNC).

For further information regarding climate reporting, refer to our BDO’s website link <https://www.bdo.com.au/en-au/insights/esg-sustainability/draft-legislation-to-mandate-climate-reporting-in-australia> or please contact your audit engagement partner in the first instance.



## APPENDIX 2 OTHER COMMUNICATION

### ETHICS AND INDEPENDENCE

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

We obtain 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.

Should any independence matters arise, we will bring them to your immediate attention.

For the comfort of those charged with governance, we note that the following processes assist in maintaining our independence:

- ▶ Restrictions on BDO employees having financial interests in audit clients
- ▶ No other work is permitted to be undertaken by any BDO division or office without the express approval of the engagement director/partner
- ▶ Services including valuation and similar services are specifically prohibited to be provided by any other BDO office to you
- ▶ All services performed by any BDO division or office have been reported below.

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

### COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

To enhance our communication and to reduce any potential expectation gaps with clients, BDO has adopted a structured reporting system. We will communicate with the Audit Committee and management through various means. This includes but is not limited to:

- ▶ This audit plan
- ▶ Management letter after our interim audit visit
- ▶ The BDO Client Portal
- ▶ An audit completion report at the conclusion of the audit
- ▶ The audit report.





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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**

*2023-24 Financial Statement Audit – Engagement  
Letter – 2 April 2024*

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Fax: +61 8 7324 6111  
www.bdo.com.au

BDO Centre  
Level 7, 420 King William Street  
Adelaide SA 5000  
GPO Box 2018 Adelaide SA 5001  
Australia

Cr Malcolm Herrmann  
Presiding Member, Audit Committee  
Adelaide Hills Council  
PO Box 44  
WOODSIDE SA 5244

2 April 2024

Dear Cr Herrmann

#### TERMS OF ENGAGEMENT - AUDIT

The purpose of this letter is to set out the basis on which BDO Audit Pty Ltd (BDO) acts as auditors of Adelaide Hills Council (the Council) and the respective areas of responsibility of the Council's officers and of BDO.

#### Audit of the financial report

The objective and scope of the audit

You have requested that we audit the financial report of Adelaide Hills Council which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies, and the certification of the financial statements.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

The objectives of our audit 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 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.

The responsibilities of the auditor

We will conduct our audit in accordance with Australian Auditing Standards. Those standards require that we comply with ethical requirements. As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

The responsibilities of management and identification of the applicable financial reporting framework

Our audit will be conducted on the basis that the Council's officers acknowledge and understand that they have responsibility:

- a) For the preparation of the financial report that gives a true and fair view in accordance with the *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011* made under the Act and Australian Accounting Standards
- b) For such internal control as the Council's officers determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error and
- c) To provide us with:
  - i. Access to all information of which the Council's officers and management are aware that is relevant to the preparation of the financial report whether obtained from within or outside of the general and subsidiary ledgers, such as records, documentation and other matters including access to information relevant to disclosures;
  - ii. Additional information that we may request from the directors and management for the purpose of the audit; and

- iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
- d) To inform us of any documents that you expect to issue that may comprise other information;
  - i. If the other information is provided prior to the auditor's report date; the financial report and any other information obtained prior to the date of the auditor's report will be consistent with one another, and the other information will not contain any material misstatements;
  - ii. If the other information is not provided prior to the auditor's report date; to provide and/or issue such other information that will enable us to complete our required procedures.

As part of our audit process, we will request from management and where appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We look forward to full cooperation from your staff during our audit.

### Other requirements

The Council's officers will inform us of any material event occurring between the date of our report and the date of issue of the financial report, which may affect the financial report.

### Expected form and content of the auditor's report

We have included an example audit report in Appendix 1 to this letter, which reflects the form and content of the auditor's report, in the circumstance where the auditor has concluded that an unmodified opinion is appropriate based on the audit evidence obtained, including the reporting on other information. The form and content of our report may vary from the example in light of our audit findings.

### Fees

Our audit fees are detailed in the annual audit plan.

Our fees are based on our understanding of your current operations and the required scope of the engagement. If these alter, the estimated fee will need to be revised. If you do not agree with our revised fee estimate, you may terminate this agreement. You will be required to pay us for services rendered up to the date of termination.

Our fees do not include any advice or assistance that may be given in respect of accounting issues. Whilst brief ad hoc advice provided in the course of our engagement is generally included in our proposed fee, formal advice, assistance with complex issues or meetings to discuss these issues which necessitate increased professional time fall outside the scope of this engagement and the estimated fee. Fees for any assistance provided outside the scope of this engagement will be negotiated and agreed prior to the services being performed.

Our fees assume that all engagement schedules and reports will be available upon commencement of the engagement and that the financial report will be prepared by your staff. If schedules and reports are not provided within the agreed timetable, additional costs may be incurred and charged to you.

Should these assumptions not remain valid, we will inform you prior to the occurrence of additional costs.

In addition, we will disburse to you a technology levy as a percentage (3%) of our fees to cover software licencing, data storage and usage costs.

## Other matters under the Local Government Act 1999

### Independence

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the *Local Government Act 1999* in relation to the audit of the financial report. In conducting our audit of the financial report, should we become aware that we have contravened the independence requirements of the *Local Government Act 1999*, we shall notify you on a timely basis. As part of our audit process, we shall also provide you with a written independence declaration as required by the *Local Government Act 1999*.

### Enquiries from oversight bodies

The Council's officers shall notify BDO of any enquiries, such as financial reporting surveillance enquiries, from any oversight body that relate to the audit engagement as soon as practicable.

### Presentation of the audited financial report on the internet

If you intend to electronically present the audited financial report and auditor's report on your web site or any other digital media, the security and controls over information on the relevant web site shall be addressed by the entity to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial information on the entity's web site is beyond the scope of the audit of the financial report. Responsibility for the electronic presentation of the financial report on the entity's web site is that of the governing body of the entity.

### Terms of trade

The terms of this engagement are per the Professional Services Agreement for External Audit Services, Contract Number 2022-23-40.

Yours faithfully

BDO Audit Pty Ltd



Linh Dao  
Director



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Adelaide Hills Council and its subsidiaries (the Council), which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other 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 the financial statements.

In our opinion the accompanying financial report of Adelaide Hills Council presents fairly, in all material respects, the Council's financial position as at 30 June 2024, and its financial performance and its cash flows for the year ended on that date in accordance with Australian Accounting Standards, the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.

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 Company in accordance with the *Corporations Act 2001* 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

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the X report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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.

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.



## Responsibilities of the Council's Officers for the Financial Report

The Council's officers are responsible for the preparation of the financial report that gives a true and fair view 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 the Council's officers determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Council's officers are 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 the Council's officers either intend to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

## 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: [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://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 2024



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## **Appendix 3**

*2023-24 Internal Financial Control Audit – Engagement  
Letter – 2 April 2024*

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BDO Centre  
Level 7, 420 King William Street  
Adelaide SA 5000  
GPO Box 2018 Adelaide SA 5001  
Australia

Ms Cr Malcolm Herrmann  
Adelaide Hills Council  
PO Box 44  
WOODSIDE SA 5244

2 April 2024

Dear Cr Herrmann

## ASSURANCE ENGAGEMENTS ON CONTROLS

### Design and Operating Effectiveness of Controls

You have requested that we undertake a reasonable assurance engagement on the design of controls established by Adelaide Hills Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, and the operating effectiveness of these controls throughout the period 1 July 2023 to 30 June 2024 in accordance with the requirements of the *Local Government Act 1999*. The control objectives to be addressed are specified by legislation, which are that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities are conducted properly and in accordance with law.

We are pleased to confirm our acceptance and our understanding of this reasonable assurance engagement by means of this letter. Our assurance engagement will be conducted with the objective of expressing an opinion on the suitability of the design of controls within Adelaide Hills Council's systems to achieve the stated control objectives, and the operating effectiveness of those controls throughout the period.

### Responsibilities of the assurance practitioner

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls*. That standard requires that we comply with ethical requirements applicable to assurance engagements and plan and perform 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 involves performing procedures to obtain evidence about the design, description and operating effectiveness of controls.

The procedures selected depend on the assurance practitioner's professional judgement, including the assessment of the risks of material deficiencies in the design or deviations in the operating effectiveness of the controls.

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of controls there is an unavoidable risk that some deficiencies in the design or deviations in the operating effectiveness of controls may not be detected, even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements.

The responsibilities of management and identification of the applicable control framework

Our assurance engagement will be conducted on the basis that management acknowledges and understands that they have responsibility:

- a) That throughout the period, in all material respects, and based on suitable criteria:
  - i. The controls within Adelaide Hills Council's system were suitably designed to achieve the identified control objectives; and
  - ii. The controls operated effectively to achieve the control objectives;
- b) For the identification of suitable control objectives which are specified by law in relation to the system;
- c) For the identification of risks that threaten achievement of the control objectives identified;
- d) For design of the system, comprising controls which will mitigate those risks so that those risks will not prevent achievement of the identified control objectives and therefore that the control objectives will be achieved;
- e) For operation of the controls as designed throughout the period;
- f) To provide us with:
  - i. Access to all information of which those charged with governance and management are aware that is relevant to the description of the system and design and operation of the controls within that system;
  - ii. Additional information that we may request from those charged with governance and management for the purposes of this assurance engagement; and
  - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our engagement, we will request from management written confirmation concerning representations made to us in connection with the engagement.

#### Assurance Approach

We will examine and evaluate 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.

Due to the complex nature of internal control, our assurance procedures will not encompass all individual controls at Adelaide Hills Council, but will be restricted to an examination of those controls reported which achieve the control objectives specified by legislation.

#### Assurance Procedures

Our assurance procedures will include:

- a) Obtaining an understanding of the control environment of Adelaide Hills Council relevant to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;
- b) Evaluating the design of specific controls by:
  - i. Assessing the risks that threaten achievement of the control objectives; and

- ii. Evaluating whether the controls described are capable of addressing those risks and achieving the related control objectives;
- c) Making enquiries, inspecting documents, conducting walk throughs and re-performance of controls to ascertain whether the degree of compliance with controls is sufficient to achieve their control objectives throughout the period.

#### Assurance Report

The format of the report will be in accordance with ASAE 3150 with respect to reasonable assurance engagements. An example of the proposed report is contained in the appendix to this letter.

Our opinion will be phrased in terms of the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls as designed.

#### Material Deficiencies in Design or Deviations in Operating Effectiveness of Controls

We will issue an assurance report without modification, to provide a reasonable assurance conclusion on the controls relevant to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities where our procedures do not identify a material deficiency in the design of controls necessary to achieve the control objectives, or deviation in the operating effectiveness of controls as designed. For this purpose, a material deviation, misstatement or deficiency exists when:

- a) The controls as designed or the degree of compliance with them will not or may not achieve the control objectives in all material respects; and
- b) Knowledge of that deficiency or deviation would be material to users of the assurance report.

If our assurance engagement identifies that there are material deficiencies in the design or deviations in the operating effectiveness of controls during the period covered by the report, such deficiencies or deviations will be disclosed in our report even if they were corrected prior to the end of the reporting period. However, our report will indicate that such deviations were corrected if that is the case. If any material deficiencies or deviations disclosed in our report have been corrected subsequent to this period (or are in the process of being corrected), we will refer to this in our report.

Although the primary purpose of our assurance engagement will be to enable us to issue the above described report, we may also provide you with a letter containing recommendations for strengthening controls if such matters are observed during the process of the assurance engagement. Although issues raised may not represent deficiencies in design or deviations in operating effectiveness of the controls which are material to our conclusion, our recommendations will address areas where we believe controls could be improved.

We look forward to full cooperation from your staff during our assurance engagement.



Terms of Trade

The terms of this engagement are per the Professional Services Agreement for External Audit Services, Contract Number 2022-23-40.

Yours faithfully

BDO Audit Pty Ltd

A handwritten signature in blue ink, appearing to read 'Linh Dao', written in a cursive style.

Linh Dao  
Director

## APPENDIX 1

### DRAFT 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 (the 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 2023 to 30 June 2024 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 2023 to 30 June 2024.

#### 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. 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 2024

**ADELAIDE HILLS COUNCIL  
AUDIT COMMITTEE MEETING  
Monday 15 April 2024  
AGENDA BUSINESS ITEM**

**Item:** 8.2

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

**Subject:** Annual Business Plan 2024-25 Draft for Consultation

**For:** Decision

---

**SUMMARY**

The *Annual Business Plan 2024-25* is a legislative requirement under s122 of the *Local Government Act 1999* (the “Act”). It is also a key element of Adelaide Hills Council’s *Corporate Planning and Performance Framework*.

The draft *Annual Business Plan 2024-25 (ABP)* has been developed to align to the draft *Long Term Financial Plan (LTFP)*, the *Asset Management Plans (AMP)* and the *Strategic Plan 2020-24 – A brighter future*. Council resolutions, staff and community feedback, and risk assessments have also informed projects and programs included in the ABP.

The focus in development of the initiatives and budget for the ABP has been on:

- Continued support of the community and region,
- Continuing to deliver on the Council’s strategic plan goals, and
- Aligning as close as possible to the LTFP, including the financial sustainability targets.

The purpose of this report is to provide the draft *Annual Business Plan 2024-25 (Appendix 1)* to Audit Committee for review in its capacity as advisors to Council on the consistency and adequacy of the plan in the context of maintaining financial sustainability.

**RECOMMENDATION**

**The Audit Committee resolves:**

**Option 1:**

1. That the report on the Annual Business Plan 2024-25 Draft for Consultation be received and noted.
2. To advise Council that the Committee has reviewed the draft *Annual Business Plan 2024-25 (ABP)*, as contained in Appendix 1, in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability.



3. That, on the basis of the Committee’s review, to recommend the draft ABP to Council for community consultation.
4. To recommend to Council that the CEO should be asked to conduct a review into Council’s long term financial sustainability, which will include an organisation wide service delivery review.

Or

**Option 2:**

1. That the report on the Annual Business Plan 2024-25 Draft for Consultation be received and noted.
2. To advise Council that the Committee has reviewed the draft *Annual Business Plan 2024-25* (ABP), as contained in Appendix 1, in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability.
3. That, on the basis of the Committee’s review, to recommend the draft ABP to Council that adjustments should be made to bring the Operating Result to a break-even level by one of the following options

- a) Increasing Rates by inflation and an additional 1%

Or

- b) A combination of
  - i. Removal of operating projects and
  - ii. Increasing ratesSuch that a break-even operating result is achieved.

4. To recommend to Council that the CEO should be asked to conduct a review into Council’s long term financial sustainability, which will include an organisation wide service delivery review.

Or

**Option 3:**

1. That the report on the Annual Business Plan 2024-25 Draft for Consultation be received and noted.
2. To advise Council that the Committee has reviewed the draft *Annual Business Plan 2024-25* (ABP), as contained in Appendix 1, in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability.
3. That, on the basis of the Committee’s review, to recommend the draft ABP to Council that adjustments should be made to bring the Operating Result to a 1% surplus level by one of the following options

- a) Increasing Rates by inflation and an additional 2%

Or

- b) **A combination of**
  - i. **Removal operating projects and**
  - ii. **Increasing rates****Such that a 1% operating surplus is achieved.**

- 4. **To recommend to Council that the CEO should be asked to conduct a review into Council's long term financial sustainability, which will include an organisation wide service delivery review.**
- 

## 1. **BACKGROUND**

The draft ABP (**Appendix 1**) has been developed to be consistent with the financial and strategic goals outlined in the *Strategic Plan 2020-24 –A brighter future*, current LTFP and the various AMP's.

However, with the new Strategic Plan underway financial year 2024/25 represents a turning point between plans. The proposed Annual Business Plan and budget represent a 'back to basics' approach while the future strategy evolves.

The attached document is for the purpose of community consultation, and therefore does not contain all elements that will be published in the final ABP document.

The elements being included for community consultation are:

- An overview – providing a high level summary of what is included in the plan
- Demographic information – infographic
- Overview of Council details and org structure
- The capital and operating strategic initiatives.
- Financial Summary – An overview of the budget and financials
- Operating budget by function
- Capital Summary – an overview of what is included in our capital works program.
- Rates Summary – an overview of the rates changes and other important information from the rates policy (to be prepared for presentation to Council).
- Rating policy
- The *Uniform Presentation of Finances* which provides a summary of Council's proposed operating and capital investment activities together with financial sustainability ratios.
- Corporate performance indicators
- ESCOSA report and Council response.
- The detailed Capital Works Program 2024-25 (this is a companion document to the ABP and is currently in development – it will be available for Council to review prior to consultation approval but is not included in this report to Audit Committee).

What is not included in the consultation document but will be in the final ABP:

- Artwork/photographs used for the cover pages
- Mayor’s & CEO introduction & photos of Council Members
- The full statutory financial statements in accordance with the Model Set of Accounts.

## 2. ANALYSIS

### ➤ **Strategic Management Plan/Functional Strategy/Council Policy Alignment**

*Strategic Plan 2020-24 – A brighter future*

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 ABP has been developed based on the financial projections and targets of the current *Long Term Financial Plan (LTFP)* and in alignment with the *Strategic Plan 2020-24 –A brighter future* and *Asset Management Plans*.

### ➤ **Legal Implications**

The preparation of an ABP is a requirement of Section 123 of the *Local Government Act 1999* (the “Act”), and the *Local Government (Financial Management) Regulations 2011* (the “Regulations”).

Section 123(3) to (6) of the Act specifies the actions that Council must take in relation to Consultation:

- (3) Before a council adopts an annual business plan, the council must—
    - (a) prepare a draft annual business plan; and
    - (b) follow the relevant steps set out in its public consultation policy, taking into account the requirements of subsection (4).
  - (4) For the purposes of subsection (3)(b), a public consultation policy must at least provide for the following:
    - (a) the publication in a newspaper circulating within the area of the council and on a website determined by the chief executive officer of a notice informing the public of the preparation of the draft annual business plan and inviting interested persons—
      - (i) to attend—
        - (A) a public meeting in relation to the matter to be held on a date (which must be at least 21 days after the publication of the notice) stated in the notice; or
        - (B) a meeting of the council to be held on a date stated in the notice at which members of the public may ask questions, and make submissions, in relation to the matter for a period of at least 1 hour,  
  
(on the basis that the council determines which kind of meeting is to be held under this subparagraph); or
      - (ii) to make written submissions in relation to the matter within a period (which must be at least 21 days) stated in the notice; and
    - (b) the council to make arrangements for a meeting contemplated by paragraph (a)(i) and the consideration by the council of any submissions made at that meeting or in response to the invitation under paragraph (a)(ii).
  - (5) The council must ensure that copies of the draft annual business plan are available at the meeting under subsection (4)(a)(i), and for inspection (without charge) and purchase (on payment of a fee fixed by the council) at the principal office of the council and on the website at least 21 days before the date of that meeting.
- (5a) The council must ensure that provision is made for—
    - (a) a facility for asking and answering questions; and
    - (b) the receipt of submissions,on its website during the public consultation period.
  - (6) A council may then, after considering—
    - (a) any submission made to the council during the public consultation period; and
    - (b) any new or revised information in the possession of the council that is relevant to the material contained in the draft annual business plan; and
    - (c) such other materials or information as the council thinks fit,adopt its annual business plan (with or without amendment).

AHC's *Public Consultation Policy* specifies that the period of consultation should be for at least 21 calendar days. As per the Act requirements, consultation will include:

- A newspaper ad announcing consultation as well as website/social media notifications
- A 1 hour session will be scheduled at the 28 May 2024 Council Meeting
- The community will be invited to submit their responses in writing, online via engagement HQ website, in writing or by phone.

Section 123(7) of the Act requires that each budget of council must:

- a) Be considered in conjunction with the council’s ABP (and must be consistent with that plan); and
- b) Be adopted by the council after the council has adopted its ABP.

Part 2 of the Regulations sets out what financial information must be included as well as the required formats.

Section 126 of the Act sets out the role of the Audit Committee with subsection (4)(ab) being of specific relevance in that the Committee functions shall include ‘proposing, and providing information relevant to, a review of the council’s strategic management plans’. Council has further elaborated on this function in the Committee’s *Terms of Reference* as the Committee shall:

*Provide comment on the assumptions underpinning Council’s Strategic Management Plans (Strategic Plan, Annual Business Plan and Budget and Long Term Financial Plan), the consistency between plans and the adequacy of Council’s plans in the context of maintaining financial sustainability*

➤ **Risk Management Implications**

Preparing an ABP as required by the Act and Regulations will assist in mitigating the risk of:

*Inability to discharge role and functions of a local government entity leading to a breach of legislation and loss of stakeholder confidence.*

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	High (5E)	High (5E)

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 ABP sets out the priorities and application of the Council’s resources over the next financial year. The plan has been developed to be consistent with the *Strategic Plan 2020-24*, LTFP and Asset Management Plans but with consideration of the new evolving plan.

The finalisation of the ABP document will be primarily produced internally using mainly existing staff resources. External costs will be associated with activities such as the design and printing of the final copy and any promotional costs related to the public consultation.

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

The ABP provides transparency for the community regarding Council’s plans for the next financial year. It highlights key goals and objectives and the strategies to achieve these objectives.

➤ **Sustainability Implications**

The Council's sustainability (financial, social and environmental) is a key consideration in the development of the ABP.

The proposed average residential rate increase of 5.2% is in accordance with the LTFP and will maintain the financial sustainability of the Council. This increase is based on the LTFP assumption of CPI + 0.4%. The relationship between CPI and the budgeted expenditure is critical as it links Council expenditure with the inflation experienced by the community.

The proposed budget shows a significant deficit which was not forecast in the LTFP. The reasons for this divergence are threefold.

### **Depreciation**

The most recent revaluation of the Council's building, and property assets calculated an annual depreciation charge that was materially higher than had been recorded in both prior year accounts and the LTFP forecast. To bring the budget for 2024/25 in line with the revised figures required an increase of \$500k in depreciation expense.

It should be noted that Council's depreciation in 2021-22 was 2.8% of the asset base compared to an average across South Australia of 3.54%. An increase of \$500k to these figures would increase Council's figure to 2.95% still significantly below the average. While councils will have varying asset bases which will depreciate at different rates the variance may indicate further increases are likely, relative to asset value.

In the short term this is an unavoidable cost, however depreciation costs, along with the associated maintenance costs can and should be actively managed. Specifically, by reviewing the service level (and its efficiency) that is delivered through Council's portfolio of buildings. Council can direct the administration to review this should they see fit.

### **Customer Request Management system**

Council has resolved to implement a new Customer Request Management (CRM) system. Whilst historically system development has been recorded as a capital expense leading to the creation of an intangible asset the chosen system will not meet the requirements of the relevant accounting standards. With the proposed system being a full Software As A Service solution, hosted on remote servers this will be treated as a service. This project is a committed expenditure with contractual agreements in place.

### **Amy Gillett**

The completion of Stage 4 of the Amy Gillett bike path is being negotiated currently. Council is expecting to make a material contribution to this project of \$500k. The accounting assumptions used in the budget is that Council's expenditure will be treated as a contribution to work on the State Government asset as such it will be an operating expense. While Council has publicly committed to this project there is no legally binding commitment at the time of writing.

These three projects move the budget from a surplus to deficit. From a sustainability perspective the prime concern is the increased depreciation as this is ongoing.

## Carry Forwards

The high value of carried forwards budget for incomplete capital projects has been noted in recent years. Through the current financial year there have been repeated reviews to reduce the budget in 2023/24 however, this has only reduced the overall capital budget from \$28m to \$25m. This compares to the maximum achieved annual delivery of \$16m. While the expense of a project does not accurately predict its level of difficulty to deliver, it can be used as a general indicator. Considering the potential value of capital budget to be carried forward from 2023/24 to 2024/25 the proposed budget for New and Upgrade capital expenditure has been limited.

Page 3 of **Appendix 1** shows the following financial summary based on the average residential rate increase of 5.2%:

- Operating Deficit of \$503,000
- Renewals Capital Expenditure of \$11,285,000
- New & Upgrade Capital Expenditure of \$3.682m
- Net Borrowings of \$1,644,000, resulting in forecast Borrowings at June 2025 of \$26,054,000.

This result clearly falls outside of Councils existing target ratio range for an Operating Surplus of between 1% and 5%. This variation needs to be considered in the context that Council has already shown significant commitment to spending \$500k or more on the delivery of Amy Gillett bike path and contracted to the implementation of the new CRM system.

Councils adopted ratio for its operating surplus is a range of 1 to 5% every year. This differs materially to the LGA recommendation 'To achieve, on average over time, an operating surplus ratio of between 0% and 10%'. In the context of managing long life assets, supporting multiple services with increasing complexity, attempting to achieve a surplus in each specific time period is arguably dysfunctional. The occurrence of multiple projects that will generate operating expenses at their inception but will deliver services to the community for an extended period serves to highlight the limitations of the current approach. It can also be added that there is often more ambiguity in a financial ratio than is apparent and an overdependence on such ratios may lead to sub-optimal results.

As such, the draft budget deficit should not be seen as detrimental to Councils long term sustainability. By ensuring that key projects such as the delivering of Stage 4 of the Amy Gillett bike path or the implementation of new systems to improve customer service are completed that long term sustainability is supported.

The ratio calculated assumes that there will be material carried forward capital expenditure at the end of 2024/25, contrary to the 2023/24 budget and the draft 2024/25. It is highly likely that Council will remain within its current target range for this ratio.

Councils ongoing sustainable management of its assets can be seen in the draft budget Asset Renewal Expenditure Ratio of 100%.

As a key step towards ensuring long term financial sustainability, which will also enhance the transparency of Councils processes and accountability to the community there is to be an organisation wide service level and delivery review started in 2024/25. The aim of the review is to establish and analyse and document current service levels across the services provided

by Council and quantify the cost of delivering those services. This review will primarily be resourced internally with external advice if required. However, it is important to emphasise that no additional budget has been allocated to this project as a detailed project plan has not been completed at this time.

In preparing a budget that takes into account the conflicting priorities of maintaining a surplus to support ongoing sustainability whilst delivering additional services it has been necessary to ensure that we only budget for the core ‘business as usual’ services and the separately identified Strategic Initiative. Therefore, additional initiatives identified at a later date may have a negative impact on the budgeted deficit.

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

Consultation on the development of this report was as follows:

<i>Council Committees:</i>	Not applicable
<i>Council Workshops:</i>	An Annual Business Plan and budget workshop was held on 23 March 2024 to discuss key budget, strategic initiatives, rating and other related topics.
<i>Advisory Groups:</i>	Not applicable.
<i>External Agencies:</i>	The service delivery and budget implications of each of the regional subsidiaries have been considered in the development of the ABP and budget.
<i>Community:</i>	Not applicable, Community consultation will occur following the adoption of the draft ABP.

➤ **Additional Analysis**

Further adjustments

While the draft ABP is based on currently identified priorities and LTFP assumptions, there is a potential that there will be changes made prior to consideration by Council which reflect additional Council identified priorities and in light of upcoming releases of the latest economic data (such as the latest CPI announcement expected on 24 April 2024).

Should economic data, such as the CPI announcement, result in material impacts on forecast expenditure (for instance, significant contract spend linked to CPI increases) adjustments may need to be made to applicable expenditure lines. Should this occur, Council will need to also consider its revenue requirements.

Should changes result in a variation that has a significant effect on the operating surplus or other ratios, the draft will be brought back to the May 2024 Audit Committee Meeting which will be during the community consultation process. In any case, the Audit Committee will be provided with an update in May 2024.

### 3. OPTIONS

The Committee has the following options:

I. To:



- a. choose the preferred recommendation option from the three options provided above
  - b. advise Council that the Committee has reviewed the draft *Annual Business Plan 2024-25* in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability, and
  - c. to recommend it for community consultation (Recommended)
- II. To not endorse the draft *Annual Business Plan 2024-25* for submission to the Council for community consultation (Not recommended).

#### **4. APPENDICES**

- (1) Draft Annual Business Plan 2024-25
- (2) Budgeted Financial Statement 2024-25

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# **Appendix 1**

*Draft Annual Business Plan 2024-25*

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*Draft for consultation*  
**Annual Business Plan**  
**2024-25**

# Welcome


This is our Annual Business Plan for 2024-25 which outlines how we plan to achieve our goals over the next financial year. These goals are linked directly to our *Strategic Plan 2020-24 – A Brighter Future*, but also come from our other plans and strategies. Our priorities for this year will be refined through the community consultation process held over May 2024.

The Annual Business Plan meets the requirements of the *Local Government Act 1999*, and also provides relevant information for our community.

This publication is provided for our ratepayers, residents, business operators, visitors, government agencies and other interested people.

## Contents

3	Overview
6	About us
7	Our Goals
8	Our Services
11	Key highlights for 2024-25
12	Strategic Initiatives
14	Financial Overview
22	Capital Budget Overview
23	Rates Overview
	<i>Annexure A: Uniform presentation of finances</i>
	<i>Annexure B: Statement of Expected Rate Revenue</i>
	<i>Annexure C: Corporate Performance Indicators</i>
	<i>Annexure D: Rating Policy</i>
	<i>Annexure E: ESCOSA report and Council Response</i>
	<i>Annexure F: Strategic Plan Goals and Objectives</i>



Council acknowledges that we undertake our business on the traditional lands and waters of the Peramangk and Kaurna people.

We pay our respects to Elders past, present and emerging as the Custodians of this ancient and beautiful land.

# Overview

The *Annual Business Plan 2024-25* shows our services, programs and projects for this financial year. It also shows how we will allocate our resources to achieve the goals we set out in our *Strategic Plan 2020-24 – A Brighter Future*, while ensuring Council's long term financial sustainability.

Our focus in 2024-25 is to continue to support and strengthen the Adelaide Hills community, environment and economy.

Some key projects and activities we will be undertaking include:

- Stage 4 of the Amy Gillett Bike way
- Upgrade of the Woodside Swimming Pool
- TO BE UPDATED

The key elements of the Annual Business Plan are outlined in the table to the right and explained in more detail throughout this document.

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## Planned Activities

- In addition to our regular service delivery, our strategic initiatives contribute towards achieving our long term goals. These include:
  - 6 capital initiatives (\$3.642m)
  - 16 operating initiatives (\$1.815m)

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## Capital Budget

- **\$3.6m** for capital expenditure on new or upgraded assets
- **\$11.842m** for capital expenditure on renewal of existing assets

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## Operating Budget

- Proposed Operating Deficit of **\$502k** which is necessary to fund the Amy Gillett Bike Path and key internal systems development.

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## Borrowing

- Net Borrowings of **\$2.9m**, resulting in forecast total borrowings at 30 June 2025 of **\$33.0m**

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## Rates

- Average increase in general residential rates of **5.2%** which will allow for continued financial sustainability, maintain our much-needed services and fund new initiatives  
  
For an average value residential property this equates to an annual increase of approximately \$128

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## Financial Sustainability

- Adjusted operating deficit ratio of **0.85%** which is significantly outside of Council's target of 1% to 5% Surplus.
  - Net financial liabilities ratio **57%** in line with Council's target of 25% to 75%
  - Asset sustainability ratio **100%** in line with Council's target of 95% to 105%
-

# We Are Unique

The size of a Regional Council with the expenses and population of a City Council



618km of Sealed Roads  
399km of Unsealed Roads



124km of Footpath



3 Libraries  
3 Community Centres



39 Playgrounds  
100+ Pieces of equipment



Inspect approx.  
12,200 properties  
*(bushfire prevention)*



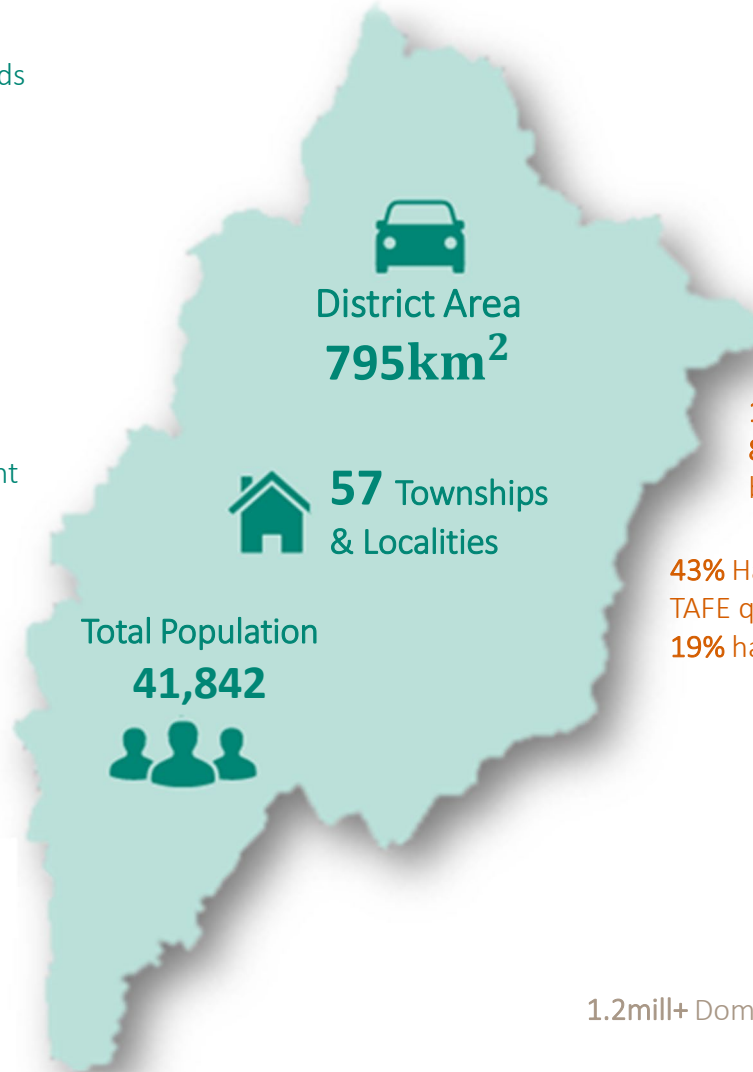
309 Council Owned  
Buildings



Waste and Recycling  
cost over \$5.5m



8,437 Dog Registrations  
1,426 Cat Registrations



Median Age  
**44**



Volunteers  
30% of population



3.8% Need  
help at home



16,267 Households  
84% Own or are  
buying a home



43% Have a university or  
TAFE qualification  
19% have a trade qualification



4,243 Businesses



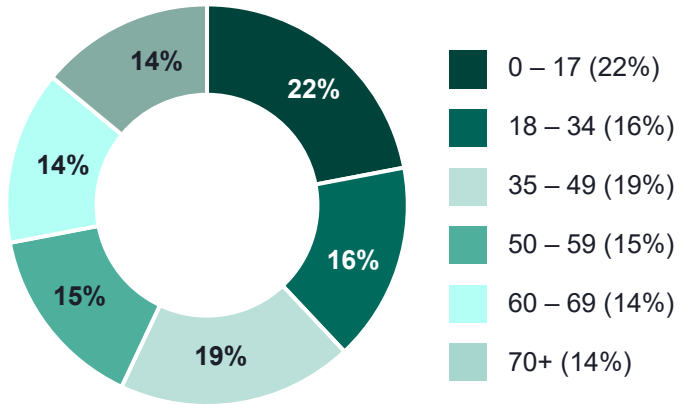
12,037 Local jobs



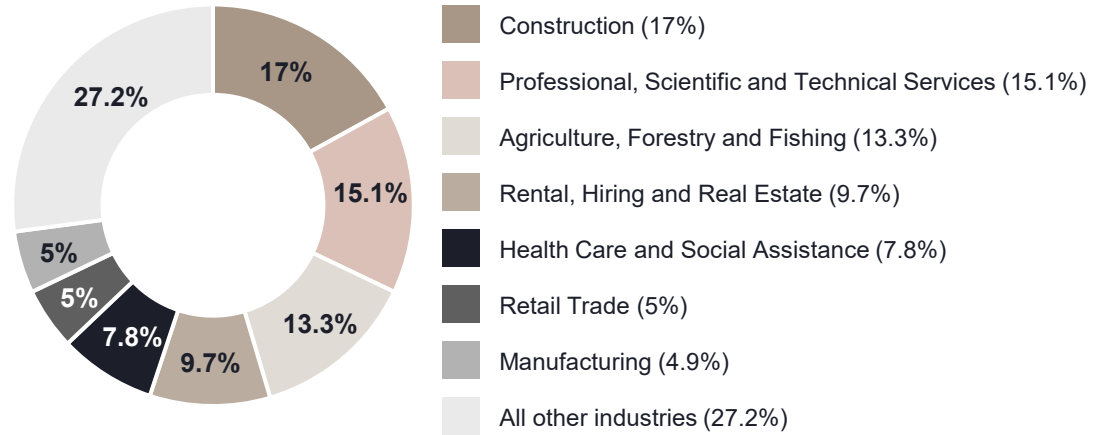
1.2mill+ Domestic Day Trips were  
taken in our region



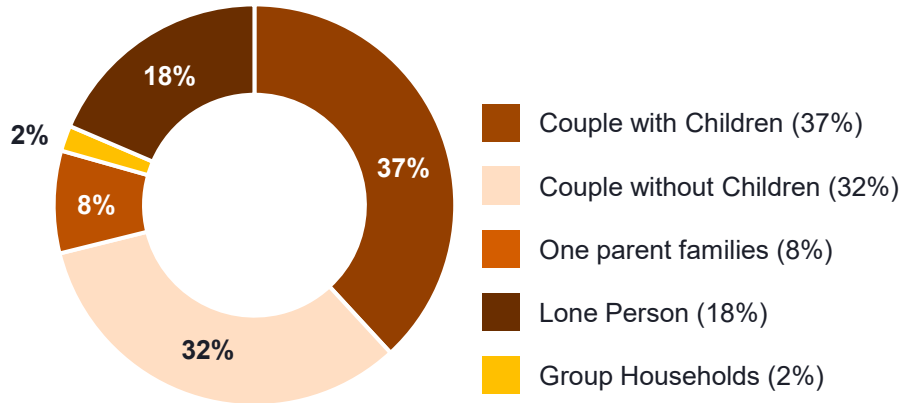
## Age Profile of the Adelaide Hills



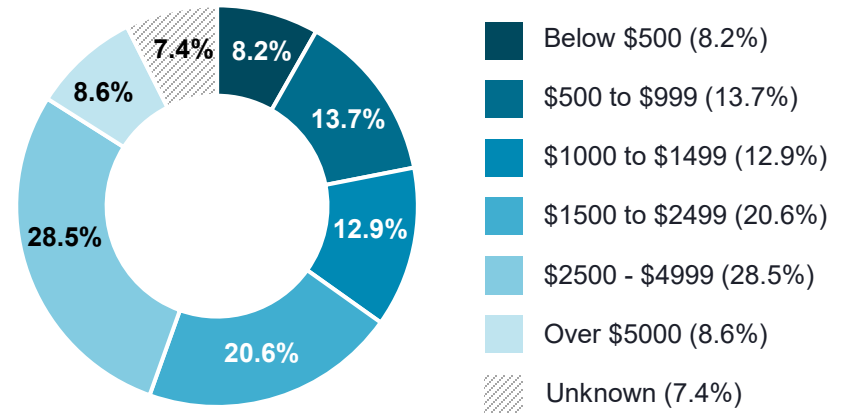
## Number of registered businesses by industry



## Household Types



## Weekly Household Income



Data Source: ABS Census of Population and Housing 2016, and ABS Count of Australian Business 2021



# About us

## Council and Committees

The Elected Council’s role is to provide for the governance and stewardship of the Council. 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 exercising its functions under legislation and its strategic management plans.

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

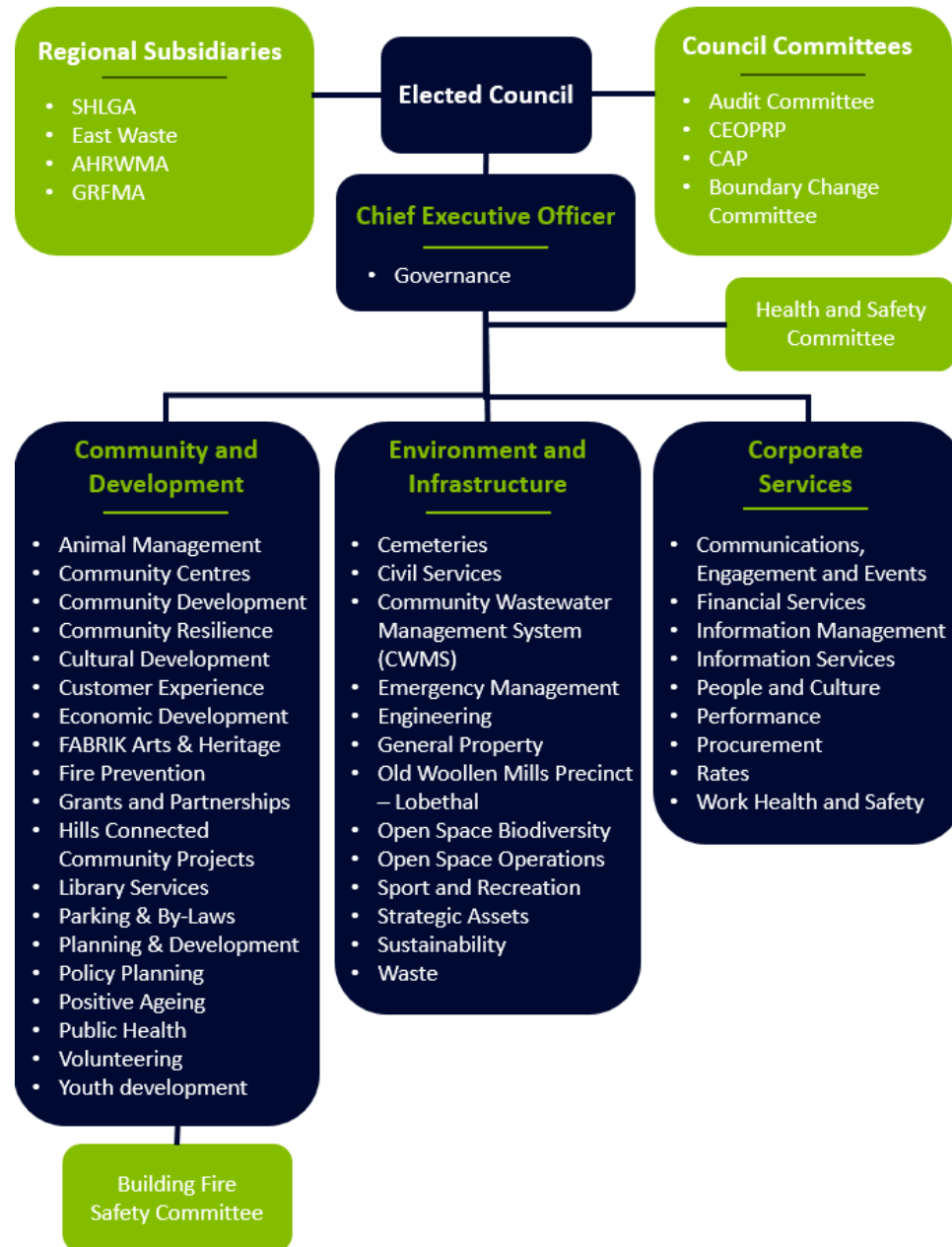
## Regional Subsidiaries

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, the Eastern Waste Management Authority (East Waste), the Adelaide Hills Region Waste Management Authority, and the Gawler River Floodplain Management Authority.

## Administration

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

The Chief Executive Officer appoints staff and engages other resources to carry out the functions and duties delegated to them and to implement Council decisions. The Administration is organised into directorates, each with a specific area of focus and functional responsibilities. The arrangement of the directorates provides for the separation of the regulatory activities, as far as practicable, from the other activities of the Council.







# Our Goals

The Annual Business Plan has been developed to align with our *Strategic Plan 2020-24 – A Brighter Future*, which was adopted by Council on 28 April 2020 and sets out what we wanted to achieve over the four year period. These goals and objectives are listed in the table below. Over the following pages we will show how our day to day activities, recovery efforts and strategic initiatives will help us to deliver each of these long term goals.

## **A functional Built Environment**

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

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

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

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

## **Community Wellbeing**

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

**C2** A connected, engaged and supported community

**C3** A community that grows together

**C4** An active, healthy, thriving and resilient community

**C5** Respect for Aboriginal Culture and values

**C6** Celebrate our community's unique culture through arts, heritage and events

## **A prosperous Economy**

**E1** Support and grow our region's existing and emerging industries

**E2** Provide local infrastructure to drive growth and productivity

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

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

## **A valued Natural Environment**

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

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

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

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

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

## **A progressive Organisation**

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

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

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

**O4** We actively represent our community

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

**O6** Technology and innovation is utilised to better meet our community's expectations and deliver value for money



# Our Services

The services and day to day activities we provide are our main method of delivering on our long-term goals and objectives. Over 2024-25, our skilled and agile workforce will continue in our commitment to deliver cost effective and efficient services in support of our community.

- **Animal Management** - Promoting responsible dog and cat ownership, responding to nuisance and hazards caused by other animals including livestock, eradicating European wasp nests and conducting a Feral Cat Study.
- **Cemeteries** – Ongoing maintenance and management of 16 Council owned cemeteries within the region.
- **Civil Services** – Ongoing management, maintenance and replacement planning of public infrastructure including roads, bridges, signage, stormwater, kerbs and footpaths.
- **Community Centres** – Providing opportunities to improve health and wellbeing, participate in lifelong learning and sharing skills with others.
- **Communications, Engagement and Events** – Ensuring communication between the Council and community is accurate, relevant, valuable and engaging. Promoting and supporting community events which have social and economic benefits to the district.
- **Community Development** – Overseeing community wellbeing and disability access and inclusion programs, as well as a number of regional support programs, including provision of funding to The Hut Community Centre and the Adelaide Hills Community Passenger Transport Network.
- **Community Wastewater Management Systems (CWMS)** – Management of CWMS and associated infrastructure e.g. septic tanks, treatment ponds.
- **Customer Experience** – Driving organisational improvement and innovation to improve the customer experience.
- **Customer Services** – Providing ready access to Council services and responding to customer enquiries through three physical service centres, a phone contact centre and an online request portal.
- **Cultural Development** – Focusing on cultural diversity, Aboriginal respect and recognition, and the arts in all its forms.
- **Economic Development** - Supporting and promoting our business community by:
  - Promoting tourism and supporting operators, through funding the work of Adelaide Hills Tourism,
  - Identifying and promoting local regional development opportunities through funding to the local Regional Development Australia board,
  - Responding to the needs of established or potential local business operators,
  - Identifying and promoting opportunities for government investment, and
  - Undertaking niche projects to address particular needs.



*Biodiversity staff at Lobethal Bushland Park*

# Our Services



- **Emergency Management** – Working collaboratively to prevent, prepare, respond and recover from natural disasters and other hazards.
- **Fabrik Arts and Heritage Hub** – Providing community exhibitions, workshops and events. Establishing a thriving arts and heritage hub to support creative industries and the broader local economy through increased tourism, and continuing to promote and preserve our vibrant cultural and historical hub
- **Financial services** – Providing accounting and financial activities including procurement support, payments, collection of rates and debt recovery, treasury management and support to Council in financial decision making.
- **Fire Prevention** – Legislative function of ensuring identified properties are prepared for the bushfire season. Assessing the extent of bushfire hazards within the Council area and providing advice to land owners in respect of bushfire prevention and management.
- **Governance** – Supporting the Mayor, Councillors, CEO, the Administration and community with their legislated roles and responsibilities including coordination of Council & Committee meetings, elections, risk management, audit and review activities, and corporate planning and reporting activities.
- **Grants & Partnerships** – Grant giving programs supporting community-based initiatives. Partnerships with stakeholders to deliver local and regional outcomes.
- **Information, Communication and Technology** – Providing support for over 1300 devices, 250 system users and 100 public access devices for libraries and community centres. Manages system security, asset maintenance and renewal.
- **Information Systems** – Systems for the capture, dissemination, storage, security, accessibility and management of information received and generated by Council.
- **Libraries** - Providing access to information resources for learning or leisure. Providing opportunities for community to engage, learn and connect.
- **Open Space Operations** – Maintaining parks and reserves, biodiversity activities, and fire breaks/tracks.
- **Open Space Biodiversity** – Undertaking activities such as weed management, habitat conservation and expansion, research and knowledge development, and supporting community in their related activities.
- **Organisational Development and Work Health & Safety** – Providing support to our people covering organisational development, human resource management, work health and safety and payroll.
- **Parking and By-law Enforcement** – Monitoring and regulating parking and particular public activities to ensure safe and accessible environments.
- **Planning & Development** – Assessment of development applications and activities within the region. Inspection of approved buildings and swimming pools and taking compliance action where required . Reviewing safety of publicly accessible buildings.

# Our Services

- **Policy Planning** – undertaking policy and project work such as amendments to the new Planning and Design Code, and preparation of urban design guidelines.
- **Positive Ageing** – Providing home and social support, particularly under the Commonwealth funded Commonwealth Home Support Program. Developing and implementing targeted strategies and programs in our region.
- **Property Services** – Facilitating appropriate events, outdoor dining, roadside trading and mobile food vans on Council managed land and roads. Ongoing maintenance and management of Council’s service centres, community facilities and Council’s real estate assets including some 380+ parcels of land and 180+ buildings.
- **Public Health** – Inspections of food businesses, waste water and public swimming pools to provide safe public environments. Providing clinics to enable the community to access vaccinations easily.
- **Sport & Recreation Planning** – Management and utilisation of Council’s sport, recreation and open space assets; and support of clubs and the community’s recreational activities throughout the region.
- **Strategic Assets** – Develops and refines the Asset Management Plans and the future renewal Capital Works Programs. Manages Council’s Geographic Information Systems and associated corporate data.
- **Sustainability** – Including climate change considerations into Council decision making, providing strategies for carbon neutrality, water management and renewable energy in response to climate change impacts.
- **Volunteering** – Encouraging voluntary participation across the Adelaide Hills through provision of opportunities, training and support for volunteer involving groups.
- **Waste** - Providing waste collections and recycling services to 16,500 properties, green waste organics kerbside collections in townships, ‘at call’ hard waste collection, and operates the Heathfield Resource Recovery Centre for community use.
- **Wastewater Systems Compliance** – Working with landowners to ensure their on-site wastewater systems are compliant and operating correctly to minimise impact on the water catchment.
- **Youth Development** – Providing a range of programs and activities to support and develop youth in our community.





## Our focus for 2024-25

To be included prior to Council endorsement

## How we measure our success

Our success will be demonstrated through service based performance measures and customer feedback in delivering what our community needs and what we aspire to achieve under our programs and services.

As an organisation, our internal measures of success include service-driven performance measures, achievement of financial targets, evidence of our corporate governance, implementation of innovative processes and technology, and organisational development achievements.

The details of these measures are included in the suite of Corporate Performance Indicators (*Annexure C*) which will be used in our performance reporting to Council each quarter, and in our Annual report for 2024-25.



# Strategic Initiatives

Strategic Initiatives are specially funded and priority activities, projects and programs of work that are planned for 2024-25. “Capital” initiatives are generally related to new physical assets and infrastructure investment, while “Operating” initiatives are related to administrative projects, community programs and other activities and tasks.

Project ID	Operating initiatives	Area	Objective and/or Priority*	Budget 2024-25 (\$'000)
B1008	Amy Gillet Bikeway Contribution	Environment & Infrastructure	B1.1	\$500,000
B2008	Local Heritage (Privately Owned) Planning and Design Code Amendment	Community & Development	B2.4	\$30,000
B2010	Adelaide Hills Subzone Code Amendment	Community & Development	B2.3	\$30,000
B4043	Hamilton Hill - Dunfield Estate & Crest Maintenance	Environment & Infrastructure	B4	\$61,000
C4012	Continue to adapt to climate change with an all hazards emergency management approach to support the community and the emergency services	Environment & Infrastructure	C4	\$30,000
C4022	Towards Community Led Resilience Program	Community & Development	C4	\$300,000
C4025	Continue Towards Community Led Resilience Work	Community & Development	C4.5	\$30,000
C4042	Implement activities from Our Watch's "Prevention Toolkit for Local Government"	Community & Development	C4	\$15,000
C6006	Tour Down Under	Corporate Services	C6	\$76,000
E4001	Additional Tree safety work required to support the Tour Down Under	Environment & Infrastructure	E4	\$31,000

\*Strategic Goals, Objectives and priorities are listed in Annexure F



# Strategic Initiatives

Strategic Initiatives are specially funded and priority activities, projects and programs of work that are planned for 2024-25. “Capital” initiatives are generally related to new physical assets and infrastructure investment, while “Operating” initiatives are related to administrative projects, community programs and other activities and tasks.

Project ID	Operating initiatives	Area	Objective and/or Priority*	Budget 2024-25 (\$'000)
N1006	Best practice procedure for maintenance of AHC riparian zones	Environment & Infrastructure	N1	\$6,000
N1007	Implementation of the Tree Strategy	Environment & Infrastructure	N1.1	\$20,000
N4002	Kerbside bin system collection frequency change and rural FOGO trial	Environment & Infrastructure	N4	\$60,000
N4003	Ashton Landfill Short Term Project Management	Environment & Infrastructure	N4	\$175,000
O4005	Representation Review	CEOs Office	O4	\$15,000
O5007	Customer Relationship Management (CRM) renewal	Corporate Services	O5	\$586,000
O6008	Digital Transformation Program	Corporate Services	O6	\$150,000

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# Strategic Initiatives

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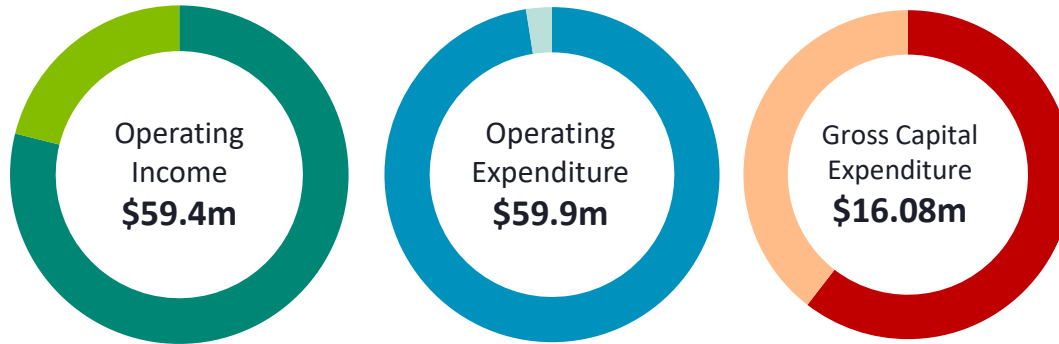
Project ID	Capital initiatives	Area	Objective and/or Priority*	Budget 2024-25
B1004	New and upgraded footpaths	Environment & Infrastructure	B1	\$ 292,000
B3005	Carbon Management Plan - Energy Upgrades, Battery & Efficiency Actions	Environment & Infrastructure	B3	\$ 50,000
B4014	Road Safety Program including co-contribution to Road Blackspot	Environment & Infrastructure	B4	\$ 1,844,000
B4045	Stormwater projects	Environment & Infrastructure	B4	\$ 544,000
B4053	Automated External Defibrillator Project	Environment & Infrastructure	B4	\$90,000
C1006	Woodside Splash Park	Environment & Infrastructure	C1.1	\$750,000
C4021	Community & Recreation Facilities Framework Implementation (Operating and capital)	Environment & Infrastructure	C4	\$ 162,000

*\*Strategic Goals, Objectives and priorities are listed in Annexure F*



# Financial Overview

Key financial information for 2024-25 is summarised below:



Budget Summary		\$'000
● Rates Income		51,066
● All Other Operating Income (including initiatives)		8,372
<b>Total Operating Income</b>		<b>59,438</b>
● Core Operating Expenses (excluding Initiatives)		58,125
● Operating Initiatives		1,815
<b>Total Operating Expenditure</b>		<b>59,940</b>
<b>Operating Deficit</b>		<b>502</b>
● Gross Capital Renewal Program Expenditure		11,842
● Gross capital expenditure on new /upgraded assets		4,239
<b>Total Gross Capital Expenditure</b>		<b>16,081</b>
Estimated New Borrowings		1,644

Council's projected operating income is sufficient to meet projected operating expenses and means Council is financially sustainable.



## Elements of the Budget: Income and Expenses

### Income

Rate revenue accounts for approximately 85% of Council's operating income, while grants, fees and charges make up the majority of the other operating income. We continue to pursue grant income and partnerships with external funders where possible to minimise the requirement for revenue via rates.

### *Fees and Charges*

Section 188 of the *Local Government Act 1999* sets out how fees and charges are managed in Council. Council reviews its fees and charges each year, in conjunction with the development of the annual budget to ensure that the fees proposed:

- reflect (or move progressively toward) the cost of the services' provision
- are comparable with market rates, where appropriate
- take into account benefit derived by users of community facilities
- are consistent with Council directions articulated through existing policy or plans
- are consistent with Council's LTFP assumptions

Generally, this has resulted in proposed fee increases that are in line with CPI, insofar as this is practicable.

### Expenses

39% of the Council's operating expenditure is attributable to the payment of salaries and wages and around 40% is applied to materials, contracts and other expenses.

## Key financial targets and financial sustainability

Financial sustainability is considered with reference to Council's agreed target ranges in three key ratios:

Indicator	Adopted Target	2024-25 Budget
Operating Surplus Ratio	1 - 5%	<b>-0.85%</b>
Adjusted Operating Surplus Ratio	1 -5%	<b>-0.85%</b>
Net Financial Liabilities Ratio	25 - 75%	<b>54%</b>
Asset Renewal Funding Ratio	95- 105%	<b>100%</b>

In conclusion, Council aligns with the targets for all ratios which provides a level of certainty to the community that financial sustainability will be maintained.

Council's Operating Surplus is important to financial sustainability as it improves Council's ability to absorb the expenditure impacts from unexpected events such as bushfires, floods, or pandemics. It also provides capacity to reduce our liabilities (borrowings) by funding a proportion of new capital / upgrade expenditure.

## Impact on ratepayers

The overall amount existing ratepayers will pay in general rates will increase on average by 5.2%. For a residential property of average value, this equates to an increase of approximately \$128 for the 2024-25 year. Rate increases may vary from the average where there has been new development, capital improvements or other significant change to the value of the property.

To reduce the impact of significant valuation changes for 2024-25 Council proposes:

- Applying a rate rebate to limit the maximum general rate increase to 15% across residential and primary production land use categories
- Make the rebate automatic (similar to the 2023-24 financial year) but also retaining an application process
- Retaining the exclusion of the cap for valuation increases due to improvements, changes in land use and rateability
- Adjusting the exclusion of change of ownership properties to those properties sold after 30 June 2023

## Significant influences for the 2024-25 budget

A number of factors have influenced the preparation of Council's *2024-25 Annual Business Plan*. These include:

- Major projects being undertaken by Council will have a significant impact on the budget. Council has lobbied for the completion of the Amy Gillett bike path Stage 4 and this is expected to come to fruition in 2024/25, with Council managing the project and both State and Federal Government supplying funding towards its completion. Additionally, Council is replacing ageing systems to improve customer service levels to the community. Neither of these financial pressures will not be ongoing but do increase the costs in 2024/25.
- Inflationary pressures continue to push costs up. Whilst there maybe some light at the end of the tunnel with the slowing of these pressures they will remain influential on Councils expense base in the immediate future.
- Increasing construction costs over recent years have led to higher replacement cost valuations of Councils existing asset base which in turn increases the depreciation cost. Accurately capturing these is important to ensure Councils sustainability.
- Provision for Enterprise Development Agreements for staff which determines conditions of employment and provide for annual salary and wages increases, largely based on CPI and a separate increase of 0.5% in the Superannuation Guarantee levy.
- Maintaining asset management (renewal) expenditure at a sufficient level to ensure long term maintenance of Council infrastructure, property and IT assets.
- Increased maintenance requirements due to an increase in capital works and construction of new assets over recent years.
- A hardening insurance market resulting in premiums increasing significantly in excess of CPI.

The Boundary Commissions Inquiry into Campbelltown City Council's (CCC) Woodforde/Rostrevor boundary reform proposal is currently underway. If this reform proposal is successful, it has the potential to materially impact Council's financial sustainability. No financial or resource implications have been built into the 2024-25 budget at this stage.





## Additional costs included in the 2024-25 budget

In addition to the major projects being funded in 2024/25 there are other ongoing cost pressures that continue to impact on Council's Operating Surplus including:

- Higher interest rate costs for borrowings and Council's cash advance debenture
- Insurance premium increases & distribution reductions
- Fuel costs and in particular diesel.
- Electricity costs relating to community facilities and street lighting
- Increase in depreciation as a result of revaluations largely relating to cost escalation in infrastructure and building costs

These costs have been included in the *Annual Business Plan 2023-24* together with the financial impact of the following strategies that have been costed and included in the 2023-24 Budget:

- Additional Community & Recreation Facilities Framework implementation costs
- Further maintenance costs from new development at Hamilton Hill, Dunfield and The Crest
- Kerbside bin system collection frequency change and rural Food and Garden Organics (FOGO) trial
- Costs relating to the Towards Community Led Resilience Program noting that this program is wholly externally funded

## Other Service changes undertaken in recent years impacting on costs

Over the years Council has increased its services and related service levels in many areas including:

- Tree Management / Horticultural program
- Playground/park furniture/cemeteries resourcing
- Sport & Recreation Planning
- Waste including impact of recyclables due to China Sword
- FABRIK Arts & Culture Hub development
- Economic Development resources to support the business community
- Disability and Community Well Being support
- Community Centre resourcing
- Digital Literacy
- CWMS oversight and operational support
- Emergency Management – COVID & Fires
- Other support area resourcing including Procurement, Governance and Event Management

These have resulted in offsetting savings implemented over a number of years to ensure that Council has maintained an Operating Surplus in line with the adopted LTFP and financial sustainability indicators.

For the 2024-25 financial year Council has implemented specific saving strategies in the order of \$830k to assist in keeping rate increases to the minimum possible whilst also implementing agreed new strategies.

## Delivering the right services at the right price

The current savings initiatives are forecast to save Council \$792k pa in 2023/24 and they are ongoing in 2024/25.

Additional savings have been achieved through detailed reviews conducted in the current year which will create further savings.

While Council must continue to look for efficiencies in the service delivery model, after several years of this focus there are fewer opportunities to reduce the expenses without directly impacting on the service level.

The next step is to ensure that Councils resources are allocated to services in accordance with the communities needs and expectations.

This process will start with a review of the services that Council deliver and the cost of the delivery of them.





## Borrowings

Borrowing is an important funding source, especially for expenditure relating to new Capital and is undertaken in accordance with Council’s *Treasury Policy*. The key objective of the Policy is to manage the finances of the Council holistically in accordance with the overall financial sustainability strategies and targets.

An independent local government report on financial sustainability encourages the increased use of borrowings to promote intergenerational equity. This involves spreading costs in relation to significant capital expenditure based on the pattern of benefits over time so that one generation is not excessively subsidising another.

Forecasted levels of borrowing are dependent on the accuracy of the budget. In particular changes to the delivery of the capital works program has the capacity to change the level of borrowings required. The forecast below assume that all capital projects will be delivered by the end of 2024/25.

Estimated increase in Total Borrowings as shown in the following table for 2024-25 is \$1.644m.

Borrowing	\$'000
<b>Forecast Opening Balance of Borrowings July 2024</b>	<b>24,410</b>
Estimated New Borrowing for 2024-25	1,644
Repayment of principal for 2024-25	TBC
Estimated movement in Cash Advance Debenture for 2024-25	0
<b>Forecast Closing Balance of Borrowings June 2025</b>	<b>26,054</b>
<b>Split as follows:</b>	
Cash Advance Debenture (Short Term Borrowings)	TBC
Fixed Term Borrowings	TBC
Lease Liabilities	TBC
<b>Forecast Closing Balance of all Borrowings June 2025</b>	<b>26,054</b>

# Operating Budget by Directorate and Function

Directorate	Function	Revenue			Expenditure			Net Cost /	Staff FTE
		2023-24 LTFP Target \$'000	2023-24 Budget \$'000	Variance Fav/(Unfav) \$'000	2023-24 LTFP Target \$'000	2023-24 Budget \$'000	Variance Fav/(Unfav) \$'000	2023-24 Budget \$'000 (Revenue)	
CEO	CEO Office	0	0	0	399	478	(104)	478	2.0
	Governance and Performance	37	37	0	1,998	2,233	(66)	2,196	3.0
	<b>CEO Total</b>	<b>37</b>	<b>37</b>	<b>0</b>	<b>2,397</b>	<b>2,711</b>	<b>(170)</b>	<b>2,674</b>	<b>5.0</b>
Community and Development	C&D Director's Office	0	0	0	422	381	21	381	2.0
	Policy Planning	0	0	0	197	296	(99)	296	2.0
	Economic Development	110	116	6	623	631	(8)	515	2.0
	Environmental Health	179	181	2	596	605	(9)	424	3.8
	Fire Prevention	115	30	(85)	178	219	(41)	189	1.6
	Animal Management	550	550	0	531	492	39	(58)	2.6
	Parking and By-Laws	95	95	0	128	170	(45)	75	1.1
	Development Assessment & Compliance	652	676	(27)	2,341	2,663	(336)	1,987	18.0
	Community Management	0	0	0	442	467	(25)	467	2.3
	Community Grants	0	0	0	215	215	0	215	0.0
	Community Centres - TSCC	16	16	0	211	221	(10)	205	1.6
	Community Centres - TVCC	40	24	(16)	209	221	(12)	196	1.6
	Community Programs	72	117	45	72	126	(55)	9	0.6
	Community Resilience	533	300	(233)	973	512	21	212	3.3
	Cultural Development	0	0	0	195	202	(7)	202	1.0
	Positive Ageing (Collaborative)	90	93	3	139	95	(4)	2	0.6
	Positive Ageing (Home Support)	1,152	1,191	39	1,197	1,249	(45)	58	5.9
	Volunteering	0	0	0	96	100	(5)	100	0.7
	Youth Development	3	3	1	189	196	(15)	193	1.0
	Customer Experience	0	0	0	235	153	(8)	153	1.0
Customer Service	0	0	0	925	1,014	(90)	1,014	9.0	
Libraries	346	346	3	2,102	2,160	(55)	1,814	15.1	
FABRIK	95	158	79	498	553	(100)	394	2.9	
<b>Community and Development Total</b>		<b>4,049</b>	<b>3,897</b>	<b>(184)</b>	<b>12,713</b>	<b>12,941</b>	<b>(889)</b>	<b>9,044</b>	<b>79.7</b>

# Operating Budget by Directorate and Function

Directorate	Function	Revenue			Expenditure			Net Cost /	Staff FTE
		2023-24	2023-24	Variance	2023-24	2023-24	Variance	(Revenue)	
		LTFP Target	Budget	Fav/(Unfav)	LTFP Target	Budget	Fav/(Unfav)	2023-24	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	Budget	
Corporate Services	CS Director's Office	6	6	0	376	394	13	388	1.9
	Communications, Engagement & Events	0	0	0	788	738	20	738	4.2
	Corporate	1,121	1,124	4	1,050	672	172	(453)	0.0
	Finance Operations	0	0	0	1,187	3,259	(2,047)	3,259	9.8
	Rates	46,661	49,440	2,829	2,011	1,994	(33)	(47,446)	0.0
	ICT	0	0	0	979	1,086	(51)	1,086	4.3
	Information Management	0	0	0	543	573	(14)	573	4.3
	Information Systems	0	0	0	1,246	1,571	(365)	1,571	4.3
	People and Culture & WHS	0	0	0	807	663	144	663	5.0
	<b>Corporate Services Total</b>	<b>47,788</b>	<b>50,570</b>	<b>2,833</b>	<b>8,988</b>	<b>10,951</b>	<b>(2,163)</b>	<b>(39,620)</b>	<b>33.8</b>
Environment and Infrastructure	E&I Director's Office	0	0	0	377	24	353	24	0.0
	Civil Services - Management	2	2	0	556	579	(29)	576	9.2
	Civil Services - Maintenance	2,055	2,278	223	5,064	5,401	(296)	3,123	35.0
	Civil Services - Private Works	6	6	0	4	4	(0)	(2)	0.0
	Property Management	212	75	2	1,735	1,914	(36)	1,839	9.0
	Sport & Recreation	11	11	0	1,053	963	(95)	951	3.4
	AHBTC	343	348	13	245	299	(62)	(49)	0.0
	Cemeteries	369	385	16	170	179	(8)	(206)	1.0
	Retirement Villages	0	0	0	0	0	0	0	0.0
	Manager Open Space	0	0	0	349	376	75	376	2.0
	Open Space - Management	175	0	0	1,003	1,058	(70)	1,058	6.8
	Open Space - Maintenance	83	0	0	3,629	3,539	(228)	3,539	18.0
	Open Space - Stores	0	0	0	(716)	(920)	204	(920)	1.0
	Open Space - Biodiversity	0	0	0	810	876	(63)	876	3.8
	CWMS	1,743	1,636	(106)	970	1,020	77	(616)	1.2
	Strategic Assets	0	0	0	387	382	(19)	382	3.8
	Emergency Management	0	0	0	90	80	10	80	0.2
	Sustainability	0	0	0	338	356	(30)	356	1.4
	Waste	192	192	33	5,651	5,756	(175)	5,564	1.4
Depreciation	0	0	0	10,674	11,452	(778)	11,452	0.0	
<b>Infrastructure &amp; Operations Total</b>	<b>5,191</b>	<b>4,934</b>	<b>181</b>	<b>32,391</b>	<b>33,337</b>	<b>(1,169)</b>	<b>28,404</b>	<b>97.2</b>	
<b>ORGANISATION TOTAL</b>		<b>57,065</b>	<b>59,438</b>	<b>2,829</b>	<b>56,489</b>	<b>59,940</b>	<b>(4,391)</b>	<b>502</b>	<b>215.7</b>



# Capital Budget Overview

The 2024-25 Capital Budget continues to focus on the renewal of infrastructure. The Council has in excess of \$600m (Current Replacement Values) of infrastructure assets that it manages, to ensure that our current and future communities have access to the ongoing services these assets provide.

This year our capital works program will include:



- **\$11.842m** Capital renewal detailed in the Capital Expenditure Renewal Summary Table (to the right)
- **\$4.239m** in capital expenditure on new or upgraded assets, detailed in the strategic initiative pages

The total of \$16.08m for the capital works program is more than the Long Term Financial Plan target of \$15.600m and is considered to be the appropriate level of sustainable investment to meet the Council strategic goal to have a proactive long term view regarding the renewal and maintenance of its infrastructure.

As in previous years, a significant portion of the program is applied to road works, with buildings, footpaths, stormwater and plant accounting for a large proportion of the remaining allocation.

To see a detailed listing of our Capital projects, refer to the *Capital Works Program 2024-25* published on our website.

## Capital Expenditure Renewal Summary

Asset Category	2024-25 Allocation \$'000	LTFP Target Renewal \$'000	Variance to LTFP Fav/(Unfav) \$'000
Bridges	1,118	145	(973)
Buildings	381	378	(3)
CWMS	152	737	585
Footpaths	518	478	(40)
Kerb & Water	117	79	(38)
Other*	269	229	(40)
Road Pavement	1,397	1,286	(111)
Road Seal	2,342	2,487	145
Shoulders	344	329	(15)
Sport and Recreation (including Playgrounds)	375	347	(28)
Stormwater	141	131	(10)
Unsealed Roads	978	1,467	489
Plant and Fleet	2,282	1,630	(652)
Information, Communication & Technology	1,309	771	(538)
Minor Plant & Equipment (including Library)	70	72	2
Cemeteries	49	47	(2)
Carry forwards	0	745	745
<b>RENEWALS</b>	<b>11,842</b>	<b>11,358</b>	<b>(484)</b>

\*Other includes Guardrail, Retaining Walls, Street Furniture, and Traffic Control

# Rates Overview

Rates are a form of property taxation, and property values determine how much each property contributes. This system of taxation means that the rates paid may not directly relate to the services used by each ratepayer.

The 2024-25 budget was developed from Council’s LTFP which had a rate revenue target that incorporated a general rates increase of 5.2% and estimated new development of 0.7%. The 5.2% has been set at the Annual March 2024 Consumer Price Index. This is considered appropriate to maintain an Operating Surplus in line with financial sustainability indicator targets, while keeping the impact on Council ratepayers to an acceptable level **(TO BE UPDATED WHEN DATA AVAILABLE)**.

The new development (budgeted at 0.7% mentioned above) is defined as capital improvements to existing properties and changes to value as a result of land divisions. This is primarily related to the Woodforde, Mount Torrens and Inverbrackie developments.

This year’s valuation of the Council area by the Valuer-General has continued to show variability in valuation increases across all land uses **(TO BE UPDATED)**. As such, Council is proposing to reduce the impact of significant valuation changes for 2024-25 by:

- Differentiating all land uses to enable differences in valuation for land use categories to be taken into account
- Setting the maximum general rate increase at 15%
- Applying a rate rebate to residential and primary production land use categories where the increase exceeds 15%
- Make the rebate automatic (similar to the 2023-24 financial year) but also retaining an application process
- Excluding the rebate on properties where there is any change of rateability, land use, improvements or change in ownership of properties from the previous year

The table below provides a summary of the average residential rate increases that have been applied in recent years as well as the proposed increase for 2024-25 as discussed above.

Description	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
To meet inflation (CPI)	2.3%	1.8%	2.4%	1.5%	4.7%	6.9%	5.2%
To fund increased capital renewal	1.0%	1.0%	0.55%	1.0%	0.2%	-	-
Solid Waste Levy	-	\$10 (0.5%)	-	-	-	-	-
<b>TOTAL INCREASE</b>	<b>3.3%</b>	<b>3.3%</b>	<b>2.95%</b>	<b>2.5%</b>	<b>4.9%</b>	<b>6.9%</b>	<b>5.2%</b>



# Summary Basis of Rating (*Rating Policy*)

Key elements of the Policy include:

## Rating Structure

- The Council is proposing that differential rates be applied to all rateable properties based on their predominant land use. This is a change in rating structure from previous years and will allow Council to ensure that the proposed average rate increase for existing ratepayers is consistent across all land uses before other factors relating to the cost of services and comparability to other councils are considered for individual land uses.
- A fixed charge rating structure that includes a fixed charge applying to all properties. This charge is to increase from \$784 to \$825 which represents a 5.2% increase in line with the average increase previously highlighted.

## Stirling Separate Rate

- A separate rate for businesses in Stirling that generates \$110k [increased from \$95k per Stirling Business Association (SBA) request] that is distributed to the SBA to promote Stirling as a destination, the "Gateway to the Hills" through a new funding agreement. Council also sets a maximum amount ('top') and a minimum amount ('tail') per property each financial year for this separate rate.
- Council also proposes in accord with Council's taxation principles to increase the top and tail of the separate rate in line with CPI to better maintain an even distribution across all separate ratepayers.

## Regional Landscape Levy

The Regional Landscape (RL) Levy is a State Tax paid by all ratepayers and is collected by Council on behalf of the Hills and Fleurieu Regional Landscape Board. For 2024-25 there is a modest increase of 2.05% in this tax imposed on Council's ratepayers by the Board.

## Help when you need it

An empathetic and individually tailored approach is provided to ratepayers who are experiencing financial difficulties through the provision of a number of alternative arrangements made available to ratepayers including:

- smaller, more regular payment options
- acceptance of reduced payments toward Council Rates arrangement
- deferment or postponement of payment of rates in whole or in part for an agreed period
- consideration of the waiving of fines & interest where appropriate

The *Rating Policy* also includes a number of options to address financial hardship specifically targeted to those ratepayers that have been significantly and permanently impacted by events such as the current financial climate, COVID and bushfires.



## Impact of Office of Valuer-General Valuation Changes

Council's valuations used for rating purposes are undertaken by the Office of the Valuer-General.

For 2024-25 valuation data received from the Valuer-General indicates that there is still significant variability in valuation increases within the Council area across all land uses as well as townships/suburbs (**TO BE UPDATED**).

This is likely to result in a number of rate assessments experiencing a change in rates payable higher or lower than the average rate increase proposed.

As a response to the impact of these market adjusted valuation changes from the Valuer-General, Council's rating policy position for the *2024-25 Annual Business Plan* is to apply a rebate to reduce the impact of significant valuation changes for 2024-25.

It is proposed to effectively cap the maximum rate increase at 15%.

The table below summarises key details of the rebate.

<b>Rebate to limit the maximum general rate increase to 15%</b>
Applied automatically but also retaining an application process
Maximum general rate increase 15%
Applied to <b>residential and primary production</b> land use categories
Does not apply to properties sold after 30 June 2023
Does not apply to properties with a change in land use or rateability from 2023-24
Does not apply to properties with new development / improvements since the 2023-24 valuation

## Rate Statistics

to be updated

Council has just over **19,100** assessments split by land use as follows:



**13 750 +**  
Residential



**680**  
Commercial and  
Industrial Light



**< 50**  
Industrial Other



**3,000 +**  
Primary  
production



**620 +**  
Vacant



**290**  
Other



**830 +**  
Non-rateable

## Rates Modelling

The valuation of the Council area by the Valuer-General has been completed and information provided to reflects an average increase of over 13% in valuation for existing properties.

Analysis indicates that:

- Residential properties, representing over 70% of the overall valuation, has an average valuation **increase** of nearly ----%
- Primary production properties, being 17% of total assessments, have an average valuation **increase** of just over --%
- Commercial and Industrial Light properties have had an average valuation **increase** of between ---% - ---%
- Industrial Other properties have had an average valuation **increase** of just under ---%
- Vacant land valuations have **increased** on average by ---%.

The percentage of total rate revenue required from each land use category takes into account the proposed rating structure changes to phase in higher differential rates in relation to Commercial, Industrial and Vacant Land land use categories across a three-year period and this breakup is used to determine the rate in the dollar (differential rate) for each category to provide an overall increase in general rate revenue of 5.2% excluding new development.

## Allocation of Rates Burden

The Council uses the capital value method of valuing properties. This method values the land and all improvements on the land. It is the most widely-used method across South Australian councils.

Council considers this valuation method the most equitable method to spread the rates burden across the measure of wealth within the Adelaide Hills Council area. It equates to the taxation principle that people should contribute to community, social and physical infrastructure in accordance with their capacity to pay as measured by property wealth.

Further, in determining how rates are applied, and the rate in the dollar, Council has also made specific policy choices in relation to the use of differential rating for each land use category and a fixed charge rather than a minimum rate to allocate the rates burden across the community.

## Differential Rates

Section 153 of *Local Government Act 1999* (the “Act”) allows councils to ‘differentiate’ rates based on the use of the land, the locality of the land, the use and locality of the land or on some other basis determined by the council. The application of a Differential General Rate is generally intended to alter the amount payable by particular land uses.

In formulating the rating structure, Council has considered issues of consistency and comparability of other councils and across council areas in the imposition of rates on various sectors of the business and wider community. Currently Council’s average residential rate is high by comparison to other councils whereas the average commercial and industrial rate is low.

As a result, Council proposes a change in rating structure by phasing in higher differential rates as follows:

- Properties categorised as “Commercial” or “Industrial Light” to pay a higher differential rate in the dollar than residential with the increase of 35% relative to the current differential rate to be phased over 3 years.
- Properties categorised as “Industrial Other” to pay a higher differential rate in the dollar than residential with an increase of 60% relative to the current differential rate to be phased in equally over three years
- Those properties categorised as “Vacant Land” within township zones as defined by Council to pay a higher differential rate in the dollar than residential with an increase of 30% relative to the current differential rate to be phased in equally over three years.

Council conducted public consultation in accordance with S156(14a) of the Act on the proposed Rate Structure Change above in conjunction with the broader Annual Business Plan consultation.

The percentage of total rate revenue required from each land use category after taking into account the proposed rating structure changes will be used to determine the rate in the dollar (differential rate) for each category.

## Fixed Charge

Under the Act, Council has some mechanisms available to enable all ratepayers to contribute more equitably to the administration of Council’s services and the development and maintenance of the community’s infrastructure. Council considers a fixed charge (applying equally to all rateable properties) to be the most fair and equitable means of achieving this.

For the 2024-25 year, it is proposed to increase the fixed charge from \$784 to \$825, representing a 5.2% increase in line with the overall average increase in rates.

## Community Wastewater Management System (CWMS)

The Council provides Community Wastewater Management System (CWMS) to some areas within the Council district. To fund the provision of this service Council imposes an annual service charge to recover the cost to the Council of establishing, operating, maintaining, improving and replacing infrastructure (taking into account depreciation of any assets and including future capital works).

Council undertakes an annual detailed assessment of the cost of providing CWMS services, in accordance with the guidelines set by the Essential Services Commission of South Australia (ESCOSA). For the 2024-25 financial year, the CWMS service charges have been retained at the same level as the previous year to achieve the full cost recovery.

See Appendix 2 of the Audit  
Committee Report



# Annexure A: Budgeted Financial Statements

In development – will be available  
for Council endorsement prior to  
consultation



# Annexure B: Statement of Expected Rate Revenue





# Annexure C: Corporate Performance Indicators

ID	Corporate Performance Indicator	Target	Strategic Objective	Reporting Frequency
<b>Goal 1: A functional Built Environment</b>				
<b>CPI-B01</b>	Inspections of footpaths in high priority zones	100%	B1	Annually
<b>CPI-B02</b>	Delivery of capital works program	90%	B1	Quarterly
<b>CPI-B03</b>	Compliance inspections after development completion notification, completed within 10 business days.	100%	B2	Quarterly
<b>CPI-B04</b>	Compliance inspections completed within 5 business days of notification of alleged unlawful development	80%	B2	Biannually
<b>CPI-B05</b>	Comparison of Council's Energy Usage (Kwh) against previous financial year	Less than previous financial year	B3	Annually
<b>CPI-B06</b>	Tonnes of recycled plastic content in products purchased by Council	25	B3	Annually
<b>CPI-B07</b>	Operational tasks completed within the Civil Zone Maintenance Program	80%	B4	Quarterly
<b>Goal 2: Community Wellbeing</b>				
<b>CPI-C01</b>	Positive ageing wellbeing score	7 Average	C2	Quarterly
<b>CPI-C02</b>	Community Centre participants who feel better connected to others or community	85%	C2	Bi-annual
<b>CPI-C03</b>	Community centre participants who would use the knowledge/skills gained in the future	80%	C3	Bi-annual
<b>CPI-C04</b>	Number of volunteer hours contributed to AHC programs each year	3500	C3	Quarterly
<b>CPI-C05</b>	Library visits per capita compared with Australian Library and Information Association (ALIA) Standards	exceed the enhanced ALIA target	C3	Annually
<b>CPI-C06</b>	Library loans per capita compared with Australian Library and Information Association (ALIA) Standards	exceed the enhanced ALIA target	C3	Annually
<b>CPI-C07</b>	Attendance at programs, events and workshops at Fabrik Arts and Heritage Hub	8,000	C6	Annually
<b>CPI-C08</b>	Percent of available studio spaces occupied	50	C6	Annually
<b>CPI-C09</b>	Number of events and programs celebrating cultural diversity	8	C6	Annually

ID	Corporate Performance Indicator	Target	Strategic Objective	Reporting Frequency
<b>Goal 3: A prosperous Economy</b>				
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
CPI-E02	Visitor numbers (visitor domestic day trips)	1.2mil	E1	Annually
CPI-E03	Average number of days for Building Consents	20 business days	E2	Quarterly
CPI-E04	Percentage of new development application decisions upheld in Council/CAPs favour under appeal	85%	E2	Quarterly
CPI-E05	Percentage of Planning Consents completed within statutory timeframes	85%	E2	Quarterly
CPI-E06	Number of local jobs in AHC area compared to previous financial year	Maintain 2019-20 Financial Year = 11200	E3	Annually
<b>Goal 4: A valued Natural Environment</b>				
CPI-N01	Number of biodiversity sites monitored using the BushRAT methodology (actual versus planned)	60 NVMS sites (14% of total) per annum and 5 reserves	N2	Annually
CPI-N02	Weed Control in biodiversity sites - no. of sites complete (actual versus planned)	31 sites per annum	N2	Annually
CPI-N03	Percent of nuisance and litter queries resolved	90%	N2	Quarterly
CPI-N04	Percent of private properties inspected prior to bushfire season that comply with fuel load management requirements	At least 90%	N2	Annually
CPI-N05	Tonnes of green organics collected on Green organic days	150	N4	Quarterly
CPI-N06	Percentage change in tonnes of waste disposed to landfill compared to previous financial year	Reduction in waste percentage	N5	Annual
CPI-N07	Number of community education actions delivered (Waste Management Strategy 2016-2021) – Actioned vs Planned	6	N5	Quarterly

ID	Corporate Performance Indicator	Target	Strategic Objective	Reporting Frequency
<b>Goal 5: A progressive Organisation</b>				
CPI-001	Number of Lost time injuries	0	O1	Quarterly
CPI-002	Customer Net Ease Score (NES)	50	O2	Bi-annual
CPI-003	Overall customer satisfaction	75%	O2	Bi-annual
CPI-004	Operating Surplus Ratio	1-5%	O3	Annually
CPI-005	Net Financial Liabilities Ratio	25-75%	O3	Annually
CPI-006	Asset Sustainability Ratio	95-105%	O3	Annually
CPI-007	Decisions (Council resolutions) considered in open Ordinary & Special Council meetings during the reporting period	90%	O4	Quarterly
CPI-008	Council member attendance at Ordinary & Special meetings	90%	O4	Quarterly
CPI-009	Freedom of Information (FOI) requests received, in progress and completed within the legislated timeframe	100%	O6	Quarterly
CPI-010	FOI External reviews upholding Council's decisions	100%	O6	Quarterly
CPI-011	Employee Turnover	7-15%	O1	Quarterly

Full copy will be included in consultation.  
For reference the policy is published here:  
<https://www.ahc.sa.gov.au/assets/downloads/council/council-policies/230701-2023-24-Adopted-Rating-Policy.pdf>

## Annexure D: Rating Policy



# **Annexure E: ESCOSA Report And Council Response**



# ESCOSA Report And Council Response

The Essential Services Commission, South Australia's independent economic regulator and advisory body, has been given a role by the State Government to provide advice on material changes proposed by local councils in relation to elements of their strategic management plans and on the proposed revenue sources, including rates, which underpin those plans.

One of the main purposes of the Local Government Advice Scheme (advice or the scheme) is to support councils to make 'financially sustainable' decisions relating to their annual business plans and budgets in the context of their long-term financial plans (LTFPs) and infrastructure and asset management plans.

The first cycle of the scheme extends over four years from 2022-23 to 2025-26, and Council is obliged to publish the findings within each Annual Business Plan that the advice relates to.

**The mandatory cost to Adelaide Hills Council to be part of the scheme is \$40,000 (\$10,000 per year of the cycle).**

The following pages highlight the advice provided from the Commission and Council's response including planned actions over the next four financial years.

# ESCOSA Recommendations and Council Response

Recommendation & Response	Implementation Activities	Implementation Timeline			
		2023-24	2024-25	2025-26	2026-27
<b>Recommendation 1 - Continue to review its inflation forecasts in its budget each year</b>					
Each year, a key part of the development of Council’s Long Term Financial Plan is to update all economic forecasts and assumptions including inflation forecasts. Council then uses these forecasts to help model future expense forecasts. This in turn enables Council to project future income needs to meet its financial sustainability targets.	Continue to use most recent and applicable inflation forecasts in Budget and Long Term Financial Plan modelling				
<b>Recommendation 2 - Focus on constraining cost growth in its budgeting, where possible, particularly related to employee expenses</b>					
As part of the Long Term Financial Plan and Budget processes, Council considers forecasts and calculations showing how expenses and income will change based on existing service levels and cost escalation assumptions. Council then considers how best to remain financially sustainable while balancing the community’s expectations against their willingness and ability to pay.	Continue to consider and adjust human resource levels in response to adopted service level requirements and in light of decisions to undertake new or changed activities and within Council’s financial sustainability targets.				
Employee numbers, and therefore employee costs, have increased in recent years due to:					
1. Decisions to embark on new or changed strategic priorities such as economic development, recreation and trails, disability planning and the development of an arts centre. These have all been considered in the context of the Council’s Long Term Financial Plan and financial sustainability indicator targets.	Negotiate new Enterprise Agreement in 2024-25 FY				
2. To undertake work in part or fully funded programs such as the Community (Disaster) Resilience Program. In these cases, additional grant income offsets the additional staff costs.	Continue to responsibly manage cost growth for maintaining service levels and meeting community expectations while minimising the financial impact to ratepayers.				
3. To insource activities previously outsourced as an efficiency initiative, such as tree management work.					
It is also noted that employee salaries are linked to Enterprise Agreements which are normally negotiated on a 3 yearly basis. The current agreement ends in June 2025.					













Legend:  = Complete  = Planned / In progress







# ESCOSA Recommendations and Council Response

Recommendation & Response	Implementation Activities	Implementation Timeline			
		2023-24	2024-25	2025-26	2026-27
<b>Recommendation 3</b> - Complete the asset management plan for building assets and consider potentially other assets not currently covered by a plan (such as sport and recreation facilities), with consideration of desired service levels, as appropriate.					
Council has completed a full condition audit of its Building Asset stock in March 2023 and is progressing this information as a basis of the Building Asset Management Plan	Continue to progress the Building Asset Management Plan	😊	✅		
	Develop a Sport and Recreation Facilities Asset Management Plan		✅		
<b>Recommendation 4</b> - Complete its planned Stormwater Asset Management Plan, with consideration of desired service levels, as appropriate.					
Council is currently completing a Stormwater Management Plan for the Aldgate Creek in conjunction with the Stormwater Management Authority and this document will be a key reference for the Council Stormwater Asset Management Plan that will include desired service levels.	Develop a draft plan and incorporate findings from the Stormwater Management Plan of the Aldgate Creek and other stormwater investigations including the Balhannah Drainage Study – Investigations and Proposed Upgrades	✅	✅		
<b>Recommendation 5</b> - Finalise its Community Wastewater Management System Asset Management Plan and reflect related cost changes in the 2023-24 Long-term Financial Plan, to include input from the community, including desired service levels					
The Community Wastewater Management System Asset Management Plan was presented to Council and endorsed at its meeting of 14 March 2023. Operational costs are reflected in the Draft Long Term Financial Plan and final capital program timing changes will be included for consideration by Council in adopting the 2023/24 LTFFP.	No further action – Asset Management Plan has been finalized in 2022-23FY and implemented into LTFFP.	😊			





# ESCOSA Recommendations and Council Response

Recommendation & Response	Implementation Activities	Implementation Timeline			
		2023-24	2024-25	2025-26	2026-27
<b>Recommendation 6</b> - Report its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.					
<p>Council endeavours to provide transparency to the community to show where savings are being made and therefore the continued commitment to offset rising costs while minimising rate increases.</p>	<p>Continue to include a savings strategy page within the Annual Business Plan</p>				
<p>Page 30 of the <i>2022-23 Annual Business Plan</i> details the saving strategies implemented in the 2022-23 budget with an estimated value of \$650,000 per year ongoing savings. The progress of actual savings realised against this target is reported in the Quarterly Council Performance Report and published to Council's website.</p>	<p>Continue to report on the progress of actual savings achieved in the Quarterly Performance Reports</p>				
<p>Page 29 of the <i>2023-24 Annual Business Plan</i> details the savings strategies implemented for the 2023-24 budget with an estimated value of \$830,000, and the results against this target will continue to be reported on in Councils Quarterly Performance reports.</p>					
<b>Recommendation 7</b> - Review the estimates of asset lives and valuations feeding into the forecast rate of asset consumption in its long-term financial plan and asset management plans.					
<p>Council undertakes a yearly review of asset lives as part of the revaluation and end of financial year capitalisation.</p>	<p>Continue to review the asset lives and valuations on an annual basis, and as part of standard asset revaluation as needed.</p>				

# ESCOSA Recommendations and Council Response

Recommendation & Response	Implementation Activities	Implementation Timeline			
		2023-24	2024-25	2025-26	2026-27
<b>Recommendation 8</b> - Review and consider limiting future increases above inflation on its residential rates to help reduce any emerging affordability risk in the community.					
<p>Each year, Council updates all economic forecasts and assumptions including inflation forecasts as part of the development of the Long Term Financial Plan and Budget processes. Council then uses these forecasts to help extrapolate future expenses to assess Council’s overall financial position and future financial sustainability and determine appropriate income needs.</p> <p>Rate revenue accounts for approximately 80% of Council's operating income, and so Council carefully considers the average rate increase to balance the need to continue to deliver services, meet community expectation and maintain financial sustainability, while keeping the impact to ratepayers to an acceptable level.</p> <p>Page 34 of the <i>2023-24 Annual Business Plan</i> details the rate increases over the past financial years. In the past, the rate revenue target was built with “CPI plus 1%” in order to fund increased capital renewal, maintain financial sustainability, and provide a modest Operating surplus ratio which would help Council’s ability to absorb the expenditure impacts from unexpected events such as bushfires, floods, or pandemics.</p> <p>This financial year, the rate increase has been set at 0.5% below the estimated 12-month Local Government Price Index (LGPI) increase to ensure that the increase is below forecast CPI increases.</p>	<p>Continue to responsibly manage cost growth for maintaining service levels and meeting community expectations while minimising the financial impact to ratepayers.</p>				

# ESCOSA Recommendations and Council Response

Recommendation & Response	Implementation Activities	Implementation Timeline			
		2023-24	2024-25	2025-26	2026-27
<p><b>Recommendation 9</b> - Review the rationale for the quantum of any maximum rate increase (or cap) it seeks to impose (currently at 15 percent) in its next annual business plan, with consideration of the community's capacity to pay for higher increases.</p>					
<p>Council reviews its rating policy annually as part of the Long Term Financial Plan and Budget process, which includes the consideration of the rating cap and its impact both positive and negative on its ratepayers.</p> <p>This requires a careful assessment as a cap means that the majority of ratepayers will pay more than they would be required in order to subsidise those who are entitled to receive the rate cap.</p> <p>A ratepayer's capacity to pay for their rates is something Council is not easily able to assess. To assist those who don't have the capacity to pay, Council has alternative arrangements that are tailored to the individual's financial situation as covered in Council's <i>Rating Policy</i> (Annexure D of <i>2023-24 Annual Business Plan</i>)</p>	<p>Continue to review the rating cap and Council's rating policy when considering the annual rate increase in the Long Term Financial Plan and Budget process</p>				



# Annexure F: Our Strategic plan Goals and Objectives



# Strategic Plan Goals



## A functional Built Environment

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

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

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

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



## Community Wellbeing

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

**C2** A connected, engaged and supported community

**C3** A community that grows together

**C4** An active, healthy, thriving and resilient community

**C5** Respect for Aboriginal Culture and values

**C6** Celebrate our community's unique culture through arts, heritage and events



## A prosperous Economy

**E1** Support and grow our region's existing and emerging industries

**E2** Provide local infrastructure to drive growth and productivity

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

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



## A valued Natural Environment

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

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

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

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

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



## A progressive Organisation

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

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

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

**O4** We actively represent our community

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

**O6** Technology and innovation is utilised to better meet our community's expectations and deliver value for money

# Our Objectives and Priorities

Objectives

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

Priorities

**B1.1** Increase accessibility to our district through the development and delivery of high priority trails and routes for all cyclists (on-road, off road, commuters, recreational) and pedestrians

**B1.2** Improve outcomes for the elderly by incorporating Council's Age Friendly Strategic Plan into built environment design and delivery

**B1.3** Progress state-wide and inter-regional connectivity of cyclist routes by partnering with neighbouring councils

**B1.4** Ensure that the key road network is accessible for heavy vehicles used by the primary production, tourism and construction sectors through engagement with industry and Government

**B1.5** Provide accessibility for the full range of users by ensuring Council's road, footpath and trails network is adequately maintained and service levels for all users are developed and considered

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

**B2.1** Continue to embrace and support community led public place revitalisation across our district

**B2.2** Incorporate Water Sensitive Urban Design principles within Council developments and projects and advocate for other developments within the region to do the same

**B2.3** Proactively work with developers to ensure that built form complements or enhances existing local character whilst preserving the character and amenity of our towns, historic buildings and scenic environment

**B2.4** Ensure our planning framework, council policies and guidelines support privately owned local heritage places

**B2.5** Continue to collaborate with other councils and stakeholders in pursuing our World Heritage Bid to protect the landscapes, sites and facilities that represent the State's aboriginal and early colonial history

**B2.6** Support communities recovering from natural disasters with expedited development assessment services

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

**B3.1** Improve water security by maximising water reuse opportunities, reducing reliance on ground water and improving water efficiencies for open space irrigation and building facilities

**B3.2** Aim to achieve 100% renewable energy use for our corporate operations and strive towards carbon neutrality

**B3.3** Investigate and source recyclable materials for asset renewal projects wherever practical and in doing so promote the circular economy

**B3.4** Proactively adapt our built environment to changes in social and environmental factors to minimise the impact from natural hazards such as fire and flood

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

**B4.1** Ensure the long term management of the built form and public spaces occurs in consideration of the relevant financial, social and environmental management matters

**B4.2** Embrace innovative and new technology solutions to proactively maintain our built assets that further enhance the provision of efficient services to the community

**B4.3** Ensure Council owned or managed assets, including staff accommodation, are functional and adaptive to meet service requirements. Also, where appropriate and endorsed by Council, equitably assist community owned site (halls and recreation sites) to ensure their facilities are functional and meet service standards

**B4.4** Improve road safety through a safe system approach to road design, construction and maintenance including on-going applications to the State and Federal Road Blackspot program

**B4.5** Explore and provide the infrastructure to support Electric Vehicles (EV) and investigate infrastructure requirements for emerging technological transport such as Connected and Automated Vehicles (CAV)

# Our Objectives and Priorities

Objectives

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

**C2 - A connected, engaged and supported community**

**C3 - A community that grows together**

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

**C5 - Respect for Aboriginal Culture & values**

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

Priorities

C1.1 Provide welcoming spaces and places for the community through our libraries, community centres, and Council and community facilities

C2.1 - Work with community to provide a range of programs and opportunities to connect and engage around shared interests

C3.1 - Provide and support programs and services that encourage and enhance personal growth, lifelong learning and professional development

C4.1 - Support community wellbeing through our contribution to public health planning, disaster recovery activities and the implementation of strategies that aim to measure and enhance wellbeing.

C5.1 - Partner with the Aboriginal and Torres Strait Islander community to develop our second Reconciliation Action Plan (Innovate) and actively participate in Reconciliation Week

C6.1 - Develop Fabrik as a vibrant cultural hub for the Adelaide Hills, fostering community connections and creativity and presenting the significant history of the Woollen Mill site

C1.2 Support and promote opportunities for social inclusion and celebration of our cultural diversity

C2.2 - Support our ageing community to access services and continue to participate and contribute to community life

C3.2 - Support volunteering both organisationally and in the community as an essential element in delivering community outcomes and building wellbeing

C4.2 - Support the provision of formal and informal sport, recreation and play spaces for the community to enjoy

C5.2 - Celebrate and recognise Aboriginal culture and heritage through participation in and the delivery of programs and activities that engage our community in cultural experience and learning

C6.2 - Develop, support or bring events to our district that have social, cultural, environmental or economic benefits

C1.3 Make the district more accessible and welcoming for all with a focus on youth participation, positive ageing, disability inclusion and multiculturalism

C2.3 - Facilitate opportunities for our youth to develop skills, build resilience and be actively involved in and connected to their community.

C3.3 - Empower our community groups and leaders to shape and determine change in their community through the provision of training opportunities, grants that meet strategic priorities, building relationships and supporting communities to be cohesive in progressing local projects.

C4.3 - Recognise that trails are a destination in their own right and support both commuter and recreational trail opportunities

C5.3 - Support the delivery of programs and activities that engage our community in cultural experience and learning

C6.3 - Recognise, encourage and support artists, emerging artists, writers and performers through promotion of the Arts and supporting opportunities to exhibit and perform

C1.4 Advocate and Seek opportunities to improve transport options for those who need it most

C2.4 - Increase participation from the broadest range of our community and engage with them to shape policies, places and decisions that affect them

C3.4 - Build partnerships with community and other stakeholders to enhance our capacity to provide and support opportunities for them to thrive

C4.4 - Support clubs and groups to continue to provide sport and recreation activities to the community

C5.4 - Support the delivery of programs and activities that engage our community in cultural experience and learning

C6.4 - Foster the development of Public Art that adds value to public spaces and supports place making in our community

C1.5 - Encourage more housing opportunities where provided for in the Development Plan

C2.5 - Continue to work with government agencies and non-governmental organisations to support the community recovery from natural disasters and the COVID-19 pandemic.

C4.5 - Take an all hazards approach to emergency management so we can support the emergency services and the community before, during and after disaster events.



# Our Objectives and Priorities

Objectives

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

**E2 - Provide local infrastructure to drive growth and productivity**

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

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

Priorities

E1.1 - Support and encourage local and international tourists to visit the Adelaide Hills

E2.1 - Work with all levels of Government to ensure the region's infrastructure needs are understood and prioritised

E3.1 - Attract and encourage professional and business development and networking activities

E4.1 - Work with key stakeholders to develop a realistic, yet inspiring, collective vision to connect the region and its industries

E1.2 - Take advantage of the full potential of our region's primary production and associated value adding activities

E2.2 - Explore and advocate for the opportunities that new technologies could bring to our region

E3.2 - Understand the nature of skills our region's businesses will require to prosper into the future

E4.2 - Work with our communities and businesses to encourage co-ordinated and strategic regional projects that enhance and support the regional identity

E1.3 - Support and encourage the growth and development of our region's creative industry micro businesses

E2.3 - Support changes to planning and development that leverages and encourages sustainable economic development

E3.3 - Work with our local communities and businesses to create active, attractive and vibrant places

E4.3 - Support and encourage events that supports the region's identity and generates social, cultural and economic benefits

E1.4 - Promote, support and encourage our existing and emerging businesses to respond to economic changes by being creative, innovative, productive and resilient to unexpected impacts.

E2.4 - Manage and maintain Council assets to maximise their utilisation and benefit to the community

E3.4 - Enable start-ups and home based business through services, information and networking opportunities

E4.4 - Support the continued development and community engagement for the World Heritage nomination of the region

E1.5 - Engage and assist our region's key business and industry groups to be resilient, proactive and successful

E1.6 - Encourage and facilitate local supplier participation in all level of Government tendering processes

# Our Objectives and Priorities

Objectives

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

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

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

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

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

Priorities

N1.1 - Enhance and manage horticultural amenity, including succession planning for street trees that contribute to and reinforce our distinctive streetscapes and villages

N2.1 - Monitor and manage areas of high biodiversity or habitat value on Council reserves and Native Vegetation Marker Scheme (NVMS) sites using best practice methodologies

N3.1 - Increase knowledge and environmental awareness within the community through engagement and education

N4.1 - We will work with partners to analyse the benefits and feasibility of introducing a fee incentive to property owners to produce less waste in relation to the kerbside bin service

N5.1 - Encourage and educate the community to help minimise the generation of household waste by advocating the principles of the Waste Management Hierarchy to avoid, reduce and reuse

N1.2 - Manage reserves and open space to support the community, whilst balancing biodiversity conservation, resource use and environmental impacts

N2.2 - Explore opportunities and take appropriate actions to monitor current and emerging threats to biodiversity including feral cats and Phytophthora

N3.2 - Collaborate and engage with public and private organisations, schools and community members (including the Aboriginal community as the first nation peoples), to improve biodiversity outcomes and land management practices.

N4.2 - We will explore more Green Organics options to achieve improved environmental and financial outcomes.

N5.2 - Support and assist the community to prevent valuable resources going to landfill and reduce contamination in kerbside recycling bins

N2.3 - Mitigate bushfire risks across the landscape by undertaking fuel reduction activities including woody weed control, maintenance of asset protection zones and educate & enforcement to reduce fuels on private property

N3.3 - Continue to work in partnership with the Resilient Hills and Coasts region to build Council and community resilience to the impacts of climate change

N4.3 - We will provide specific education to the community to increase their level of food scrap recycling

N4.4 - Implement new or improved waste service opportunities whilst continuing to provide ongoing resource recovery and waste service to our community

N2.4 - Work with supporting organisations and agencies to foster the restoration of native flora and fauna habitat following the 2019-20 bushfire

# Our Objectives and Priorities

Objectives

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

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

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

**O4 - We actively represent our community**

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

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

Priorities

O1.1 - Progressively enhance our safe systems of work to maintain emotional and physical safety of our people

O1.2 - Continue to develop a positive culture through supporting an equitable, diverse and continuously improving work environment

O1.3 - Support our people leaders in further developing the skills necessary to lead engaged and productive teams

O1.4 - Continue to support all staff through training, mentoring, coaching and development to enable the achievement of organisational and community goals

O2.1 - Develop our digital channels to better meet customers' current and future needs

O2.2 - Modernise our services and enhance the customer experience by making service delivery faster, more convenient and more proactive

O2.3 - Build the capabilities of our people through a focus on two-way communication, cooperation and placing customers at the centre of everything we do

O2.4 - Continuously strive to measure and improve performance and service delivery across all functions

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

O3.2 - Ensure that renewal of assets and the associated maintenance is based on current asset management plans which consider reviewed service levels and whole of life costing

O3.3 - Actively pursue alternative funding opportunities to reduce reliance on rates income

O3.4 - Assess the range and level of services undertaken to ensure they fulfil Council's legislative and strategic intent

O4.1 - Optimise opportunities for the community to access and provide input into the decision-making processes

O4.2 - Attract and develop a diverse and capable elected body that represents, promotes and reflects the composition of the community

O4.3 - Advocate to, and exert influence with, our stakeholders on behalf of our community to promote the needs and ambitions of the region

O4.4 - Explore council boundary reform options that best serve the community

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

O5.2 - Make evidence-based decisions and prudently assess the risks and opportunities to our community before taking action.

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

O6.1 - Progressively strengthen Council's systems security to minimise the impact of cyber attack

O6.2 - Utilise technology to enable more evidence based and efficient delivery of services to the community

O6.3 - Provide more resilient business systems by utilising cloud technologies where appropriate

O6.4 - Utilise our online engagement tools to reach a wider range of community members to obtain their views and input.

O6.5 - Support the delivery of services to the community through improved utilisation and connectivity of existing business systems

O6.6 - Ensure the way in which we provide our digital services delivers an enhanced experience for our community

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## **Appendix 2**

*Budgeted Financial Statement 2024-25*

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

2022-23 Actuals	2023-24 Adopted Budget	2023-24 Revised Budget BR2	2024-25 Proposed Budget
\$'000	\$'000	\$'000	\$'000
<b>INCOME</b>			
44,401 Rates	48,357	48,407	51,066
1,428 Statutory charges	1,544	1,490	1,503
901 User charges	968	1,005	1,028
292 Grants, subsidies and contributions - Capital	788	788	298
6,090 Grants, subsidies and contributions -Operating	4,299	4,493	4,818
37 Investment income	25	25	26
306 Reimbursements	196	281	202
821 Other income	367	518	394
169 Net gain - equity accounted Council businesses	100	100	103
<b>54,445 Total Income</b>	<b>56,644</b>	<b>57,106</b>	<b>59,438</b>
<b>EXPENSES</b>			
20,693 Employee costs	23,172	22,868	24,377
21,273 Materials, contracts & other expenses	20,556	22,081	23,184
10,479 Depreciation, amortisation & impairment	11,106	11,004	11,798
551 Finance costs	582	582	582
19 Net loss - equity accounted Council businesses	0	0	0
<b>53,015 Total Expenses</b>	<b>55,416</b>	<b>56,535</b>	<b>59,940</b>
<b>1,430 NET BUDGETED SURPLUS / (DEFICIT) BEFORE CAPITAL AMOUNTS</b>	<b>1,228</b>	<b>571</b>	<b>(502)</b>
<b>Net Outlays on Existing Assets</b>			
<b>(10,070)</b> Capital Expenditure on Renewal and Replacement of Existing Assets	<b>(10,424)</b>	<b>(14,006)</b>	<b>(11,842)</b>
427 Proceeds from Sale of Replaced Assets	899	899	645
10,479 Depreciation	11,106	11,004	11,798
<b>836 NET OUTLAYS ON EXISTING ASSETS</b>	<b>1,581</b>	<b>(2,103)</b>	<b>601</b>
<b>Net Outlays on New and Upgraded Assets</b>			
<b>(5,200)</b> Capital Expenditure on New and Upgraded Assets & Remediation costs	<b>(7,485)</b>	<b>(10,905)</b>	<b>(4,239)</b>
538 Capital Grants and Monetary Contributions for New and Upgraded Assets	2,150	3,821	2,897
778 Proceeds from Sale of Surplus Assets	124	124	40
<b>(3,884) NET OUTLAYS ON NEW AND UPGRADED ASSETS</b>	<b>(5,211)</b>	<b>(6,960)</b>	<b>(1,302)</b>
<b>(1,618) NET LENDING/ (BORROWING) RESULT FOR FINANCIAL YEAR</b>	<b>(2,402)</b>	<b>(8,492)</b>	<b>(1,204)</b>
<b>(24,015) Net Financial Liabilities at Beginning of Year</b>	<b>(24,746)</b>	<b>(22,836)</b>	<b>(22,836)</b>
3,012 Decrease / (increase) in Other	(440)	(440)	(440)
<b>(215) Non Cash Equity Movement</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>
<b>(22,836) Net Financial Liabilities at End of Year</b>	<b>(27,688)</b>	<b>(31,868)</b>	<b>(24,580)</b>

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.

**ADELAIDE HILLS COUNCIL  
AUDIT COMMITTEE MEETING  
Monday 15 April 2024  
AGENDA BUSINESS ITEM**

**Item:** 8.4

**Responsible Officer:** Zoe Gill  
Governance and Risk Officer  
Office of Chief Executive Officer

**Subject:** Risk Management and Audit Review

**For:** Information

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**SUMMARY**

At the 19 February 2024 Audit Committee, administration indicated they would outline a proposed process for reviewing the risk management and audit procedures at the April 2024 audit committee.

The Local Government Risk Services (LGRS) provide a complimentary risk consulting service for member councils. The service can be tailored to the particular needs of the member Council. Administration has been in preliminary discussions with the LGRS about Adelaide Hills Council's particular needs.

A detailed program for reform will be identified in late May 2024 but could include:

- A review of current tools and processes
- A risk maturity self-assessment online tool
- A survey of staff's current practices in identifying, mitigating and reporting organisational risks
- Strategic risk workshop with senior leadership in Council
- Strategic risk workshop with elected members
- Operational risk workshops with staff
- Risk management policy and framework

Appendices 1-3 provide more detail about the LGRS's Risk Management Service.

Given this is a complimentary service, this audit committee is asked to note this report.

**RECOMMENDATION**

**The Audit Committee resolves:**

- 1. That the report on risk management and audit review be received and noted.**
-

## 1. BACKGROUND

At the 19 February 2024 audit committee, the committee resolved the following:

### 8.8 Risk Management and Audit Review

Moved Cr Melanie Selwood  
S/- Pamela Lee

AC12/24

1. That the report on Risk Management and Audit Review be received and noted.
2. That Administration will propose a process for reviewing risk management and auditing procedures at the 15 April Audit Committee meeting.

Carried Unanimously
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## 2. ANALYSIS

### ➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

*Strategic Plan 2020-24 – A brighter future*

Goal 5                      A Progressive Organisation

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

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

### ➤ Legal Implications

Section 125 of the *Local Government Act 1999* (the Act) requires councils to ensure “that appropriate policies, systems and procedures relating to risk management 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, inform appropriate decision making, facilitate appropriate prioritisation of finite resources and promote appropriate mitigation of strategic, financial and operational risks relevant to the council”.

Under s126 the committee’s functions include:

*(4) The functions of a council audit and risk committee include –*

*(c) monitoring the responsiveness of the council to recommendations for improvement based on previous audits and risk assessments, including those raised by a council’s auditor; and*

*(h) reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis “reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis.*

Section 99(ib) and s125A of the Act outline the CEO and Council’s obligation in relation to

internal audits, including consulting with the Audit Committee on the person responsible for internal audits and that reports go directly to the Audit Committee.

➤ **Risk Management Implications**

The review of risk management and internal auditing program will assist in mitigating the risk of:

*Internal control failures occur which leads to greater uncertainty in the achievement of objectives and/or negative outcomes.*

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

➤ **Financial and Resource Implications**

The review is a complimentary service from LGRS.

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

There is a high expectation that Council has appropriate corporate governance processes in place including an effective internal control environment.

➤ **Sustainability Implications**

Not applicable

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

Consultation on the development of this report was as follows:

*Council Committees:* Nil  
*Council Workshops:* “Not Applicable”  
*Advisory Groups:* “Not Applicable”  
*External Agencies:* LGRS  
*Community:* “Not Applicable”

➤ **Additional Analysis**

Nil

### 3. **OPTIONS**

The Committee has the following options:

- I. To receive and note this report (Recommended).



- II. To identify an alternative course of action.

**4. APPENDICES**

- (1) LGRS, Strategic Risk Services Placement
- (2) A 'Roadmap' for Reform
- (3) Risk Services Overview March 2024

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# **Appendix 1**

*LGRS, Strategic Risk Services Placemat*

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# Strategic Risk Services



**Contact & further information:**

**Jo Calliss**  
Strategic Risk Consulting – Team Leader  
8235 6446 – 0447 841 538  
jo.calliss@jlta.com.au

[lgrs.com.au](http://lgrs.com.au)

Any information contained within this brochure is general in nature and does not take into account your specific circumstances. You are encouraged to seek professional advice relevant to your individual circumstances.

Local Government Risk Services (LGRS) is a division of JLT Risk Solutions Pty Ltd (ABN 69 009 098 864 AFS Licence No: 226827) (JLT) and is a business of Marsh McLennan.

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**Our team of Strategic Risk Consultants are able to provide a range of services to support Local Government Mutual Liability Scheme Members in South Australia to develop, implement and review risk management systems.**

The risk maturity roadmap provides a structured approach to developing and integrating an organisation-wide risk management system. The Strategic Risk team can assist at every stage with programs that have been tailored to Local Government.

**Did you know the Local Government Act now requires Councils to manage risk?**



**Role of CEO**

S99(1)(ia) - Establish and maintain effective risk management policies, systems and procedures



**Internal control policies**

S125(3) - Promote appropriate mitigation of strategic, financial and operational risk



**Audit and Risk Committee**

S126(4)(h)/126A(4)(h) - Evaluate effectiveness of risk management policies, systems and procedures



Naracoorte Lucindale Council recently participated in an update and review of their Strategic Risks, and this was facilitated by the Strategic Risk team.

**“With a management team that had some relatively new Managers, and some with much more experience, the facilitated approach enabled a healthy blend of robust and positive discussion on our Strategic Risks, but also a greater sense of understanding and ownership of our collective approach to risk. This will place us in a much healthier position to further evolve our organisation’s risk approach.”**

Trevor Smart  
CEO, Naracoorte Lucindale Council

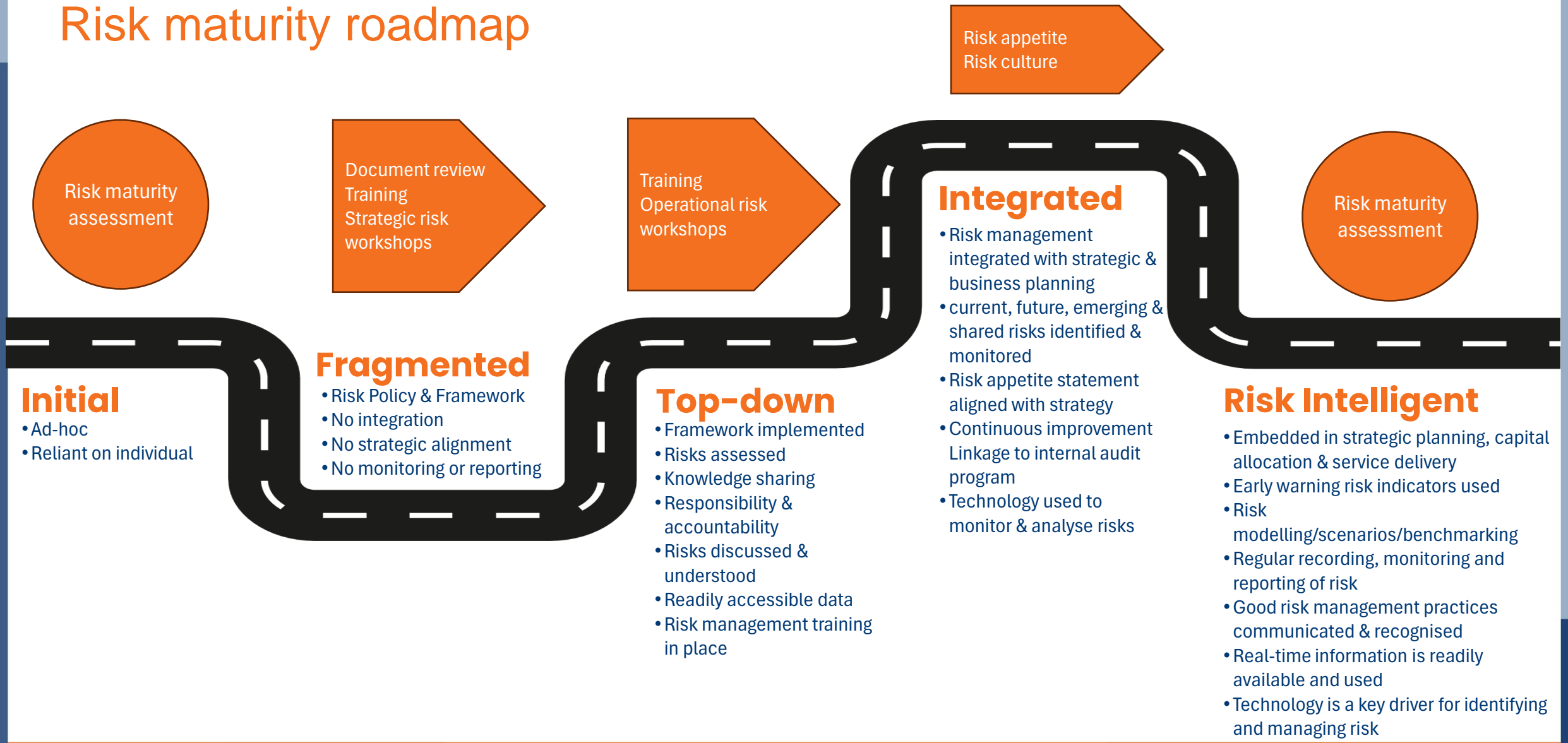
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## **Appendix 2**

*A 'Road Map' for Reform*

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# Risk maturity roadmap



## Initial

- Ad-hoc
- Reliant on individual

## Fragmented

- Risk Policy & Framework
- No integration
- No strategic alignment
- No monitoring or reporting

## Top-down

- Framework implemented
- Risks assessed
- Knowledge sharing
- Responsibility & accountability
- Risks discussed & understood
- Readily accessible data
- Risk management training in place

## Integrated

- Risk management integrated with strategic & business planning
- current, future, emerging & shared risks identified & monitored
- Risk appetite statement aligned with strategy
- Continuous improvement
- Linkage to internal audit program
- Technology used to monitor & analyse risks

## Risk Intelligent

- Embedded in strategic planning, capital allocation & service delivery
- Early warning risk indicators used
- Risk modelling/scenarios/benchmarking
- Regular recording, monitoring and reporting of risk
- Good risk management practices communicated & recognised
- Real-time information is readily available and used
- Technology is a key driver for identifying and managing risk

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## **Appendix 3**

*Risk Services Overview March 2024*

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# Strategic Risk Services

as at October 2023



Service	Description	Background & methodology
Risk management document review	We can assist Scheme Members in either development of a new, or review of an existing, risk management policy and framework to underpin development of their risk management systems.	<p><i>Methodology:</i></p> <ul style="list-style-type: none"> <li>• <i>If Member has an existing policy and/or framework, we request a copy then review &amp; provide feedback against AS ISO 31000:2018 – usually marked up within documents</i></li> <li>• <i>If Member does not have an existing policy and/or framework, we direct them to templates on the Member Centre and support them through the review process</i></li> <li>• <i>We may also facilitate a discussion with the Member’s leadership team about the risk criteria contained within the framework so that it reflects their capacity for risk</i></li> </ul>
ERM Training (Staff, Leadership Team &/or Elected Members)	Customised ERM training, based on the Scheme Member’s own risk management policy and framework.	<p><i>Methodology:</i></p> <ul style="list-style-type: none"> <li>• <i>Request Member’s current risk management policy and framework, organisation chart and Strategic Plan and customise training to reflect the organisation’s documentation and language</i></li> <li>• <i>Request Member provide a scenario that can be worked through within the training to explain how the risk management process applies in practice</i></li> <li>• <i>Liase with Member on proposed content</i></li> <li>• <i>Deliver session(s) in person or online (preference is in-person to maximise engagement)</i></li> </ul>
Strategic Risk workshops	Strategic risk workshops are aimed at identifying those “big picture” risks that are likely to impact on achievement of the organisation’s strategic objectives. Our team facilitate workshops with the leadership team and Elected Members/the Board and make a start with populating the organisation’s strategic risk register.	<p><i>Methodology</i></p> <ul style="list-style-type: none"> <li>• <i>Request Member’s current risk management framework, Strategic Plan and any existing risk register(s)</i></li> <li>• <i>Update risk register template &amp; intro presentation with Member’s risk criteria</i></li> <li>• <i>Prepare and distribute pre-workshop material and instructions</i></li> <li>• <i>Collate information received from participants, (to inform workshop content)</i></li> <li>• <i>At workshop, provide overview of LGAMLS risk register template and facilitate discussion of strategic risks and commence populating risk assessment and controls sections of register</i></li> <li>• <i>Update and deliver draft of register to Member</i></li> <li>• <i>Assist leadership team to facilitate discussion with Elected Members/Board and Audit and Risk Committee (if required)</i></li> </ul>



# Strategic Risk Services

as at October 2023



Service	Description	Background & methodology
		<ul style="list-style-type: none"> <li>• <i>Incorporate feedback from Elected Members/Board into register</i></li> <li>• <i>Provide demonstration of corporate risk register in SkyTrust (to assist with software decision making, if required)</i></li> <li>• <i>Provide assistance/support as required to help Member to continue to develop register and reporting</i></li> </ul>
Operational Risk workshops	Key to managing risks across the organisation is a functioning operational risk register. Our team facilitate a series of workshops with work groups to get them started on identifying and managing risks relating to day-to-day operations.	<p><i>Methodology</i></p> <ul style="list-style-type: none"> <li>• <i>Request Member's current risk management framework, organisation structure and any existing risk register(s)</i></li> <li>• <i>Create training content and develop participant handbooks, (customised to the Member's risk framework and structure as well as the topics to be workshopped)</i></li> <li>• <i>Send handbooks out with instructions</i></li> <li>• <i>Collate any information received from participants prior to workshop (to inform workshop content)</i></li> <li>• <i>Facilitate workshop(s) to review and/or capture risks and work through the end-to-end process with at least one or two risks</i></li> <li>• <i>Update and deliver draft version of operational risk register for Member to continue working on</i></li> <li>• <i>Provide assistance/support as required to help Member to continue to develop register</i></li> </ul>
Risk Maturity Surveys	If the Scheme Member wants to know where they are at in their risk management journey, we offer a self-assessment which can be completed by either key staff or all staff. The survey measures the degree to which risk management systems have been implemented across the organisation and	<p><i>Methodology:</i></p> <ul style="list-style-type: none"> <li>• <i>Request contact list, set up and distribute electronic survey with instructions</i></li> <li>• <i>Monitor completion rates and, when responses received, analyse outcomes of self-assessment</i></li> <li>• <i>Prepare risk maturity report and suggested actions</i></li> <li>• <i>Provide draft report to Member for comment</i></li> <li>• <i>Finalise report</i></li> </ul>

# Strategic Risk Services

as at October 2023



Service	Description	Background & methodology
	provides some direction as to what areas need more work.	
Risk Culture Surveys	Audit and Risk Committees have taken a keen interest in risk culture following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry highlighting the need for significant improvements in organisational culture and governance and that, even with well-established systems in place, there were significant failures in monitoring and enforcement of compliance. As with the risk maturity survey, this is a self-assessment that can be taken by staff across the organisation.	<p><i>Methodology:</i></p> <ul style="list-style-type: none"> <li>• <i>Request contact list, set up and distribute electronic survey with instructions</i></li> <li>• <i>Monitor completion rates and, when responses received, analyse outcomes of self-assessment</i></li> <li>• <i>Prepare risk maturity report and suggested actions</i></li> <li>• <i>Provide draft report to Member for comment</i></li> <li>• <i>Finalise report</i></li> </ul>
Risk Appetite	Risk appetite statements help Members to better understand and manage their risks by setting boundaries for risk-taking. This allows the focus to shift to managing risks that are outside the organisation's appetite, which makes better use of limited resources. Our team facilitate risk appetite workshops with the leadership team and Elected Members/the Board and helps formulate a series of risk appetite statements, each linked to the Member's risk categories.	<p><i>Methodology:</i></p> <ul style="list-style-type: none"> <li>• <i>Request Member's strategic plan and existing strategic risk register</i></li> <li>• <i>Prepare and distribute pre-reading materials to Executive/Leadership Team</i></li> <li>• <i>Training and workshop with Executive Leadership Team</i></li> <li>• <i>Draft Risk Appetite Statements and provide to Council for feedback</i></li> <li>• <i>Prepare and distribute pre-reading materials to Elected Members</i></li> <li>• <i>Consultation/feedback session with Elected Members</i></li> <li>• <i>Incorporate Elected Member feedback and issue final risk appetite statement</i></li> </ul>