



AUDIT COMMITTEE

NOTICE OF MEETING

To: **Presiding Member** Paula Davies

Members

Geoff Purdie
Peter Brass
Cr Malcolm Herrmann
Cr John Kemp

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:

Tuesday, 20 February 2018
6.00pm
63 Mt Barker Road, Stirling

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

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

Andrew Aitken
Chief Executive Officer



AUDIT COMMITTEE

AGENDA FOR MEETING
Tuesday, 20 February 2018
6.00pm
63 Mt Barker Road, Stirling

ORDER OF BUSINESS

Council Vision

Nurturing our unique place and people

Council Mission

Delivering activities and services which build a resilient community, sustain our built and natural environment and promote a vibrant economy

1. COMMENCEMENT

2. APOLOGIES/LEAVE OF ABSENCE

- 2.1. Apology
- 2.2. Leave of Absence
- 2.3. Absent

3. MINUTES OF PREVIOUS MEETINGS

- 3.1. Audit Committee Minutes – 6 November 2017

Recommendation

That the minutes of the Audit Committee meeting held on 6 November 2017, as supplied, be confirmed as an accurate record of the proceedings of that meeting.

4. DELEGATION OF AUTHORITY

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

5. DECLARATION OF INTEREST BY MEMBERS OF THE COMMITTEE

6. OFFICER REPORTS

- 6.1. Action Report and 2018 Work Plan Update
- 6.2. Community Loans Policy
- 6.3. Long Term Financial Plan Review
- 6.4. Budget Review 1
- 6.5. Budget Review 2
- 6.6. ICT & IS Strategic Plan 2017-2020
- 6.7. Risk Management Update
- 6.8. Internal Audit Quarterly Update
- 6.9. Quarterly Debtors Report
- 6.10. Internal Audit Actions Implementation
- 6.11. Implementation of External Audit Actions Progress Report

7. CONFIDENTIAL ITEMS

- 7.1. Internal Audit Actions Implementation
- 7.2. External Audit Services Contract

8. NEXT MEETING

The next Audit Committee meeting will be held on 30 April 2018 at 26 Onkaparinga Valley Road, Woodside.

9. CLOSE MEETING

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING 6 NOVEMBER 2017
63 MT BARKER ROAD, STIRLING**

Presiding Member: Paula Davies

Members:

Peter Robertson
Peter Brass
Cr Malcolm Herrmann
Cr John Kemp

In attendance:

Andrew Aitken	Chief Executive Officer
Terry Crackett	Director Corporate Services
Peter Bice	Director Engineering & Assets
David Waters	Director Community & Customer Services
Lachlan Miller	Executive Manager Governance & Performance
Mike Carey	Manager Financial Services
Kylie Hopkins	Minute Secretary

1. Commencement

The meeting commenced at 6.01pm.

2. Apologies/Leave of Absence

2.1. Apology

Nil

2.2. Leave of Absence

Nil

2.3. Absent

Nil

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING 6 NOVEMBER 2017
63 MT BARKER ROAD, STIRLING**

3. Previous Minutes

3.1. Audit Committee Meeting– 9 October 2017

Moved Cr Malcolm Herrmann
S/- Peter Robertson

AC44/17

That the minutes of the Audit Committee meeting held on 9 October 2017, as distributed, be confirmed as an accurate record of the proceedings of that meeting.

Carried

4. Delegation of Authority

In accordance with the Audit Committee Terms of Reference, the Committee has no delegated decision-making powers. The Recommendations in Items 6.2 & 6.3 are to be submitted to Council for adoption.

5. Declaration of Interest by Members of the Committee

Peter Brass advised that BDO are the auditors of his organisation but does not have a Conflict of Interest for the purposes of the *Local Government Act 1999*.

6. Officer Reports

6.1. Action Report, 2017 Work Plan Update and Adoption of 2018 Work Plan

Moved Peter Brass
S/- Cr John Kemp

AC45/17

The Audit Committee resolves that the:

1. Report be received and noted
2. Status of the Action Report and Work Plan be noted
3. 2018 Work Plan be adopted

Carried

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING 6 NOVEMBER 2017
63 MT BARKER ROAD, STIRLING**

6.2. 2016-17 Draft Annual Report

Moved Cr John Kemp
S/- Peter Robertson

AC46/17

The Audit Committee resolves that the:

1. Report be received and noted.
2. Draft 2016-17 Annual Report, as contained in Appendix 1, be endorsed – recognising the need for further editing and formatting of the final document.

Carried

Items 6.6. 'Internal Audit Quarterly Update' and 6.11. '2016-17 End of Year Financial Report and Carry Forwards' were brought forward to this point of the meeting.

6.6. Internal Audit Quarterly Update

Moved Peter Robertson
S/- Cr John Kemp

AC47/17

The Audit Committee resolves:

1. That the report be received and noted.
2. That the recommendations contained with the Major Projects Review (Montacute Road Reconstruction) be noted.
3. The implementation status of Internal Audit actions be noted.

Carried

6.11. 2016-17 End of Year Financial Report and Carry Forwards

Moved Cr John Kemp
S/- Peter Robertson

AC48/17

The Audit Committee resolves:

1. That the report be received and noted
2. To note the Audited 2016-17 Financial Results compared to Budget contained within this report
3. To note the proposed 2016-17 Capital Works carry forward amounts totalling \$3.321m and proposed budget increases to those Carry Forward Projects of \$414k, as detailed in Appendix 5, for inclusion in the revised 2017-18 Budget

Carried

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING 6 NOVEMBER 2017
63 MT BARKER ROAD, STIRLING**

6.3. Policy Reviews

**Moved Peter Brass
S/- Peter Robertson**

AC49/17

The Audit Committee resolves:

- 1. That the report be received and noted**
- 2. That the draft Debt Recovery Policy in Appendix 1 be recommended to Council for adoption, with minor amendment to provide clarity around application for 'Hardship'.**
- 3. To recommend to Council that the Account Reconciliation Policy in Appendix 2 be revoked and be incorporated into Council's financial control procedures.**

Carried

6.4. Internal Financial Controls Update

6.54pm Councillor John Kemp left the meeting.

**Moved Cr Malcolm Herrmann
S/- Peter Robertson**

AC50/17

The Audit Committee resolves:

- 1. That the report be received and noted.**
- 2. To note that the External Auditor has since issued an unqualified opinion in relation to internal controls.**

Carried

6.5. Risk Management Update

6.57pm Councillor John Kemp returned to the meeting.

**Moved Peter Brass
S/- Peter Robertson**

AC51/17

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

Carried

6.6. Internal Audit Quarterly Update

Item 6.6 was discussed at an earlier point of the meeting.

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING 6 NOVEMBER 2017
63 MT BARKER ROAD, STIRLING**

6.7. 2016-17 Final Audit Completion Report

Moved Cr John Kemp
S/- Peter Brass

AC52/17

The Audit Committee resolves that the 2016-17 final Audit Completion Report received from BDO be noted.

Carried

6.8. Audit Committee Self-Assessment

Moved Peter Brass
S/- Peter Robertson

AC53/17

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

Carried

6.9. Quarterly Debtors Report

Moved Peter Brass
S/- Cr John Kemp

AC54/17

The Audit Committee resolves that:

1. The report be received and noted
2. Future reports are to include information on the potential for pre-payment of debtor accounts and ageing of the rate debtors.

Carried

6.10. Investigation into Petty Cash Theft

Moved Peter Brass
S/- Cr John Kemp

AC55/17

The Audit Committee resolves:

1. That the report be received and noted
2. To note the changes to the control environment that is currently being implemented.

Carried

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING 6 NOVEMBER 2017
63 MT BARKER ROAD, STIRLING**

6.11. 2016-17 End of Year Financial Report and Carry Forwards

Item 6.11 was discussed at an earlier point of the meeting.

6.12. 2018 Audit Committee Meeting Dates

Moved Peter Brass

AC56/17

S/- Cr Malcolm Herrmann

The Audit Committee resolves:

1. That the report be received and noted.
2. To approve the Audit Committee meeting schedule, timings and locations for 2018 as follows:

Commencement	6.00pm
Meeting Dates and Locations	5 February 2018, 63 Mt Barker Road, Stirling
	30 April 2018, 26 Onkaparinga Valley Road, Woodside
	13 August 2018, 63 Mt Barker Road, Stirling
	8 October 2018, 63 Mt Barker Road, Stirling
	5 November 2018, 63 Mt Barker Road, Stirling

Carried

7. Other Business

7.1. Chairpersons Report

Moved Peter Brass

AC57/17

S/- Cr John Kemp

The Audit Committee resolves that the Report be:

1. Received and noted
2. Appended to the Audit Committee minutes

Carried

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING 6 NOVEMBER 2017
63 MT BARKER ROAD, STIRLING**

8. Confidential Items

8.1. Internal Audit Actions Implementation – Exclusion of the Public

Moved Peter Brass
S/- Peter Robertson

AC58/17

Pursuant to section 90(2) of the *Local Government Act 1999* the Audit Committee (the Committee) orders that all members of the public, except:

- Director Corporate Services, Terry Crackett
- Executive Manager Governance & Performance, Lachlan Miller
- Manager Financial Services, Mike Carey
- Minutes Secretary, Kylie Hopkins

be excluded from attendance at the meeting for Agenda Item 8.1 Internal Audit Actions Implementation in confidence.

The Committee is satisfied that it is necessary that the public, with the exception of Council staff in attendance as specified above, be excluded to enable the Committee to consider the report at the meeting on the following grounds:

Section 90(3)(e) of the *Local Government Act 1999*, the information to be received, discussed or considered in relation to this Agenda Item is matters affecting the security of the council, council members or employees of the council, or council property, or the safety of any person; the disclosure of which could reasonably be expected to result in vulnerabilities to council's information and communication technology being breached and the security of council property and the safety of council employees and members of the public may be impacted.

Accordingly, on this basis the principle that meetings of the Committee should be conducted in a place open to the public has been outweighed by the need to keep the information and discussion confidential.

Carried

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING 6 NOVEMBER 2017
63 MT BARKER ROAD, STIRLING**

8.1.1. Internal Audit Actions Implementation – Confidential Item

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING 6 NOVEMBER 2017
63 MT BARKER ROAD, STIRLING**

8.1.2. Internal Audit Actions Implementation – Period of Confidentiality

**Moved Peter Brass
S/- Peter Robertson**

AC60/17

Subject to the CEO, or his delegate, disclosing information or any document (in whole or in part) for the purpose of implementing the Committee decision(s) in this matter in the performance of the duties and responsibilities of office, the Committee, having considered Agenda Item 8.1 in confidence under sections 90(2) and 90(3)(e) of the Local Government Act 1999, that an order be made under the provisions of sections 91(7) and (9) of the Local Government Act 1999 that the report, related attachments and the minutes of the Committee and the discussion and considerations of the subject matter be retained in confidence until the Internal Audit actions have been addressed.

Pursuant to section 91(9)(c) of the *Local Government Act 1999*, the Audit Committee delegates the power to revoke the confidentiality order either partially or in full to the Chief Executive Officer.

Carried

9. Next Meeting

The next ordinary meeting of the Audit Committee will be held at 6.00pm on Monday, 5 February 2018 , at 63 Mount Barker Road, Stirling.

The Chair advised the Audit Committee that Peter Robertson has indicated he would like to step down from the Committee. The Chair acknowledged the contribution that Peter has given to the Audit Committee and thanked him for his service.

10. Close Meeting

The meeting closed at 7.45pm

Appendix 1

Chairpersons Report

REPORT TO THE ADELAIDE HILLS COUNCIL ON THE OPERATIONS OF THE AUDIT COMMITTEE DURING 2017

INTRODUCTION

As outlined in Clause 4.2 of the Terms of Reference for the Audit Committee, the Presiding Member will attend a meeting of the Council at least once per annum to present a report on the activities of the Committee. This report provides an overview of the Adelaide Hills Council's Audit Committee operations for the 2017 calendar year.

This report includes:

- A summary of the work the Committee performed during the year aligned to the Committee's Terms of Reference;
- Details of meetings, including the number of meetings held during the period, and the number of meetings attended by each member; and
- Advising the future work scheduled for 2018.

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

SUMMARY OF WORK PERFORMED AGAINST THE TERMS OF REFERENCE

For 2017 the Audit Committee had established a robust framework for the provision of information to meet the objectives established within the Terms of Reference. As a consequence some 47 reports were considered by the Committee for consideration, and where appropriate, recommendations subsequently provided to Council.

The following sections of this report provide a brief summary of the work undertaken by key objective.

Financial Reporting and Prudential Requirements

A review of the Long Term Financial Plan (LTFP) was undertaken during February prior to consideration of the draft Annual Business Plan and Budget. Emphasis of the Committee was on the assumptions that had been used in the development of the Plan and alignment against previous versions that had been reviewed.

Consideration of the draft Annual Business Plan and Budget noted that the targets that had been established within the LTFP were met for operating income and expenditure as well as the capital program. The achievement of these targets provided a level of assurance around the ongoing financial sustainability of the Council.

Throughout the year the Committee assessed each quarterly budget review and sought clarification where required. There were no areas of concern for the Committee in relation to these reviews.

At the 9 October 2017 meeting the Committee had a robust discussion around the draft Annual Financial Statements that had been presented. The review provided assurance that not only had the requirement of the *Local Government Act 1999* had been met, but that the result achieved aligned closely to the forecast projected by Council for the year after accounting for the impacts of the 2016 flood events and the timing of receipt of Financial Assistance Grant Funding. The Committee proposed a number of minor amendments to the Statements that were subsequently incorporated by the administration.

At the time of writing this report it was expected that Council would receive an unqualified Audit Opinion.

Internal Controls and Risk Management Systems

Internal Controls

From the start of the 2015-16 financial year, Adelaide Hills Council has had additional obligations regarding the development and maintenance of a system of internal financial controls, consistent with the requirements of the *Local Government (Financial Management) Regulations 2011*. This has required Council's external auditors, BDO, to provide an opinion on internal controls in accordance with s129(3)(b) of the Act. These obligations are extensive and as such the Committee had sought regular updates on the status of works leading up to and throughout the 2016/17 financial year.

As previously reported monitoring against the key risks and controls has been generated from a system called 'Control Track'. This system tracks 192 recognised 'core' controls and the agreed treatment plans by responsible officers.

Whilst a final Audit Opinion was yet to be received at the time of writing this report, BDO have advised within their draft Completion Report that they anticipate issuing unqualified opinions on both the financial statements and internal controls.

Risk Management

Throughout the year the Audit Committee has reviewed updates on the organisation's strategic risks and agreed actions. Whilst the Committee is comfortable with the progress being made in oversight of risk, there is a need for improved reporting of the risk profile of Council to ensure both operational and strategic risks have appropriate controls and mitigation strategies in place.

The Committee was provided with a demonstration of a new risk management system that council is participating in piloting. Whilst it was originally anticipated that this system would be fully implement during 2017 this has not yet been possible given resourcing requirement needed. It is expected that full implementation of this system will be undertaken during early 2018 and will provide significant benefits to Council once this is achieved.

The Committee also reviewed responses to the LGA MLS self-assessment questionnaire which is designed to monitor council's business risk profile and measure ongoing business improvement as well as provide a comparison with other Councils within the Region and sector.

Debtors

Quarterly reporting on the level of outstanding debtors was commenced in late 2016 and continued throughout 2017 to provide additional focus on this key area of control. The Committee has been pleased to note the ongoing improvement in the level of debtors outstanding and is looking forward to seeing this improve further over the next 12 months.

New and Review Policies

In addition to a new policy that was developed to support the receipt of external grant funds, during the year the Committee reviewed the following key policies and provided input where appropriate:

- Treasury
- Fraud and Corruption Prevention
- Internal Audit
- Risk Management
- Prudential Management
- Asset Management

Whistleblowing

A review of the Whistleblower's Policy was last undertaken in February 2016 with only minor edits made to the Policy. The next review of this Policy is scheduled for 2019.

Internal Audit

The Committee has established a program of internal audits that has been developed to recognise key areas of risk. Individual audits undertaken are reported to the Committee, at which time the Committee has been providing an opinion on the responses to recommendations that have been prepared by staff. The program is also monitored quarterly to ensure that appropriate actions are being undertaken.

During the current year progression of new audits has been limited given the need for additional resources being required within the Risk and Performance Department and impacts of the extended Elector Representation Review. The 2017/18 Budget has now provided for additional resourcing to support the Internal Audit process and as such it is expected that the program that has been established will be progressed over the months ahead.

External Audit

The Audit Committee met with Council's External Auditors, BDO, in the absence of management at the 9 October 2017 meeting. The auditors advised that the financial management and reporting of council activities was of a very good standard. This allowed for the external audit to be completed within the scheduled timetable and supporting documentation was readily available. The audit completion report highlighted some key accounting and audit matters including some internal control deficiencies that were adequately addressed by management. These will be reviewed by external audit during the following years audit to ensure all items have been appropriately actioned.

The Committee also assessed the External Auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services. The Committee is satisfied that for the 2016/17 financial year, there were no relationships between the External Auditor and the Council that compromise audit independence, and this was also confirmed in writing by the external auditor.

Economy and Efficiency Audits

The Committee has reviewed biannual reports from the Service Improvement Benefits Realisation work that is being undertaken by Council. Recognising that Council's LTFP has included efficiency gains in order to offset rising costs, the Committee sees progression of this Plan as important in ensuring ongoing value in service provision is achieved.

The most recent improvement report reviewed identified the achievement in 2016-17 of \$136,351 in net recurrent savings realised through Breakthrough Projects. A range of continuous improvement initiatives were also undertaken resulting in reduced inefficiency and greater productivity.

The Committee was pleased to note that Adelaide Hills Council has now recently signed on to be one of the first group of South Australian Councils to be involved in the Australasian LG Performance Excellence Program. This program was developed by Local Government Professionals Australia (NSW) in collaboration with PwC and is an industry-developed performance management tool that is designed to assist us to better communicate, control and manage our council's performance. It is intended to provide deeper insights into relevant areas of council internal business operations and therefore enable us to be better informed with the best quality comparative information possible.

DETAILS OF MEETINGS

During 2017, a total of five (5) Audit Committee meetings were held being:

- 13 February 2017
- 8 May 2017
- 14 August 2017
- 9 October 2017
- 6 November 2017

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

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

Name	Attendance	Comments
Paula Davies	5/5	Presiding Member
Peter Brass	5/5	
Peter Robertson	4/5	Apology for 14 August meeting
Cr Malcolm Herrmann	5/5	Note: 6 November 2017 anticipated by remote dial in as now provided for within the revised Terms of Reference for the Committee.
Cr John Kemp	5/5	

FUTURE WORK PROGRAM PROPOSAL

At the 6 November 2017 meeting of the Committee a work plan for 2018 was established. This work plan will ensure that the Committee continues to undertake its principal functions as set out in Section 126(4) of the *Local Government Act 1999* which include:

- reviewing annual financial statements to ensure that they present fairly the state of affairs of the Council;
- proposing, and providing information relevant to, a review of the Council's strategic management plans or annual business plan; and
- Liaising with the Council's auditor.

CONCLUSION

The body of work undertaken by the Committee is continuing to develop over time and the Committee is striving to ensure that its work is useful in the context of contributing to Adelaide Hills Council strategic objectives. The Committee has also completed a self-assessment of its own performance for continuous improvement and invites Council's feedback on the opportunities for continuing development of the Committee's operations.

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

Paula Davies

Presiding Member

Adelaide Hills Council Audit Committee

6 November 2017

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Tuesday 20 February 2018
AGENDA BUSINESS ITEM**

Item: 6.1

Originating Officer: Lachlan Miller, Executive Manager Governance & Performance

Responsible Director: Terry Crackett, Director Corporate Services

Subject: Action Report and 2018 Work Plan Update

For: Decision

SUMMARY

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

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

At its meeting on 6 November 2017, the Committee considered and adopted a Work Plan for 2018.

RECOMMENDATION

The Audit Committee resolves that the:

- 1. Report be received and noted**
 - 2. Status of the Action Report and Work Plan be noted**
-

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal	Organisational Sustainability
Strategy	Governance

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

➤ **Legal Implications**

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

➤ **Risk Management Implications**

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

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

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

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

➤ **Financial and Resource Implications**

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

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

Not applicable.

➤ **Environmental Implications**

Not applicable.

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

Consultation has occurred internally with Action and Work Plan responsible officers.

<i>Council Committees:</i>	Not Applicable
<i>Advisory Groups:</i>	Not Applicable
<i>Administration:</i>	Terry Crackett, Director Corporate Services David Waters, Director Customer & Community Services Lachlan Miller, Executive Manager Governance & Performance Mike Carey, Manager Financial Services James Sinden, Manager ICT
<i>Community:</i>	Not Applicable

2. BACKGROUND

Action Report

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

Work Plan

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

A Work Plan has been developed to assist the Committee members and staff in scheduling discussion and reports to ensure appropriate coverage of the functions over the 12 month period.

The Audit Committee adopted a Work Plan for 2018 at its 6 November 2017 meeting.

6.1. → Action Report, 2017 Work Plan Update and Adoption of 2018 Work Plan

Moved Peter Brass	AC45/17
S/- Cr John Kemp	
The Audit Committee resolves that the:	
1. → Report be received and noted	
2. → Status of the Action Report and Work Plan be noted	
3. → 2018 Work Plan be adopted	
	Carried

3. ANALYSIS

Action Report

There are two outstanding items on the Audit Committee Action Report (**Appendix 1**) which relate to the confidentially order applied to two confidential reports. These items remain confidential and therefore both actions remain 'in progress'.

Work Plan

As per the 2018 Audit Committee Work Plan (**Appendix 2**), the following items are scheduled for the February (this) meeting:

Item	Commentary
Long Term Financial Plan Update	Refer Item 6.3
Budget Review 1	Refer Item 6.4
Budget Review 2	Refer Item 6.5
Risk Management Update	Refer Item 6.7
Internal Audit Quarterly Update	Refer Item 6.8
Debtors Report	Refer Item 6.9
Internal Audit Actions Implementation	Refer Item 6.10 & 7.1
Implementation of External Audit Actions Progress Report	Refer Item 6.11
External Audit Plan review	'Appointment of the External Auditor Contract' report is being presented to the Audit Committee at this meeting
Meeting attendance by external auditors	To be discussed at the meeting
Implementation of LGA Risk Management Review Action Plan	The Risk and WHS Evaluation Report (and agreed action plan) will be reported at the May 2018 meeting.
Service Improvement Benefits Realisation Report	To be discussed at the meeting
Audit Committee Terms of Reference	The TOR were reviewed and adopted by Council in August 2017 following feedback from the Audit Committee.

In addition to the above reports the following reports have been included on the Agenda for consideration by the Committee:

- Community Loans Policy (Item 6.2),
- ICT & IS Strategic Plan 2017 – 2020 (Item 6.6), and
- Appointment of the External Auditor (Confidential Item 7.2)

4. OPTIONS

The Committee has the following options:

- I. To note the status of the Action Report and Work Plan as presented.
- II. To alter or substitute elements of the Action Report and/or Work Plan/s.

5. APPENDICES

- (1) Audit Committee Action Report
- (2) 2018 Audit Committee Work Plan

Appendix 1

Audit Committee Action Report

Meeting Date	Res No.	Item Name	Action Required (Council Resolution)	Responsible Director	Responsible Officer	Status	Date of Update	Est. Completion	Comments
13/02/2017	AC16/17	ICT Security Risk Assessment Action Implementation Update - Period of Confidentiality	That the report, related attachments, the minutes of Committee and the discussion of the subject matter be retained in confidence until ICT Security Risk Assessment actions have been addressed	Terry Crackett	James Sinden	In Progress	2/02/2018	30/04/2018	Retain in confidence until additional security measures are undertaken. Work continues to progress with activities to close out recommendations from the assessment. Confidentiality period extended on 12/12/17 to remain confidential until 06/11/2018.
6/11/2017	AC60/17	Internal Audit Actions Implementation - Period of Confidentiality	That the report, related attachments, the minutes of Committee and the discussion of the subject matter be retained in confidence until the Internal Audit Actions have been addressed.	Terry Crackett	James Sinden	In Progress	2/02/2018	30/04/2018	Retain in confidence until additional security measures are undertaken. Work continues to progress with activities to close out recommendations from the assessment.

Appendix 2

2018 Audit Committee Work Plan

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE

2018 Work Plan and Reporting Schedule

Terms of Reference		
Financial Reporting	Long term financial plan forecast economic indicators	Annual
	Draft Annual Business Plan	Annual
	Budget Review 1	Annual
	Budget Review 2	Annual
	Budget Review 3	Annual
	Budget Review 4 (s10)	Annual
	End of financial year reporting timetable	Annual
	End of financial year update	Annual
	Final Annual Financial Statements (incl management representation letter)	Annual
	Draft Annual Report	Annual
Internal Control and Risk Management	Placement of Council's insurance portfolio (for noting)	Annual
	Internal Financial Controls update	Bi-annual
	Risk Management Plan update	Quarterly
	Results of LGA Risk Management Review	Annual
	Implementation of LGA Risk Management Review Action Plan	Bi-annual
Internal Audit	Internal Audit quarterly update	Quarterly
	Internal audit reports	As required
	Implementation of internal audit actions progress report	Bi-annual
	Internal Audit Plan review	Annual
External Audit	External audit interim letter	Biannual
	Implementation of external audit actions progress report	Bi-annual
	External Audit Plan review	Annual
	Meeting attendance by external auditors	Annual
	Review of auditor independence and legislative compliance	Annual
	Balance date audit management letter (Completion Report)	Annual
Whistleblowing	Whistleblowers Policy review	Triennial
Other Business	Audit Committee self assessment review	Annual
	Whistleblowers protection procedure review	Biennial
	Chairperson's report	Annual
	Work Plan and Reporting Schedule	Annual
	Audit Committee Meeting Dates	Annual
	Service Improvement Benefits Realisation Report	Bi-annual
	Debtors Report	Quarterly
	Terms of Reference	Annual

2018				
Feb	May	Aug	Oct	Nov
2017				

	verbal	letter		
			in camera	
			draft	final

next review 2019				
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	N/A			

Version Control: v1.0 - approved by Audit Committee - 06/11/2017

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Tuesday 20 February 2018**

Item: 6.2

Originating Officer: Terry Crackett, Director Corporate Services

Responsible Director: Terry Crackett, Director Corporate Services

Subject: Community Loans Policy

For: Decision

SUMMARY

Council has recently received requests from two separate community groups seeking to borrow funds to enable improvements to their facilities. Whilst such requests have been limited in recent times, there have been a number of occasions in the past where loan funds have been sought from Council to enable projects to proceed.

In order to ensure future requests are assessed within a strategic context this report provides a draft Community Loans Policy (**Appendix 1**) and recommends endorsement prior to consideration by Council on 27 February 2018.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the report be received and noted**
 - 2. That the Community Loans Policy as provided at Appendix 1 be endorsed for consideration by Council.**
-

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal 5	Organisational Sustainability
Strategy 5.3	Financial Sustainability

➤ **Legal Implications**

The *Local Government Act 1999 Section 139* precludes council from making investments into businesses or operations of a business for profit nature, and consequently Council will only consider applications that support the community at large. Council is also not in the business of providing financial security to third parties through the lending of finances, nor is it a registered financial institution.

➤ **Risk Management Implications**

The development of Policy and Procedures to guide the provision of loans to Community groups will assist in mitigating the risk that:

Loans are provided to Community Groups in an inconsistent manner without consideration of either the strategic context or associated financial risks.

Inherent Risk	Residual Risk	Target Risk
High (3B)	Medium (3D)	Medium (2C)

The draft Community Loans Policy will ensure any loans approved will consider the strategic context for the loans as well as potential financial obligations. If endorsed the Policy will be supported by procedures that will include a robust application process to minimise potential default on agreed repayments.

It is however important to note that whilst Council has staff that are competent finance managers, these staff are generally not experienced in the assessment of credit worthiness. As such there is an increased risk associated with lending over that of the finance sector.

It should also be recognised that the ability to undertake legal processes to recover from community groups that default on the payment of loans can be challenging given potential community implications.

➤ **Financial and Resource Implications**

There are no immediate financial implications associated with the development of a Community Loans Policy.

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

Not applicable.

➤ **Environmental Implications**

Not applicable.

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

Council Committees: A workshop of Council was held on 30 January 2018 where key issues associated with the development of a Community Loans Policy were discussed.

Advisory Groups: Not Applicable.

Administration: The Executive Leadership Team have reviewed the draft Policy and endorses for consideration by Council.

Community: If the draft Policy is endorsed by Council community consultation will be undertaken prior to the adoption of the final Policy.

2. BACKGROUND

Council has recently received requests from two separate community groups seeking to borrow funds to enable improvements to their facilities. These requests relate to the following:

- Uraidla Bowling Club seeking \$150k to support the installation of synthetic bowling greens.
- Mt Torrens Centenary Park seeking approx. \$10-15k to support drainage works around the oval.

Note: Since making application to Council the Uraidla Bowling Club has been advised it was successful in the recent grant program from Recreation and Sport and as such no longer require funds from Council.

Whilst such requests have been limited in recent times, there have been a number of occasions in the past where loan funds have been sought from Council to enable projects to proceed.

These requests have traditionally been approved to enable improvements to proceed that would otherwise not have. Whilst it has not been possible to locate a formal position of Council in relation to the lending of funds, the following extract from the Council minutes for the meeting held on 23 October 2001 would indicate past endorsement.

<p>16.2.5 Community Recreation and Sporting Facilities Program Grants 1/05/020 1. That the Finance and Policy Committee agrees in principle to making available to community groups, loan funds for the purpose of improving sport and recreation facilities in the district, providing they are able to support the full repayment of the debt including interest.</p>
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The most recent loan was made in 2015 and at present there are four loans outstanding with a total residual amount owing of approximately \$130k.

Prior to the development of a draft Community Loans Policy a workshop of Council was held on 30 January 2018 to discuss the potential risks and opportunities, at which time it was proposed that a formal policy position be provided to Council for consideration.

This report provides a draft Community Loans Policy (**Appendix 1**) and recommends adoption subject to community consultation.

3. ANALYSIS

Following receipt of two requests for loan funds as identified above, the administration has undertaken a review of the practices of other Councils to ascertain if such a position is common practice. This review has confirmed that a number of Councils have existing policy positions in place that support lending in certain circumstances.

The draft Community Loans Policy included as **Appendix 1** has been developed taking into account feedback provided by Council at the workshop as well as relevant elements included in the policies developed by other Councils.

The following points highlight key elements that have been captured within the draft Policy:

- The objective of the policy is to provide a loan funding mechanism to support projects that have community benefit.
- The offering of loans to community groups will only be considered as a last resort, once all other funding options have been fully exhausted and compliance with the requirements of the policy have been met. These other funding options include:
 - Government grants
 - Sponsorship
 - Fundraising
 - Application for credit from a lending institution.
- The minimum value of an individual loan will be set at \$10,000 to ensure the cost of administering do not outweigh the benefits achieved through facilitating the loan.
- The community group will provide a minimum contribution of 25% of the capital cost of the project excluding government grants and other external funding. This contribution can be through the provision of in-kind support in the delivery of the project.
- No requirement has been included to state that the asset is on Council land.
- Loans must predominantly be used for capital improvements and the construction and/or acquisition of capital assets with the repayment period not exceeding the life of the asset.
- The community group must clearly demonstrate that it has the capacity to repay the loan funds to Council without the need for a 'balloon' payment at the end of the loan period.
- The application must provide evidence that the loan has been approved by a majority of the Community Group's members (i.e. minutes of a committee meeting to show evidence of consultation with all members).
- Should Council agree to provide a loan or act as guarantor, any terms and conditions must be specified in an agreement between Council and the relevant party that is executed under Council's seal.
- The community group will be responsible for interest and principal repayments with the interest rate applied to loans based on market rates applicable to community groups at the time and not the rate that Council is able to borrow at.

Following consideration by the Audit Committee a report will be presented to Council on 27 February 2018. This report will also make a recommendation in relation to lending funds to Torrens Valley Centenary Park based on draft Policy, but prior to community consultation given time constraints that have been advised.

It should also be noted that at this time further investigation are still required to ensure there are no potential requirements associated with competitive neutrality. This investigation would be undertaken during the consultation process should Council endorse the draft Policy.

4. OPTIONS

The Committee has the following options:

- I. Endorse the draft Policy, with any proposed amendments, for consideration by Council (Recommended)
- II. Not endorse the draft Policy (Not Recommended)

5. APPENDICES

- (1) Draft Community Loans Policy

Appendix 1

Draft Community Loans Policy

COUNCIL POLICY

 Adelaide Hills COUNCIL	COMMUNITY LOANS
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Policy Number:	FIN-06
Responsible Department(s):	Financial Services
Other Relevant Policies:	None
Relevant Procedure(s):	None
Relevant Legislation:	<i>Local Government Act 1999.</i>
Policies and Procedures Superseded by this policy on its Adoption:	None
Adoption Authority:	Council
Date of Adoption:	<i>To be entered administratively</i>
Effective From:	<i>To be entered administratively</i>
Minute Reference for Adoption:	<i>To be entered administratively</i>
Next Review:	No later than February 2020 or as required by legislation or changed circumstances

COMMUNITY LOANS POLICY

1. INTRODUCTION

Adelaide Hills Council values and recognises the role of community and sporting groups within the Council area and endeavours to support them in a variety of ways. The objective of this policy is to provide a loan funding mechanism to support projects that have community benefit.

2. POLICY OBJECTIVES

This policy provides a framework for Council to:

- consider requests from community groups including sporting clubs, seeking assistance by way of direct loan, and
- ensures that medium to longer term objectives of the *Long Term Financial Plan* are not compromised.

3. DEFINITIONS

“Incorporated community group” is a group that is formally incorporated under relevant state or national legislation.

“Community Loans” are support loans made by Council to community groups and sporting organisations to self fund infrastructure projects.

4. POLICY

4.1 PRINCIPLES

Council is not in the business of providing financial security to third parties through the lending of finances, nor is it a registered financial institution. The *Local Government Act 1999 Section 139* also precludes council from making investments into businesses or operations of a business for profit nature, and consequently Council will only consider applications that support the community at large.

The offering of loans or loan guarantees to community groups will only be considered as a last resort, once all other funding options have been fully exhausted and compliance with the requirements of the policy have been met. These other funding options include:

- Government grants
- Sponsorship
- Fundraising
- Application for credit from a lending institution.

Supporting evidence will be required to show that all other funding options have been fully exhausted.

The minimum value of an individual loan will be set at \$10,000 and Council will allocate loans/loan guarantees to a combined maximum value of \$1 million at any one time to ensure the financial sustainability of Council's financial position can be managed appropriately.

Council may agree to:

- Act as guarantor for the organisation
- Borrow funds from the Local Government Finance Authority (LGFA) on behalf of the organisation
- Loan funds from existing Council cash reserves with interest applicable.

4.2 CRITERIA

Adelaide Hills Council will consider providing support to community groups based on the following criteria:

- The proposed project must be supported by Council's Strategic Management Plan or supporting strategies
- The project must have demonstrated community benefit
- Applications will only be considered by groups who are resident in the Adelaide Hills Council district or provide a significant benefit to the Adelaide Hills Council community
- Loans will predominantly be used for capital improvements and the construction and/or acquisition of capital assets
- Requests associated with meeting ongoing salary, rent, day to day operating costs or commercial undertakings will not be considered
- The repayment period should not exceed, the life of the asset or the term of the existing lease agreement and will generally not be greater than 10 years
- The community group will provide a minimum contribution of 25% of the capital cost of the project excluding government grants and other external funding. This contribution can be through the provision of in-kind support in the delivery of the project.
- The community group must be a 'not for profit' organisation and have an incorporated status.
- Demonstrate that suitably qualified and experienced people are involved in the proposal to ensure compliance with all WHS requirements
- The community group will be responsible for interest and principal repayments.
- The interest rate applied to loans would be based on market rates applicable to community groups at the time and not the rate that Council is able to borrow at.
- The community group must clearly demonstrate that it has the capacity to repay the loan funds to Council, this will include the provision of:
 - Audited financial statements for the two (2) prior years
 - An independently prepared business plan for the term of the loan including detailed income and expenditure forecasts
 - Forecast repayment schedule for the term of the loan
 - Additional fundraising and income generating activities.
- All capital projects must be consistent with any Masterplan that has been developed for the site
- The application must provide evidence that the loan has been approved by a majority of the Community Group's members (i.e. minutes of a committee meeting).

4.3 CONDITIONS OF APPLICATION AND OFFER

- Only one active loan per community or sporting group will be considered, preference may be given to community groups who haven't had a loan previously.
- Applications must be received on the prescribed application form which is available for download from Council's website.
- Loans will not be approved retrospectively.
- Each application will be decided on its merit and in accordance with the general eligibility criteria outlined in this policy.
- Should Council agree to provide a loan or act as guarantor, any terms and conditions must be specified in an agreement between Council and the relevant party that is executed under Council's seal
- An annual administration fee will be applicable as set out in the Fees and Charges Schedule.
- The applicant must be willing to pay all legal costs associated with establishing the loan and drafting the loan agreement including mortgage registration costs if applicable.

4.4 REPORTING

At least once a year the Audit Committee shall receive a specific report regarding the level of outstanding Community Loans relative to this policy document.

This report shall highlight:

- For each entity - the quantum of funds, its interest rate and maturity date, and changes in the quantum since the previous report, and
- Full details and explanation of any instances of deviation from this policy during the year.

5. DELEGATION

Section 44 Part 1c of the Act provides that a council must approve all loans and clearly states that the power to borrow money cannot be delegated from the Council itself and as such each request received for a loan would go to Council for approval.

The Chief Executive Officer has the delegation to:

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

6. AVAILABILITY OF THE POLICY

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

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Tuesday 20 February 2018
AGENDA BUSINESS ITEM**

Item: 6.3

Originating Officer: Mike Carey, Manager Financial Services

Responsible Director: Terry Crackett, Director Corporate Services

Subject: Long Term Financial Plan Review

For: Information

SUMMARY

Prior to commencement of the budget process each year a review of the Long Term Financial Plan (LTFP) is undertaken. This review ensures that the LTFP is updated to reflect movements in key economic indicators as well as any revised strategies or plans considered by Council.

The LTFP was last considered by the Audit Committee on 13 February 2017 and was ultimately endorsed for public consultation by Council prior to the budget setting process in 2017.

The LTFP will be submitted to Council for consideration on 27 February 2018 prior to community consultation being undertaken.

RECOMMENDATION

The Audit Committee:

- 1. Receives and notes the report.**
 - 2. Notes the updated Long Term Financial Plan.**
 - 3. Recommends Council endorse the Long Term Financial Plan, as contained in Appendix 1 for community consultation in accordance with *Section 122 of the Local Government Act 1999*.**
-

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal	Organisational Sustainability
Key Issue	Risk and Responsibility

➤ **Legal Implications**

The Long Term Financial Plan is prepared as a part of the Strategic Management Plan and in accordance with Section 122(1)(a) of the *Local Government Act 1999*.

➤ **Risk Management Implications**

Preparing a Long Term Financial Plan as required by the Act and Regulations will assist in mitigating the risk of:

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

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

It ensures that financial resources are deployed in areas that align with Council's Strategic Management Plans, are affordable and supported within the Council's Long Term Financial Plan.

➤ **Financial and Resource Implications**

Satisfactory internal financial controls provide the foundation for all of Council's financial sustainability.

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

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

➤ **Environmental Implications**

Not applicable.

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

Council Committees: Not applicable

Advisory Groups: Not Applicable

Administration: The Executive Leadership Team (ELT) has reviewed the updated LTFP and endorsed for presentation to Council.

Community: Public consultation will be undertaken following consideration by Council on 27 February 2018.

2. **BACKGROUND**

The Local Government Act requires Council to prepare a Long Term Financial Plan (LTFP) as part of its Strategic Management Plan, and to update it on the same basis. Members of the public are to be given a reasonable opportunity to be involved in the development and review of the Council's plan.

Council considers that its Long Term Financial Plan (LTFP) is a fundamental instrument of accountability and provides projections for Council's planned activities over a ten year timeframe.

The key objective of Council's LTFP is financial sustainability in the medium to long term, while still achieving Council's corporate objectives as specified in its Strategic Plan and Corporate Plans. At the same time the LTFP ensures that there is an understanding of the impact of decisions made today on future sustainability. This means ensuring the cost effective delivery of works and services, and the appropriate maintenance and renewal of our asset base in a financially sustainable manner.

The purpose of this plan is not to provide specific detail about individual works or services. The LTFP provides a decision making tool that allows various assumptions and sensitivity analysis to be carried out that will indicate the ability of Council to deliver cost effective services to our community in the future in a financially sustainable manner.

A Council's LTFP must contain a summary of the proposed operating and capital investment activities in the Uniform Presentation of Finance format for a period of at least ten years. It should include estimates of the key ratios, operating surplus, net financial liabilities and asset sustainability. This illustrates the expected long term financial performance of the Council, and hence whether financial sustainability is being achieved.

The model is a fluid document, continually reviewed, modified and refined as new information is discovered, usually at each Budget Review and during the construction and adoption of the annual budget.

3. ANALYSIS

The 10 year LTFP is prepared using a number of assumptions, with regard to projected rate income, projected fees, charges and grants and also includes assumptions about future operational and capital expenditure. Given that long term financial plans are derived from an estimate of future performance, it should be appreciated that actual results are likely to vary from the information contained in the LTFP.

The Long Term Financial Plan will continue to be amended to incorporate feedback from different sources (Management, Council Members, Public, new initiatives, new legislation and identified savings).

The LTFP is based upon 2017/18 Adopted budget that has been revised for amendments required by Budget Review 1 (BR1) and BR2 considerations. Indices have been applied to categories within the LTFP to produce an uplifted 2018/19 LTFP budget that is capable of being used as a "target" for the 2018/19 budget setting process.

Intuitively, if the LTFP demonstrates sustainability over a ten year period, and the 2018/19 LTFP target budget is embedded within the LTFP then the development of a 2018/19 budget that aligns with the LTFP target also demonstrates financial sustainability.

Key Outcomes:

Importantly the current LTFP demonstrates that the Council is financially sustainable over the 10 year term of the LTFP, whilst achieving the objectives outlined in the Strategic Plan.

This includes:

- Implementation and funding of the appropriate level of maintenance and renewal of the portfolio of infrastructure assets
- Meeting the ongoing expectations of service delivery to our community
- Managing the impact of cost shifting from other levels of government
- The appropriate use of debt as a means of funding asset renewal
- Ensuring the financial sustainability of Council's operations.

Financial sustainability has been demonstrated through adherence to the agreed target ranges in all of the following three key ratios:

- Operating Surplus Ratio, target range 0% to 10%
- Net Financial Liabilities Ratio, target range 0% to 100%
- Asset sustainability Ratio, target range 90% to 110%

In achieving these targets, which are explained in more detail within the LTFP, there is a level of certainty provided to the community that financial sustainability will be maintained.

4. OPTIONS

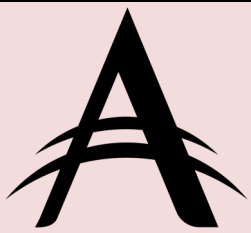
Audit Committee is limited to receiving and noting this report and providing any additional comments for consideration by Council.

5. APPENDICES

(1) Long Term Financial Plan

Appendix 1

Long Term Financial Plan
February 2018



Adelaide Hills
COUNCIL

Long Term Financial Plan Draft 2018-2019

Draft Long Term Financial Plan

February 2018



Why does Council prepare a Long Term Financial Plan?

The *Local Government Act 1999* requires Council to prepare a Long Term Financial Plan (LTFP) as part of its Strategic Management Plan. This means that members of the public are to be given a reasonable opportunity to be involved in the development and review of the Council's plan.

Council considers that its Long Term Financial Plan (LTFP) is a fundamental instrument of accountability and provides projections for Council's planned activities over a ten year timeframe.

The key objective of Council's LTFP is financial sustainability in the medium to long term, while still achieving Council's corporate objectives as specified in its Strategic Plan, Corporate Plans and Functional Strategies. At the same time the LTFP ensures that there is an understanding of the impact of decisions made today on future sustainability. This means ensuring the cost effective delivery of works and services, and the appropriate maintenance and renewal of our asset base in a financially sustainable manner.

The purpose of this plan is not to provide specific detail about individual works or services. The LTFP provides a decision making tool that allows various assumptions and sensitivity analysis to be carried out that will indicate the ability of Council to deliver cost effective services to our community in the future in a financially sustainable manner.

A Council LTFP must contain estimated financial for a period of at least ten years. It should include estimates of the key ratios, operating surplus, net financial liabilities and asset sustainability. This illustrates the expected long term financial performance of the Council, and hence whether financial sustainability is being achieved.

The model is a fluid document, continually reviewed, modified and refined as new information is discovered, usually at each Budget Review and during the construction and adoption of the annual budget.

How does Council prepare the plan?

The 10 year LTFP is prepared using a number of assumptions, with regard to projected rate income, projected fees, charges and grants and also includes assumptions about future operational and capital expenditure. Given that long term financial plans are derived from an estimate of future performance, it should be appreciated that actual results are likely to vary from the information contained in the LTFP.

The LTFP is based on a spreadsheet model which projects Council's future financial performance based on a very large range of variables applied to its performance in recent years. Because there are a large number of variables the model is quite complex. In order to use it to guide each year's budget setting process, the key variables have been divided into two groups:

- » Controllable variables – items that Council can control such as service levels, capital expenditure, rate increases and wage increases
- » Non-controllable variables – items outside Council's control, such as interest rates, inflation and economic growth (eg. residential development, new businesses, etc).

For controllable variables, Council is able to model different levels of activity and increase to see what effect they have on financial performance. The long term effects of each decision can then be assessed.

For non-controllable variables, the plan uses reasonable long term estimates which do not change (except to update them at the beginning of each budget cycle). In this way the impact of different choices about the controllable variables can be assessed. For instance, inflation measured by CPI has fluctuated substantially in recent years. Because inflation works differently on different elements of Council's income and expense it can quickly and materially distort the LTFP, especially in its later years.

What key conclusions may be drawn from the plan?

Importantly the current LTFP demonstrates that the Council is financially sustainable over the 10 year term of the LTFP, whilst achieving the objectives outlined in the Strategic Plan. This includes:

- » Implementation and funding of the appropriate level of maintenance and renewal of the portfolio of infrastructure assets
- » Meeting the ongoing expectations of service delivery to our community
- » Managing the impact of cost shifting from other levels of government
- » Enabling the delivery of strategies identified within the Strategic Plan as well as other endorsed Functional Strategies
- » The appropriate use of debt as a means of funding new capital expenditure
- » Ensuring the financial sustainability of Council's operations.

Financial sustainability has been demonstrated through adherence to the agreed target ranges in all of the following three key ratios:

1. **Operating Surplus Ratio, target range 0% to 10%**
2. **Net Financial Liabilities Ratio, target range 0% to 100%**
3. **Asset sustainability Ratio, target range 90% to 110%**

In achieving these targets, which are explained in more detail below, there is a level of certainty provided to the community that financial sustainability will be maintained.

How to provide feedback....

Feedback can be provided by email to mail@ahc.sa.gov.au or by written submission to Adelaide Hills Council, PO Box 44, Woodside SA 5244.

The results of the feedback provided will be discussed with Council and incorporated into the Final Long Term Financial Plan prior to consideration of the 2018/19 Annual Business Plan and Budget.

Ratios

Operating Surplus Ratio

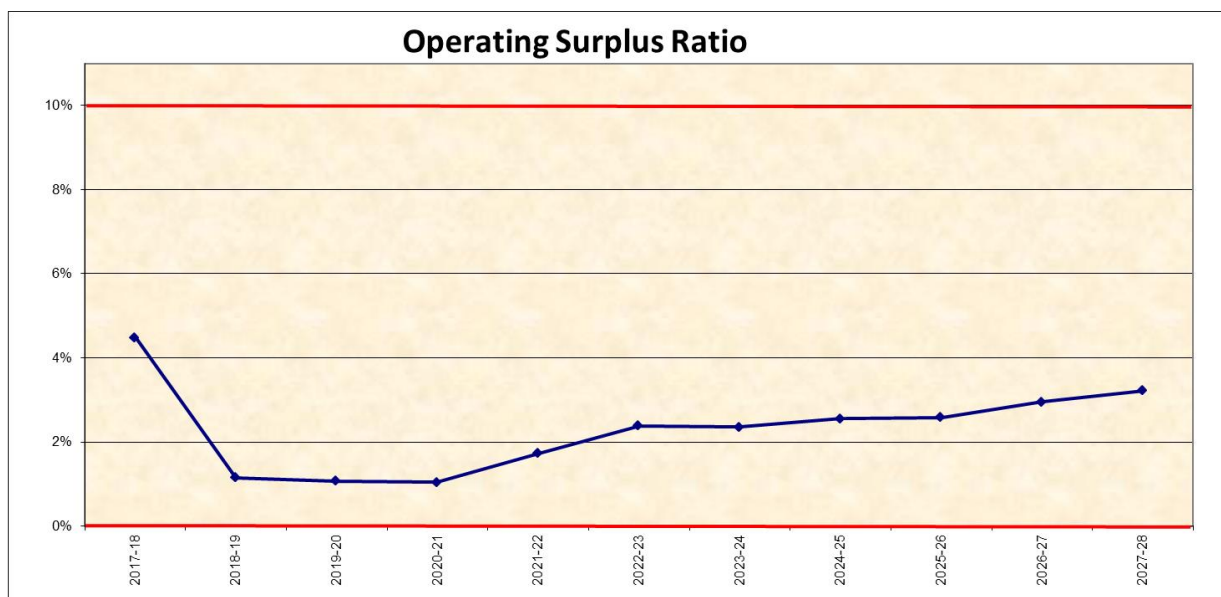
The operating surplus ratio indicates the extent to which operating revenue is sufficient to meet all operating expenses and whether current ratepayers are paying for their consumption of resources.

The Operating Surplus ratio expresses the operating surplus as a percentage of total operating income. A negative ratio indicates the percentage increase in total operating income required to achieve a break-even operating result. A positive ratio indicates the percentage of total rates available to fund capital expenditure over and above the level of depreciation expense without increasing council's level of net financial liabilities.

Target: 0–10%

10 Year Result Range: 1.0% - 3.2%

The ratio indicates the cost of services provided to ratepayers is being met from operating revenues with surplus's being used to fund infrastructure works in line with our LTFP projections.



Net Financial Liabilities Ratio

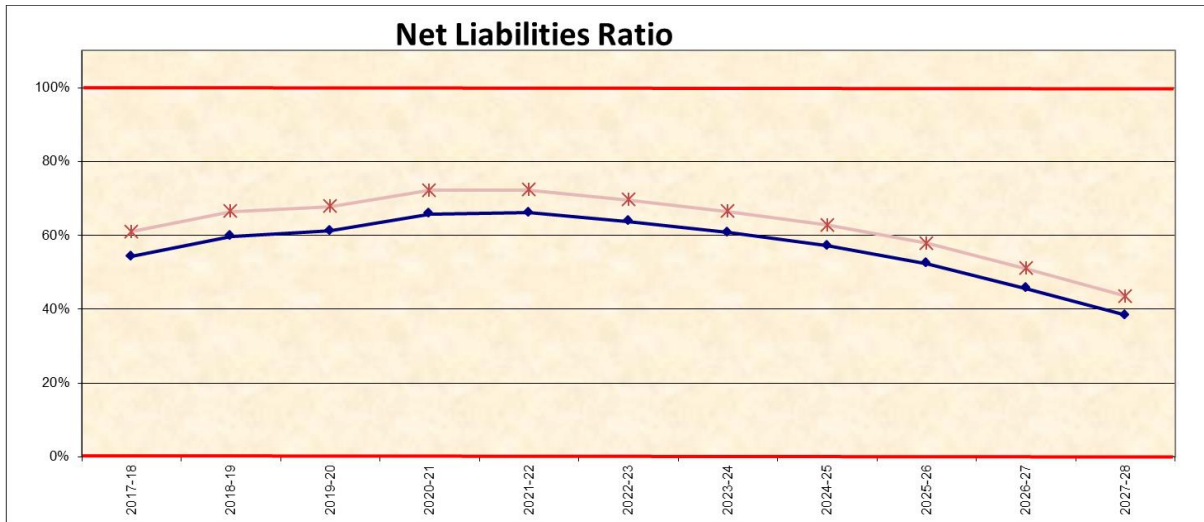
Net Financial Liabilities is an indicator of the Council's total indebtedness and includes all of a council's obligations including provisions for employee entitlements and creditors.

This ratio indicates the extent to which the net financial liabilities of the Council can be met by the Council's total operating revenue. Where the ratio is falling, it indicates that the Council's capacity to meet its financial obligations from operating revenues is strengthening. Where the ratio is increasing, it indicates that a greater amount of Council's operating revenues is required to service its financial obligations.

Target: 0–100%

10 Year Result Range: 38% - 66%

This ratio demonstrates that council's total indebtedness (including borrowings) can be met by operating revenue.



Note: The additional liabilities ratio included above in 'red' projects the financial impact should a significant event (i.e. fire or storm) in the order of \$10m impact on the region.

Asset Sustainability Ratio

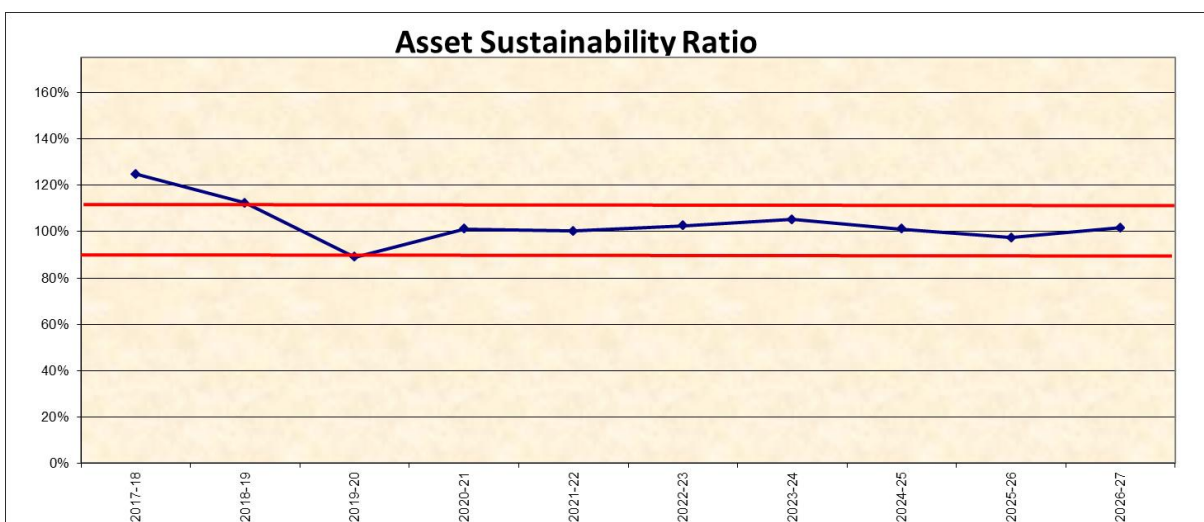
This ratio indicates whether a Council is renewing or replacing existing infrastructure assets at the same rate that its asset management plan requires.

The target for this ratio is to be between 90% and 110% in any given year, with 100% on average over five years. This would mean that Council is replacing 100% (or all) of the assets that require renewal.

Target: 90–110%

10 Year Result Range: 89 - 112%

The result achieved for this measure varies throughout the 10 year horizon of the LTFP. This variation is largely driven by a deliberate smoothing of expenditure across financial years to match project delivery resources against the capital expenditure program



Key sections explained.....

Uniform Presentation of Finances

In accordance with the *Local Government (Financial Management) Regulations 2011* this section of the LTFP presents the financial position for the next 10 years in a manner consistent with the note in the *Model Financial Statements* entitled "Uniform Presentation of Finances".

This section of the LTFP is broken into three key elements as follows:

- » A summary of all operating income and expenditure to highlight the Net Operating Surplus
- » Net Outlays on Existing Assets after providing for depreciation and proceeds from any replacement asset sales
- » Net outlays on new and upgraded assets after providing for grants received and proceeds from any surplus asset sales

The result of these three elements for each forecast year represents the impact on Council's net financial liabilities whereby a net lending result reduces net financial liabilities, and a net borrowing result increasing net financial liabilities.

Statement of Comprehensive Income

This Statement provides a 10 year projection of operating income and expenditure using the 2017/18 adjusted Budget as the base year. The projections result from the application of the indices mentioned in a subsequent section of this Plan.

Key points of note include:

- » Rates revenue is shown to increase by CPI +1.75% from 2018/19 through 2022/23. The 1.75% in initial years is attributable to growth from new development of 0.75% in addition to a 1% increase to support increased levels of renewal of capital works as forecast within current Asset Management Plans. After 2022/23 the increase applied is CPI + 0.5% (growth).
- » Projected Grant income falls significantly during 2018/19 and 2019/20 as a result of the following:
 - Reduced levels of Roads to Recovery Funding based on current expectations
 - Reduced levels of Supplementary Local Roads Funding
 - Removal of 'once off' disaster recovery funding received as a result of storm damage that occurred during 2016/17
- » Employee costs increase by 2.7% throughout the 10 years in line with forecasts for average weekly earnings and a provision for revaluation of current provisions and grade step increases.
- » Materials, Contractors and Other increases increased by CPI as well as being driven by Insurance, Power, Water and Waste.

Statement of Financial Position

This Statement provides a 10 year projection of Council's assets and liabilities using the projected 30 June 2018 Budget as the base year. The projections result from proposed capital expenditure emanating from the Asset Management Plans and adopted strategies, together with borrowings necessary to meet those capital requirements, and net funding generated by operations.

Key points of note include:

- » The Written Down Value (WDV) of Infrastructure and Fixed Assets increases from \$327m to \$338m over the ten year term.
- » Borrowings (short term and long term) peak at \$22.6m in 2022/23.

Capital Program

The Asset Management Plans are currently being reviewed given the previous adopted Plans were completed six years ago in 2012 (refer to Council's website for details).

This review has recently highlighted the need for additional renewal expenditure in some of the infrastructure categories which has been provided for within the current LFTP.

Key points of note include:

- » Total capital expenditure projected over the 10 year period totals \$112m of which \$100m has been allocated to the renewal of current assets.
- » The majority of the \$12m allocated to new and upgraded assets is derived from the adopted Strategic Plan and endorsed Functional Strategies. A separate summary of this amount broken down into each goal or strategic is provided in a subsequent section of the LFTP.

Detailed Revenue and Expenditure Adjustment Summaries

These sections of the LFTP have been included to provide detailed calculations of how the movements between years have occurred for income and expenditure. Totals for each category of income or expenditure (i.e. Employees costs, Materials, etc) will equal the amounts shown within the Statement of Comprehensive Income.

Summary of New Strategic Expenditure

This section provides a detailed breakdown of all new expenditure that has been included within the LFTP to ensure that the current Strategic Plan and Functional Strategies can be delivered. Information is broken down into each goal area and strategic objective within the Plan, as well as each Functional Strategy.

At the end of this section the amounts that have been brought into each year of the LFTP for both operating and capital expenditure are provided and show that the 10 year forecast requires \$8.8m in operating and \$8.5m in capital.

Summary of Savings Initiatives

This section represent a new addition to the LTFP and reflects the need to establish ongoing efficiencies within the organisation to enable the funding of new strategies without offsetting increases in the level of rate revenue required.

Key strategies have been developed to deliver ongoing savings of \$455k in 2018/19 related to the following areas:

- » Organisational
- » Service Reviews
- » Contract Management
- » Infrastructure and Maintenance
- » Revenue Generation
- » People Management

Indices

A key element of the LTFP relates to the indices used to project future year's income and expenditure. All the indices are changeable, and the effects of any amendment will flow through to the financial projections and associated graphs.

A summary of these indices is as follows:

- » Consumer Price Index (CPI) is used as a primary driver for income and expenditure in the model.
- » 'Rates' indices are adjustable for growth (new development) or rate increase over CPI. As previously indicated rates revenue is shown to increase by CPI +1.75% from 2018/19 through 2022/23. The 1.75% in initial years is attributable to growth from new development of 0.75% in addition to a 1% increase to support increased levels of renewal of capital works as forecast within current Asset Management Plans. After 2022/23 the increase applied is CPI + 0.5% (growth).
- » Employee costs increase by 2.7% throughout the 10 years in line with forecasts for average weekly earnings and a provision for revaluation of current provisions and grade step increases. Unique indices have been applied where it is expected costs will vary significantly from CPI. In the current model separate indices have been included for waste collection, power and water.

Risks Associated with the Long Term Financial Plan

The LTFP has been developed based on the best information and assumptions available at the time. However, users of this information should be aware that there are risks associated with using estimated increases to Consumer Price Index (CPI), Local Government Price Index (LGPI), Average Weekly Earnings (AWE) and predictions in finance costs and interest rates. In addition, the LTFP may be impacted by future changes such as new legislation that could materially affect the projected outcomes and results of the LTFP.

In order to reduce risk the plan is reviewed and updated annually to incorporate the best available information for a given point in time. In addition, the LTFP and its assumptions are reviewed by Council's Audit Committee.

Adelaide Hills Council - 10 Year Financial Plan
Forecast Uniform Presentation of Finances
for the year ended 30 June

UNIFORM PRESENTATION OF FINANCES	2017-18 Year 0 \$'000	2018-19 Year 1 \$'000	2019-20 Year 2 \$'000	2020-21 Year 3 \$'000	2021-22 Year 4 \$'000	2022-23 Year 5 \$'000	2023-24 Year 6 \$'000	2024-25 Year 7 \$'000	2025-26 Year 8 \$'000	2026-27 Year 9 \$'000	2027-28 Year 10 \$'000
Income	44,239	44,502	45,600	47,197	48,945	50,810	52,233	53,592	54,987	56,582	58,134
less Expenses	42,254	43,989	45,112	46,704	48,098	49,597	51,003	52,224	53,565	54,914	56,264
Operating Surplus	1,986	513	488	493	847	1,214	1,230	1,368	1,422	1,668	1,870
Net Outlays on Existing Assets											
Capital Expenditure on renewal and replacement of existing assets	(12,699)	(10,853)	(9,615)	(10,515)	(10,650)	(10,240)	(10,107)	(10,111)	(9,713)	(9,345)	(9,247)
Depreciation, amortisation & impairment	8,027	8,443	8,700	8,960	9,274	9,572	9,862	10,133	10,411	10,727	11,031
Proceeds from the Sale of Replaced Assets	459	0	0	0	0	0	0	0	0	0	0
	(4,213)	(2,410)	(914)	(1,554)	(1,376)	(668)	(246)	22	698	1,382	1,784
Net Outlays in New and Upgraded Assets											
Capital Expenditure on New or Upgraded Assets	(4,004)	(1,596)	(1,813)	(2,965)	(1,673)	(975)	(713)	(703)	(697)	(495)	(503)
Proceeds from Sale of Surplus Assets	1,285	0	0	0	0	0	0	0	0	0	0
Grants specifically for new or upgraded assets	917	1,000	1,000	1,000	1,000	500	500	500	500	500	500
	(1,802)	(596)	(813)	(1,965)	(673)	(475)	(213)	(203)	(197)	5	(3)
Net Lending/ (Borrowing) for Financial Year	(4,029)	(2,493)	(1,240)	(3,026)	(1,202)	71	771	1,188	1,923	3,055	3,651

Adelaide Hills Council - 10 Year Financial Plan
Forecast Statement of Comprehensive Income
for the year ended 30 June

STATEMENT OF COMPREHENSIVE INCOME	2017-18 Year 0 \$'000	2018-19 Year 1 \$'000	2019-20 Year 2 \$'000	2020-21 Year 3 \$'000	2021-22 Year 4 \$'000	2022-23 Year 5 \$'000	2023-24 Year 6 \$'000	2024-25 Year 7 \$'000	2025-26 Year 8 \$'000	2026-27 Year 9 \$'000	2027-28 Year 10 \$'000
Income											
Rates General & Other	34,052	35,227	36,618	38,028	39,568	41,210	42,405	43,550	44,726	46,068	47,376
Separate Rates including CWMS	1,484	1,632	1,795	1,833	1,875	1,920	1,966	2,009	2,054	2,105	2,154
Statutory Charges	991	1,008	1,030	1,052	1,076	1,102	1,128	1,153	1,178	1,208	1,236
User Charges	1,363	1,416	1,447	1,478	1,512	1,548	1,585	1,620	1,656	1,697	1,737
Grants, subsidies and contributions	5,394	4,148	3,617	3,693	3,778	3,869	3,961	4,049	4,138	4,241	4,340
Investment Income	58	59	60	62	63	64	66	67	69	71	72
Reimbursements	526	535	547	558	571	585	599	612	625	641	656
Other Income	371	377	386	394	403	412	422	432	441	452	463
Operating Project Income	0	0	0	0	0	0	0	0	0	0	0
Net gain - joint ventures & associates	0	100	100	100	100	100	100	100	100	100	100
Total Income	44,239	44,502	45,600	47,197	48,945	50,810	52,233	53,592	54,987	56,582	58,134
Expenses											
Employee Costs	15,931	16,333	16,762	17,244	17,700	18,183	18,678	19,175	19,691	20,222	20,770
Materials, contracts & other expenses	17,628	18,345	18,696	19,465	19,978	20,606	21,218	21,698	22,231	22,855	23,482
Finance Costs	668	868	955	1,034	1,146	1,235	1,246	1,217	1,232	1,110	982
Depreciation, amortisation & impairment	8,027	8,443	8,700	8,960	9,274	9,572	9,862	10,133	10,411	10,727	11,031
Net loss - joint ventures & associates	0	0	0	0	0	0	0	0	0	0	0
Total Expenses	42,254	43,989	45,112	46,704	48,098	49,597	51,003	52,224	53,565	54,914	56,264
Operating Surplus/(Deficit)	1,985	513	488	493	847	1,214	1,230	1,368	1,422	1,668	1,870
Asset disposal & fair value adjustments	0	0	0	0	0	0	0	0	0	0	0
Amounts specifically for new or upgraded assets	917	1,000	1,000	1,000	1,000	500	500	500	500	500	500
Physical Resources Received Free of Charge	0	0	0	0	0	0	0	0	0	0	0
Net Surplus/(Deficit)	2,902	1,513	1,488	1,493	1,847	1,714	1,730	1,868	1,922	2,168	2,370

Adelaide Hills Council - 10 Year Financial Plan
Forecast Statement of Financial Position
as at 30 June

STATEMENT OF FINANCIAL POSITION	2017-18 Year 0 \$'000	2018-19 Year 1 \$'000	2019-20 Year 2 \$'000	2020-21 Year 3 \$'000	2021-22 Year 4 \$'000	2022-23 Year 5 \$'000	2023-24 Year 6 \$'000	2024-25 Year 7 \$'000	2025-26 Year 8 \$'000	2026-27 Year 9 \$'000	2027-28 Year 10 \$'000
CURRENT ASSETS											
Cash & Cash Equivalents	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Trade & Other Receivables	2,709	2,709	2,709	2,709	2,709	2,709	2,709	2,709	2,709	2,709	2,709
Inventories	14	14	14	14	14	14	14	14	14	14	14
Other Financial Assets	22	16	17	17	0	0	0	0	0	0	0
Total Current Assets	3,745	3,739	3,740	3,740	3,723	3,723	3,723	3,723	3,723	3,723	3,723
NON-CURRENT ASSETS											
Financial Assets	50	34	17	0	0	0	0	0	0	0	0
Equity Accounted Investments in Council businesses	984	1,084	1,184	1,284	1,384	1,484	1,584	1,684	1,784	1,884	1,984
Infrastructure, Property, Plant & Equipment	323,034	327,040	329,767	334,287	337,336	338,978	339,937	340,617	340,617	339,729	338,449
Other Non-current Assets	0	0	0	0	0	0	0	0	0	0	0
Total Non-Current Assets	324,068	328,158	330,969	335,571	338,720	340,462	341,521	342,301	342,401	341,613	340,433
TOTAL ASSETS	327,813	331,897	334,708	339,311	342,443	344,185	345,244	346,024	346,124	345,336	344,156
CURRENT LIABILITIES											
Bank Overdraft (Draw Down Facility)	3,600	3,587	3,552	3,496	3,400	3,397	3,371	3,279	3,674	3,057	1,973
Trade & Other Payables	8,493	8,493	8,493	8,493	8,493	8,493	8,493	8,493	8,493	8,493	8,493
Borrowings Fixed	216	341	5,434	1,119	1,368	1,546	6,696	2,217	2,338	2,467	2,602
Liabilities arising from current financial assets	0	0	0	0	0	0	0	0	0	0	0
Provisions	1,357	1,357	1,357	1,357	1,357	1,357	1,357	1,357	1,357	1,357	1,357
Total Current Liabilities	13,666	13,778	18,836	14,465	14,618	14,793	19,917	15,346	15,862	15,374	14,425
NON-CURRENT LIABILITIES											
Borrowings	13,856	16,315	12,581	20,062	21,194	21,048	15,252	18,735	16,397	13,930	11,327
Provisions	274	274	274	274	274	274	274	274	274	274	274
Other Non-current liabilities	0	0	0	0	0	0	0	0	0	0	0
Total Non-Current Liabilities	14,130	16,589	12,855	20,336	21,468	21,322	15,526	19,009	16,671	14,204	11,601
TOTAL LIABILITIES	27,796	30,367	31,691	34,801	36,085	36,115	35,443	34,355	32,533	29,578	26,027
NET ASSETS	300,017	301,529	303,017	304,510	306,357	308,071	309,801	311,669	313,591	315,759	318,129
EQUITY											
Accumulated Surplus	138,473	139,985	141,473	142,966	144,813	146,527	148,256	150,125	152,047	154,215	156,585
Asset Revaluation Reserves	159,702	159,702	159,702	159,702	159,702	159,702	159,702	159,702	159,702	159,702	159,702
Other Reserves	1,842	1,842	1,842	1,842	1,842	1,842	1,842	1,842	1,842	1,842	1,842
TOTAL EQUITY	300,017	301,529	303,017	304,510	306,357	308,071	309,800	311,669	313,591	315,759	318,129

Adelaide Hills Council - 10 Year Financial Plan
Forecast Statement Of Cash Flows For the Year ended 30 June

STATEMENT OF CASHFLOWS	2017-18 Year 0 \$'000	2018-19 Year 1 \$'000	2019-20 Year 2 \$'000	2020-21 Year 3 \$'000	2021-22 Year 4 \$'000	2022-23 Year 5 \$'000	2023-24 Year 6 \$'000	2024-25 Year 7 \$'000	2025-26 Year 8 \$'000	2026-27 Year 9 \$'000	2027-28 Year 10 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES											
Receipts											
Rate	35,536	36,859	38,413	39,861	41,443	43,130	44,371	45,560	46,780	48,173	49,530
Statutory Charges	991	1,008	1,030	1,052	1,076	1,102	1,128	1,153	1,178	1,208	1,236
User Charges	1,363	1,416	1,447	1,478	1,512	1,548	1,585	1,620	1,656	1,697	1,737
Operating Grants & Subsidies	5,394	4,148	3,617	3,693	3,778	3,869	3,961	4,049	4,138	4,241	4,340
Reimbursements	526	535	547	558	571	585	599	612	625	641	656
Other Revenue	371	377	386	394	403	412	422	432	441	452	463
Receipts											
Operating Receipts	44,181	44,343	45,440	47,035	48,782	50,646	52,067	53,425	54,818	56,412	57,962
Investment Receipts	58	59	60	62	63	64	66	67	69	71	72
Less Payments											
Employee Costs	15,931	16,333	16,762	17,244	17,700	18,183	18,678	19,175	19,691	20,222	20,770
Materials, contracts & other expenses	17,628	18,345	18,696	19,465	19,978	20,606	21,218	21,698	22,231	22,855	23,482
Operating Initiatives	0	0	0	0	0	0	0	0	0	0	0
Carry Forwards	0	0	0	0	0	0	0	0	0	0	0
Payments											
Operating Payments to suppliers & employees	33,559	34,678	35,458	36,709	37,678	38,789	39,896	40,874	41,922	43,077	44,252
Finance Payments	668	868	955	1,034	1,146	1,235	1,246	1,217	1,232	1,110	982
Net Cash Provided by (or used in) Operating Activities	10,012	8,856	9,088	9,353	10,021	10,686	10,992	11,402	11,733	12,296	12,801
CASH FLOWS FROM INVESTMENT ACTIVITIES											
Receipts											
Amounts specifically for new or upgraded assets	917	1,000	1,000	1,000	1,000	500	500	500	500	500	500
Sale of replaced assets	459	0	0	0	0	0	0	0	0	0	0
Sale of Surplus Assets	1,285	0	0	0	0	0	0	0	0	0	0
Repayments of loans by community groups	44	22	16	17	17	0	0	0	0	0	0
Distributions Received from Equity Businesses	0	0	0	0	0	0	0	0	0	0	0
Payments											
Expenditure on renewal/ replacement assets	(12,699)	(10,853)	(9,615)	(10,515)	(10,650)	(10,240)	(10,107)	(10,111)	(9,713)	(9,345)	(9,247)
Expenditure on new/upgraded assets	(4,004)	(1,596)	(1,813)	(2,965)	(1,673)	(975)	(713)	(703)	(697)	(495)	(503)
Capital Contributed to Equity Businesses	0	0	0	0	0	0	0	0	0	0	0
Net Cash Provided by (or used in) Investing Activities	(13,998)	(11,427)	(10,412)	(12,463)	(11,306)	(10,715)	(10,320)	(10,314)	(9,910)	(9,340)	(9,250)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Proceeds from Borrowings	4,054	2,800	1,700	8,600	2,500	1,400	900	5,700	0	0	0
Proceeds from Bonds & Deposits	0										
Proceeds from Aged Care Facility Deposits											
Payments											
Repayment of Borrowings	(34)	(216)	(341)	(5,434)	(1,119)	(1,368)	(1,546)	(6,696)	(2,217)	(2,338)	(2,467)
Net Cash Provided by (or used in) Financing Activities	4,020	2,584	1,359	3,166	1,381	32	(646)	(996)	(2,217)	(2,338)	(2,467)
Net Increase (Decrease) in cash held	34	13	35	56	96	3	26	92	(394)	617	1,084
Cash & cash equivalents at beginning of period	(2,634)	(2,600)	(2,587)	(2,552)	(2,495)	(2,400)	(2,397)	(2,371)	(2,279)	(2,673)	(2,057)
Cash & cash equivalents at end of period	(2,600)	(2,587)	(2,552)	(2,495)	(2,400)	(2,397)	(2,371)	(2,279)	(2,673)	(2,057)	(973)

Summary of Project and Capital Expenditure by Asset Category

Asset Category	2017-18 Year 0 \$'000	2018-19 Year 1 \$'000	2019-20 Year 2 \$'000	2020-21 Year 3 \$'000	2021-22 Year 4 \$'000	2022-23 Year 5 \$'000	2023-24 Year 6 \$'000	2024-25 Year 7 \$'000	2025-26 Year 8 \$'000	2026-27 Year 9 \$'000	2027-28 Year 10 \$'000
RENEWAL CAPITAL WORKS											
Bridges		130	55	218	218	246	164	164	82	80	100
Buildings		705	580	1,071	919	622	519	805	758	882	702
CWMS		527	478	612	579	405	582	400	391	373	200
Footpaths		580	580	400	400	400	400	400	400	400	400
Kerb & Water		500	300	300	300	300	300	300	300	300	300
Other (Guardrail/RetWalls/Cemetries/SFurniture/Traffic Cont)		150	150	150	150	150	150	150	150	150	150
Road Pavement		1,128	625	957	1,054	875	1,122	921	1,149	398	613
Road Seal		1,200	1,200	1,200	1,500	1,500	1,500	1,900	1,900	1,900	1,900
Shoulders		500	500	500	400	400	400	400	400	400	400
Sport and Recreation		844	825	728	783	625	408	157	150	210	207
Playgrounds		200	400	400	700	600	600	400	400	400	400
Stormwater		310	290	240	210	370	610	430	300	300	300
Unsealed Roads		1,500	1,500	1,500	1,400	1,300	1,300	1,300	1,300	1,300	1,300
Plant and Fleet		1,225	777	883	682	1,092	698	1,029	679	897	920
Information, Communication & Technology		200	200	200	200	200	200	200	200	200	200
Minor Plant & Equipment (including Library fittings)		60	60	60	60	60	60	60	60	60	60
Project Management Costs		1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095
TOTAL RENEWAL WORKS:	12,699	10,853	9,615	10,515	10,650	10,240	10,107	10,111	9,713	9,345	9,247
CAPACITY / UPGRADE CAPITAL WORKS											
Bridges		250	0	0	0	0	0	0	0	0	0
Buildings		100	100	100	100	100	100	100	100	100	100
CWMS		0	0	0	0	0	0	0	0	0	0
Footpaths		200	200	200	200	200	200	200	200	200	200
Kerb & Water		0	0	0	0	0	0	0	0	0	0
Other (Guardrail/RetWalls/Cemetries/SFurniture/Traffic Cont)		0	0	0	0	0	0	0	0	0	0
Road Pavement		0	0	0	0	0	0	0	0	0	0
Road Seal		81	0	0	0	0	0	0	0	0	0
Shoulders		0	0	0	0	0	0	0	0	0	0
Sport and Recreation		0	0	0	0	0	0	0	0	0	0
Playgrounds		0	0	0	0	0	0	0	0	0	0
Stormwater		150	150	0	0	0	0	0	0	0	0
Unsealed Roads		0	0	0	0	0	0	0	0	0	0
Plant and Fleet		0	0	0	0	0	0	0	0	0	0
Information, Communication & Technology		0	0	0	0	0	0	0	0	0	0
Minor Plant & Equipment (including Library fittings)		0	0	0	0	0	0	0	0	0	0
Project Management Costs		0	0	0	0	0	0	0	0	0	0
TOTAL CAPACITY / UPGRADE CAPITAL WORKS:	2,504	781	450	300	300	300	300	300	300	300	300
NEW CAPITAL WORKS (as per Strategies schedule)	1,500	815	1,363	2,665	1,373	675	413	403	397	195	203
TOTAL CAPITAL WORKS	16,703	12,449	11,428	13,480	12,323	11,215	10,820	10,814	10,410	9,840	9,750
DEPRECIATION PROVISION (NEW ASSETS)		50	40	45	74	42	24	18	18	17	12
MAINTENANCE PROVISION (NEW ASSETS)		100	53	60	99	56	33	24	23	23	17
DEPRECIATION REVIEWS AFTER REVALUATION:											
Bridges		0	0	0	0	0	0	0	0	0	0
Buildings		200	0	0	0	0	0	0	0	0	0
CWMS		(50)	0	0	0	0	0	0	0	0	0
Footpaths		0	0	0	0	0	0	0	0	0	0
Kerb & Water		0	0	0	0	0	0	0	0	0	0
Retaining Walls Etc		0	0	0	0	0	0	0	0	0	0
Road Pavement		0	0	0	0	0	0	0	0	0	0
Road Seal		0	0	0	0	0	0	0	0	0	0
Shoulders		0	0	0	0	0	0	0	0	0	0
Sport and Recreation		50	0	0	0	0	0	0	0	0	0
Stormwater		0	0	0	0	0	0	0	0	0	0
Unsealed Roads		0	0	0	0	0	0	0	0	0	0
Plant and Fleet		0	0	0	0	0	0	0	0	0	0
Information, Communication & Technology		0	0	0	0	0	0	0	0	0	0
Minor Plant & Equipment		0	0	0	0	0	0	0	0	0	0
Depreciation Adjustment - Asset Category Reviews	0	200	0	0	0	0	0	0	0	0	0

REVENUE ADJUSTMENT SUMMARY	2017-18 Year 0 \$'000	2018-19 Year 1 \$'000	2019-20 Year 2 \$'000	2020-21 Year 3 \$'000	2021-22 Year 4 \$'000	2022-23 Year 5 \$'000	2023-24 Year 6 \$'000	2024-25 Year 7 \$'000	2025-26 Year 8 \$'000	2026-27 Year 9 \$'000	2027-28 Year 10 \$'000
General Rate Revenue (previous year)											
General Rate Revenue (previous year)		33,960	35,132	36,519	37,925	39,461	41,099	42,291	43,433	44,605	45,943
Increase in line with Economic Indicators		1,172	1,388	1,406	1,536	1,638	1,192	1,142	1,173	1,338	1,305
Other Adjustments:											
Other		0	0	0	0	0	0	0	0	0	0
Net Movement		1,172	1,388	1,406	1,536	1,638	1,192	1,142	1,173	1,338	1,305
Revised General Rate Revenue	33,960	35,132	36,519	37,925	39,461	41,099	42,291	43,433	44,605	45,943	47,248
Separate Rate Revenue											
Separate Rate Revenue (previous year)		1,484	1,632	1,795	1,833	1,875	1,920	1,966	2,009	2,054	2,105
Increase in line with Economic Indicators		148	163	38	42	45	46	43	44	51	49
Other Adjustments:											
Other		0	0	0	0	0	0	0	0	0	0
Net Movement		148	163	38	42	45	46	43	44	51	49
Revised Rates Other Revenue	1,484	1,632	1,795	1,833	1,875	1,920	1,966	2,009	2,054	2,105	2,154
Other Rate Revenue											
Rates Other Revenue (previous year)		92	95	99	103	107	111	115	118	121	124
Increase in line with Economic Indicators		3	4	4	4	4	3	3	3	4	4
Adjustments to base year:											
Other		0	0	0	0	0	0	0	0	0	0
Net Movement		3	4	4	4	4	3	3	3	4	4
Revised Rates Other Revenue	92	95	99	103	107	111	115	118	121	124	128
Statutory Charges Revenue											
Statutory Charges Revenue (previous year)		991	1,008	1,030	1,052	1,076	1,102	1,128	1,153	1,178	1,208
Increase in line with Economic Indicators		17	22	22	24	26	26	25	25	29	28
Adjustments to base year:											
Other		0	0	0	0	0	0	0	0	0	0
Net Movement		17	22	22	24	26	26	25	25	29	28
Revised Statutory Charges Revenue	991	1,008	1,030	1,052	1,076	1,102	1,128	1,153	1,178	1,208	1,236
User Charges Revenue (previous year)											
User Charges Revenue (previous year)		1,363	1,416	1,447	1,478	1,512	1,548	1,585	1,620	1,656	1,697
Increase in line with Economic Indicators		23	31	30	34	36	37	35	36	41	40
Other Adjustments:											
Efficiency Measures (see Schedule)		30	0	0	0	0	0	0	0	0	0
Net Movement		53	31	30	34	36	37	35	36	41	40
Revised User Charges Revenue	1,363	1,416	1,447	1,478	1,512	1,548	1,585	1,620	1,656	1,697	1,737
Grants and Subsidies											
Grants & Subsidies Revenue (previous year)		5,394	4,148	3,617	3,693	3,778	3,869	3,961	4,049	4,138	4,241
Increase in line with Economic Indicators		92	91	76	85	91	93	87	89	103	99
Adjustments to base year:											
R2R		-656	137	0	0	0	0	0	0	0	0
Supplementary LRP Reduction		0	-353	0	0	0	0	0	0	0	0
NDRF Once Off		-682	-406	0	0	0	0	0	0	0	0
Net Movement		(1,246)	(531)	76	85	91	93	87	89	103	99
Revised Grants & Subsidies Revenue	5,394	4,148	3,617	3,693	3,778	3,869	3,961	4,049	4,138	4,241	4,340
Investment Revenue											
Investment Revenue (previous year)		58	59	60	62	63	64	66	67	69	71
Increase in line with Economic Indicators		1	1	1	1	2	2	1	1	2	2
Adjustments to base year:											
Other		0	0	0	0	0	0	0	0	0	0
Net Movement		1	1	1	1	2	2	1	1	2	2
Revised Investment Revenue	58	59	60	62	63	64	66	67	69	71	72
Reimbursements											
Reimbursements Revenue (previous year)		526	535	547	558	571	585	599	612	625	641
Increase in line with Economic Indicators		9	12	11	13	14	14	13	13	16	15
Adjustments to base year:											
Other		0	0	0	0	0	0	0	0	0	0
Net Movement		9	12	11	13	14	14	13	13	16	15
Revised Reimbursement Revenue	526	535	547	558	571	585	599	612	625	641	656
Other Revenue											
Other Revenue (previous year)		371	377	386	394	403	412	422	432	441	452
Increase in line with Economic Indicators		6	8	8	9	10	10	9	9	11	11
Adjustments to base year:											
Other		0	0	0	0	0	0	0	0	0	0
Net Movement		6	8	8	9	10	10	9	9	11	11
Revised Other Income	371	377	386	394	403	412	422	432	441	452	463
Operating Project Revenue											
Operating Project Revenue (previous year)		0	0	0	0	0	0	0	0	0	0
Increase in line with Economic Indicators		0	0	0	0	0	0	0	0	0	0
Adjustments to base year:											
Other		0	0	0	0	0	0	0	0	0	0
Net Movement		0	0	0	0	0	0	0	0	0	0
Revised Project Income Revenue	0	0	0	0	0	0	0	0	0	0	0
Joint Venture Income											
Operating Project Revenue (previous year)		0	100	100	100	100	100	100	100	100	100
Increase in line with Economic Indicators		0	0	0	0	0	0	0	0	0	0
Adjustments to base year:											
Annual provision based on prior years average		100	0	0	0	0	0	0	0	0	0
Net Movement		100	0	0	0	0	0	0	0	0	0
Revised Project Income Revenue	0	100	100	100	100	100	100	100	100	100	100

Expenditure Adjustment Summary

	2017-18 Year 0 \$'000	2018-19 Year 1 \$'000	2019-20 Year 2 \$'000	2020-21 Year 3 \$'000	2021-22 Year 4 \$'000	2022-23 Year 5 \$'000	2023-24 Year 6 \$'000	2024-25 Year 7 \$'000	2025-26 Year 8 \$'000	2026-27 Year 9 \$'000	2027-28 Year 10 \$'000
Employee Costs											
Previous Year's Value		15,931	16,333	16,762	17,244	17,700	18,183	18,678	19,175	19,691	20,222
Increase in line with Economic Indicators		430	441	453	466	478	491	504	518	532	546
Adjustments to base year:											
Efficiency Measures (see Schedule)		(100)	0	0	0	0	0	0	0	0	0
Strategic Plan & Functional Strategies (Net Movement)		71	(12)	30	(9)	5	4	(7)	(2)	(1)	3
Other		0	0	0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0
Movement in Employee Costs		402	429	482	456	483	495	498	516	531	548
Revised Employee Costs as per the LTFP	15,931	16,333	16,762	17,244	17,700	18,183	18,678	19,175	19,691	20,222	20,770
Material Contracts and Other											
Previous Year's Value		17,628	18,345	18,696	19,465	19,978	20,606	21,218	21,698	22,231	22,855
Increase in line with Economic Indicators		300	404	393	448	479	495	467	477	556	535
Adjusted for Key Expenditure Items (See below):											
Electricity		(44)	(46)	5	6	6	6	6	6	6	6
Water		2	2	1	1	1	1	1	1	1	1
Waste		42	42	43	43	44	44	44	45	45	46
Adjustments to base year:											
Efficiency Measures (see Schedule)		(325)	0	0	0	0	0	0	0	0	0
Strategic Plan & Functional Strategies (Net Movement)		643	(105)	267	(83)	43	34	(61)	(20)	(7)	23
Increased Maintenance from New Assets		100	53	60	99	56	33	24	23	23	17
Other		0	0	0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0
Movement in Materials, Contractual Service & Other		718	350	769	513	628	612	481	533	624	627
Revised Materials, Contracts, Other Costs as per LTFP	17,628	18,345	18,696	19,465	19,978	20,606	21,218	21,698	22,231	22,855	23,482
Finance Costs											
Finance Costs (previous year)		668	868	955	1,034	1,146	1,235	1,246	1,217	1,232	1,110
Variations in line with Cashflow		200	87	80	112	89	11	(29)	15	(122)	(128)
Adjustments to base year:											
Other		0	0	0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0
Movement in Finance Costs		200	87	80	112	89	11	(29)	15	(122)	(128)
Finance Charges as per LTFP	668	868	955	1,034	1,146	1,235	1,246	1,217	1,232	1,110	982
Depreciation											
Depreciation (previous year)		8,027	8,443	8,700	8,960	9,274	9,572	9,862	10,133	10,411	10,727
Increase in line with Economic Indicators		166	217	215	239	257	265	253	260	299	291
Variations in line with new capex		50	40	45	74	42	24	18	18	17	12
Adjustments to base year:											
As per AMP Review		200	0	0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0
Movement in Depreciation Cost		416	257	260	313	299	290	271	278	316	303
Depreciation Charges as per LTFP	8,027	8,443	8,700	8,960	9,274	9,572	9,862	10,133	10,411	10,727	11,031
KEY EXPENDITURE ITEMS:											
Electricity charges											
Electricity charges (previous year)		638	594	548	554	560	565	571	576	582	588
Adjustment Factor (as per Economic Indicators)		-6.90%	-7.70%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Adjustment in Dollars included above		-44	-46	5	6	6	6	6	6	6	6
Revised Electricity charges	638	594	548	554	560	565	571	576	582	588	594
Water costs											
Water costs (previous year)		198	200	202	203	204	205	207	208	209	210
Growth factors (input)		1.00%	1.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Increases in line with growth factor		2	2	1	1	1	1	1	1	1	1
Revised Water costs	198	200	202	203	204	205	207	208	209	210	211
Waste costs											
Waste costs (previous year)		4,185	4,227	4,269	4,312	4,355	4,398	4,442	4,487	4,532	4,577
Adjustment Factor (as per Economic Indicators)		1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Adjustment in Dollars included above		42	42	43	43	44	44	44	45	45	46
Revised Waste costs	4,185	4,227	4,269	4,312	4,355	4,398	4,442	4,487	4,532	4,577	4,623

Summary of NEW Strategy Expenditure

STRATEGY	2018-19 Year 1 \$'000	2019-20 Year 2 \$'000	2020-21 Year 3 \$'000	2021-22 Year 4 \$'000	2022-23 Year 5 \$'000	2023-24 Year 6 \$'000	2024-25 Year 7 \$'000	2025-26 Year 8 \$'000	2026-27 Year 9 \$'000	2027-28 Year 10 \$'000
PROSPER										
1.01 World Heritage	0	0	0	0	0	0	0	0	0	0
1.02 - Pest Free Area Status	0	0	0	0	0	0	0	0	0	0
1.03 - Favoured Tourism Destination	0	0	0	0	0	0	0	0	0	0
1.04 - International Mountain Bikes	10	8	5	3	0	0	0	0	0	0
1.05 - Easier to do Business	0	0	0	0	0	0	0	0	0	0
1.06 - Transport Needs for Business	0	0	0	0	0	0	0	0	0	0
1.07 - Key Walking & Cycling Trails	150	150	75	75	75	75	75	75	75	75
1.08 - Easier Farming through Development Plan	0	0	0	0	0	0	0	0	0	0
1.09 - Age friendly	0	0	0	0	20	0	0	0	0	0
1.10 - More Housing opportunities	0	0	0	0	0	0	0	0	0	0
1.11 - Nature Play Concepts	0	0	0	0	0	0	0	0	0	0
1.12 - Community Wellbeing & Resilience	25	85	85	85	85	85	85	85	85	85
1.13 - Road Users Safety	0	0	200	200	200	200	200	200	0	0
NET EXPENDITURE FOR PROSPER	185	243	365	363	380	360	360	360	160	160
CONNECT										
2.01 - Reconciliation Actions	0	0	15	15	15	15	15	15	15	15
2.02 - Social Inclusion & Diversity	0	0	15	15	15	105	115	115	115	115
2.03 - Community Leadership Program	0	0	0	0	0	0	0	0	0	0
2.04 - AHBTC Masterplan	35	(212)	998	609	317	311	293	293	293	293
2.05 - Community Learning	47	41	39	47	41	39	47	41	39	47
2.06 - Events	20	20	20	40	40	40	40	40	40	40
2.07 - Improve Transport Options	0	0	0	0	0	0	0	0	0	0
2.08 - Youth Participation & Engagement	10	10	5	10	5	10	5	10	5	10
NET EXPENDITURE FOR CONNECT	112	(141)	1,092	736	433	520	515	514	507	520
PLACE										
3.01 - Sustainable Living	53	58	51	30	30	30	30	30	30	30
3.02 - Carbon Neutrality	30	115	350	150	60	0	0	0	0	0
3.03 - Conservation & biodiversity management	0	0	0	0	0	0	0	0	0	0
3.04 - Amy Gillett Bikeway	500	0	500	0	0	0	0	0	0	0
3.05 - Infrastructure Maintenance & Renewal	100	100	100	100	100	100	100	100	100	100
3.06 - Cat impact reduction	0	0	30	30	30	30	30	30	30	30
3.07 - Landfill waste reduction	10	10	10	0	0	0	0	0	0	0
3.08 - Northern Freight Train Bypass Options	0	0	0	0	0	0	0	0	0	0
3.09 - Community-led place making	20	570	150	100	0	0	0	0	0	0
3.10 - Off grid Power Opportunities	15	0	0	0	0	0	0	0	0	0
NET EXPENDITURE FOR PLACE	728	853	1,191	410	220	160	160	160	160	160
EXPLORE										
4.01 - Engagement	0	0	0	0	0	0	0	0	0	0
4.02 - Emerging Technologies	0	0	0	0	0	0	0	0	0	0
4.03 - Service Access including On line	25	300	60	60	60	60	60	60	60	60
4.04 - Creativity	5	5	0	0	0	0	0	0	0	0
4.05 - Council boundaries serving community	0	20	20	0	0	0	0	0	0	0
4.06 - Partnering & Resource Sharing	0	0	0	0	0	0	0	0	0	0
NET EXPENDITURE FOR EXPLORE	30	325	80	60	60	60	60	60	60	60
ORGANISATIONAL SUSTAINABILITY										
5.01 - Our organisation	78	48	30	30	30	30	30	30	30	30
5.02 - Work health and safety	18	9	0	0	0	0	0	0	0	0
5.03 - Financial sustainability	0	0	0	0	0	0	0	0	0	0
5.04 - Customer service commitment	75	0	0	25	0	0	25	0	0	25
5.05 - Risk and responsibility	0	0	0	0	0	0	0	0	0	0
5.06 - Collaboration on public policy setting	0	0	0	0	0	0	0	0	0	0
5.07 - Governance	30	40	0	20	30	10	0	20	30	10
NET EXPENDITURE FOR ORGANISATIONAL	201	97	30	75	60	40	55	50	60	65
STRATEGIC PLAN TOTAL	1,256	1,377	2,758	1,644	1,153	1,140	1,150	1,144	947	965
FUNCTIONAL STRATEGIES										
Asset Management Plan	0	0	0	0	0	0	0	0	0	0
Communications & Marketing Plan	55	45	58	48	48	48	48	48	48	48
Positive Ageing Strategy	0	0	0	0	0	0	0	0	0	0
Waste Management Strategy	(57)	(57)	(57)	(57)	(57)	(57)	(57)	(57)	(57)	(57)
Animal Management Plan	0	0	0	0	0	0	0	0	0	0
Corporate Plan	25	25	15	10	10	15	10	10	15	10
Emergency Management Plan	40	30	25	30	10	10	30	10	10	30
Economic Development Strategy	0	0	100	100	100	100	100	100	100	100
Community Strategy	0	0	0	0	0	0	0	0	0	0
Biodiversity Strategy	55	46	45	45	45	29	26	24	6	6
Sport & Recreation Strategy	0	0	0	0	0	0	0	0	0	0
Trails Strategy	0	0	0	0	0	0	0	0	0	0
Climate Change Adaptation Plan	130	130	150	280	200	100	0	0	0	0
Water Management Plan	110	450	550	160	100	0	0	0	0	0
FUNCTIONAL STRATEGIES TOTALS	358	669	886	616	456	245	157	135	122	137
GRAND TOTAL	1,614	2,046	3,644	2,260	1,609	1,385	1,307	1,279	1,069	1,102
ALLOCATION TO LTFF	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Capital include in above	815	1,363	2,665	1,373	675	413	403	397	195	203
Employee Costs at 10%	80	68	98	89	93	97	90	88	87	90
Contractors, Materials & Other Costs at 90%	719	614	881	798	841	875	814	794	787	809
GRAND TOTAL	1,614	2,046	3,644	2,260	1,609	1,385	1,307	1,279	1,069	1,102

Summary of Savings Initiatives (Cumulative)

STRATEGY	2018-19 Year 1 \$'000	2019-20 Year 2 \$'000	2020-21 Year 3 \$'000	2021-22 Year 4 \$'000	2022-23 Year 5 \$'000	2023-24 Year 6 \$'000	2024-25 Year 7 \$'000	2025-26 Year 8 \$'000	2026-27 Year 9 \$'000	2027-28 Year 10 \$'000
Organisational										
Future Year impacts following BR2	50	50	50	50	50	50	50	50	50	50
Initiative B										
Initiative C										
	50	50	50	50	50	50	50	50	50	50
Service Reviews										
General allocation (minimum 3 reviews)	150	150	150	150	150	150	150	150	150	150
Initiative B										
Initiative C										
	150	150	150	150	150	150	150	150	150	150
Contract Management										
Review following appointment of Procurement Coordinator	100	100	100	100	100	100	100	100	100	100
Initiative B										
Initiative C										
	100	100	100	100	100	100	100	100	100	100
Infrastructure and Maintenance										
Additional Mice to be achieved at no cost	0	0	0	0	0	0	0	0	0	0
Fleet review (including GST)	25	25	25	25	25	25	25	25	25	25
Initiative C										
	25	25	25	25	25	25	25	25	25	25
Revenue Generation										
Review of Compliance area (including wasps)	30	30	30	30	30	30	30	30	30	30
Initiative B										
Initiative C										
	30	30	30	30	30	30	30	30	30	30
People Management										
General Allocation (O/Time, Allowances, Leave Accruals)	100	100	100	100	100	100	100	100	100	100
Initiative B										
Initiative C										
	100	100	100	100	100	100	100	100	100	100
GRAND TOTAL	455	455	455	455	455	455	455	455	455	455
ALLOCATION TO LTFP	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Capital include in above	0	0	0	0	0	0	0	0	0	0
Revenue	30	30	30	30	30	30	30	30	30	30
Employee Costs at 10%	100	100	100	100	100	100	100	100	100	100
Contractors, Materials & Other Costs at 90%	325	325	325	325	325	325	325	325	325	325
GRAND TOTAL	455	455	455	455	455	455	455	455	455	455

Economic Indicators

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
GENERAL INDEXATION:											
CPI - Adelaide	1.30%	1.70%	2.20%	2.10%	2.30%	2.40%	2.40%	2.20%	2.20%	2.50%	2.34%
LGPI - Operating	1.60%	2.07%	2.57%	2.47%	2.67%	2.77%	2.77%	2.57%	2.57%	2.87%	2.71%
CPI - LGPI diff	0.30%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%
LGPI - recurrent	1.60%	2.07%	2.57%	2.47%	2.67%	2.77%	2.77%	2.57%	2.57%	2.87%	2.71%
LGPI - Capital	1.60%	2.07%	2.57%	2.47%	2.67%	2.77%	2.77%	2.57%	2.57%	2.87%	2.71%
Index Applied to General Revenue	1.30%	1.70%	2.20%	2.10%	2.30%	2.40%	2.40%	2.20%	2.20%	2.50%	2.34%
Index Applied to General Expenditure	1.30%	1.70%	2.20%	2.10%	2.30%	2.40%	2.40%	2.20%	2.20%	2.50%	2.34%
Index Applied to Depreciation & Capital	1.60%	2.07%	2.57%	2.47%	2.67%	2.77%	2.77%	2.57%	2.57%	2.87%	2.71%
RATES INCOME											
CPI - Adelaide	1.30%	1.70%	2.20%	2.10%	2.30%	2.40%	2.40%	2.20%	2.20%	2.50%	2.34%
Renewal Catch Up	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Growth	0.00%	0.75%	0.75%	0.75%	0.75%	0.75%	0.50%	0.50%	0.50%	0.50%	0.50%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Index Applied to Rates Revenue	2.30%	3.45%	3.95%	3.85%	4.05%	4.15%	2.90%	2.70%	2.70%	3.00%	2.84%
Index Applied to CWMS Revenue	0.80%	10.00%	10.00%	2.10%	2.30%	2.40%	2.40%	2.20%	2.20%	2.50%	2.34%
EMPLOYMENT COSTS:											
AWE - Australia	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Enterprise Agreement	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Leave Revaluation	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Grade Step Increases	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Index Applied to LTFP	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%
ELECTRICITY COSTS											
Anticipated price variation to CPI	15.00%	-6.90%	-7.70%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Anticipated change in consumption	-5.00%	0.00%	0.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
Index Applied to LTFP (excl CPI)	10.00%	-6.90%	-7.70%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
WATER COSTS											
Anticipated price variation to CPI	15.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Anticipated change in consumption	-5.00%	1.00%	1.00%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%
Index Applied to LTFP (excl CPI)	10.00%	1.00%	1.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
WASTE COSTS											
Anticipated price variation to CPI	15.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Anticipated change in consumption	-5.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
Index Applied to LTFP (excl CPI)	10.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Estimate Loan rate	4.3%	4.50%	5.00%	5.50%	5.75%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Estimate Cash Advance Rate	3.8%	4.25%	4.75%	5.25%	5.50%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%
Average diff		0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Tuesday 20 February 2018
AGENDA BUSINESS ITEM**

Item: 6.4

Originating Officer: Mike Carey, Manager Financial Services

Responsible Director: Terry Crackett, Director Corporate Services

Subject: 2017-18 Budget – Budget Review 1

For: Decision

SUMMARY

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

This report presents the first Budget Review (BR1) of the 2017-18 financial year. Given the timing of meetings this report has already been considered by Council at its 28 November 2017 meeting. It is noted that Budget Review 1 incorporated the carry forward works from 2016-17 which were presented to the Audit Committee at its 6 November 2017 meeting.

The budget changes increased the Operating Surplus to \$1.986m from \$161k, as a result of reallocation of Capital Grants to Operating. In addition as a result of the Carry Forwards including budget adjustments of \$3.8m, Council's Net Borrowing Result for the year increased to \$9.4m from the previously adopted \$5.6m.

RECOMMENDATION

The Audit Committee:

1. Resolves that the report be received and noted.
 2. Notes that the Operating Budget variations presented in Budget Review 1 resulted in a revised Operating Surplus for the 2017-18 financial year of \$1.986m.
 3. Notes that the proposed Capital Works variations provided for in Budget Review 1 included:
 - An increase in Capital Income of \$568k
 - An increase in Capital Expenditure of \$551k.
 4. Notes the 2016-17 Capital Works carry forwards, including budget adjustments amounts totalling \$3.773m, as detailed in Appendix 2, were included in the revised 2017-18 Budget.
-

1. GOVERNANCE

➤ Strategic Management Plan/Council Policy

Goal 5 Organisational Sustainability
Strategy Financial Sustainability

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

➤ Legal Implications

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

➤ Risk Management Implications

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

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

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

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

➤ Financial and Resource Implications

Whilst the Net Operating Surplus has increased from 161k to \$1.986m, this is entirely due to a reallocation of capital income to operating in line with accounting principles, of which the majority relates to the once off receipt of monies from the National Disaster Recovery Fund. Other than the accounting treatment change, the proposed operating budget variations outlined within this report have allowed an increased balance in the CEO provision to \$58k.

In terms of capital, excluding Carry Forwards and the capital to operating reallocation, a minor reduction in capital across income and expenditure lines resulted from Budget Review 1.

Adjusting the capital program for carry forwards resulted in a revised total of over \$22m. A separate report on 2017-18 Capital Delivery was prepared for Council in January 2018 which considered the capacity and impact on resourcing to deliver a capital works program of this magnitude. This report resulted in a reduction/deferment of \$3.836m of the Capital Works Program.

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

Not applicable.

➤ **Environmental Implications**

Not applicable.

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

Council Committees: The Proposed 2016-17 Capital Works Carry Forwards was presented to the Audit Committee at its previous meeting on 6 November 2017. Budget Review 1 was presented and approved by Council on 28 November 2017.

Advisory Groups: Not Applicable

Administration: The budget review was prepared in consultation with Directors and Managers to obtain detailed information for each budget area and reviewed by the Executive Leadership Team..

Community: Not Applicable

2. BACKGROUND

At the Council meeting held on the 27 June 2017, Council adopted the original Annual Business Plan and Budget, reflecting a Budgeted Operating Surplus before Capital Revenue of \$161k and an estimated Net Borrowing for the financial year of \$5.646m as per the Uniform Presentation of Finances Statement.

The Regulations require Council to formally consider its budget three times per year. This statutory requirement recognises the likelihood that events will occur that require, or offer opportunities for changes to the budget during the year.

This report presents the first Budget Review (BR1) of the 2017-18 financial year .

Council's customary practice is to include Budget Reviews as an agenda item at Audit Committee meetings prior to consideration of Council. However, due the timing of Audit Committee meetings and the prescribed timelines required by Section 9(1)(b) of the Regulations, it was not possible for the Audit Committee to receive and note Budget Review 1 and recommend it to Council prior to adoption.

Budget Review Presentation

As a result of changes to the Regulations, the Budget Review Presentation has been simplified for the First and Third Budget Review for the year whereby it is now required to produce under Section 9(1)(a):

“a report showing a revised forecast of its operating and capital investment activities for the relevant financial year compared with the estimates for those activities set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances”

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

3. ANALYSIS

The budget review has been prepared in consultation with Directors and Managers who have provided information for each budget area.

Given the timing of Budget Review 1, the focus of this first budget review for the year was largely on:

- addressing carry forwards from the 2016-17 financial year,
- obtaining expenditure approval for a small number of items and projects primarily related to grant funded opportunities or Council Decisions, and
- correcting some allocations between operating and capital in accordance with accounting principles.

Budget Review 1 Proposed Adjustments

\$000s	Adopted Budget	Reallocation	Proposed Budget Adjustments	Carry Forwards	Proposed Budget Review 1
Operating Income	41,561	1,825	557	-	43,943
Operating Expenditure	(41,400)	-	(557)	-	(41,957)
Operating Surplus	161	1,825	-	-	1,986
Depreciation	8,027	-	-	-	8,027
Capital income	4,280	(1,825)	568	-	3,023
Capital Expenditure	(18,114)	-	(551)	(3,773)	(22,437)
Net (Borrowing) Position	(5,646)	-	18	(3,773)	(9,401)

Reallocation between Operating & Capital

As part of Council's 2017-18 Original Budget, an amount of \$2.6m was budgeted for Capital Grants including an amount of \$775k that has since been confirmed for the following Special Local Road Grants:

- \$420k of grant funding for Swamp Road Lenswood with \$840k capital expenditure
- \$355k of grant funding for Lower Hermitage Road, Upper Hermitage (road widening) with \$700k budgeted capital expenditure.

The budgeted balance of \$1.825m of Capital Grants related to a Local Government Disaster Recovery Assistance Grant and Roads to Recovery funding. However, it has recently been determined that although those two grants have been budgeted for under Capital Grants, accepted accounting principles required them to be disclosed under Operating Grants.

It is therefore proposed as part of Budget Review 1 to transfer the \$1.825m from Capital to Operating, resulting in a significant increase in the Operating Surplus.

Budget Adjustments

Operating:

Operating Income - \$557k increase

- Following the inclusion of the \$1.825m transfer from capital, a review of the amounts received for the Local Government Disaster Recovery Assistance Grant and Roads to Recovery funding has resulted in a further budget increase of \$287k in Operating Grants from the Adopted Budget.
- Council have been advised by the Federal Treasurer that Supplementary Road Grants for SA would be reinstated for the 2017-18 and 2018-19 financial years. For Council this has resulted in an amount of \$353k for the 2017-18 financial year which was not budgeted for.
- The Community Home Support Program has received unbudgeted grants (\$37k) and user charges (\$5k) following adoption of the 2017-18 budget. These offset an increase in Employee costs discussed below.
- In the Adopted Budget an amount of \$125k was budgeted as Net Gain from equity accounted Council businesses based on the Long Term Financial Plan. It is considered more appropriate to reduce this to zero given the estimated trading results of subsidiaries for the 2017-18 financial year.

Operating Expenditure – \$557k increase

- An increase of \$58k to the Community Home Support Program to correct the payroll budget in line with the approved FTEs for this program. This has been largely offset by grant funding & user charges increases discussed above
- A review of plant recovery allocations has highlighted over optimistic assumptions in relation to the budget for reallocation of plant hire across Council. It is therefore proposed to increase the plant budget by \$400k to a more realistic budget in line with previous year's actuals.
- The net impact of the above operating variations have been used to increase the CEO contingency by \$99k. The balance of this contingency now sits at \$58k after accounting for the above variations.

Capital Items:

Capital Income - \$568k increase

- Grant funding has been confirmed for two (2) Sustainability Projects relating to Gumeracha Main Street Master Plan for \$20k and Woodside Recreation Ground – Water Sensitive Urban Design for \$25k
- A capital contribution of \$64k has been received for Stirling Institute - Extension of Facility (including Stirling Theatre)

- A review of the fleet expenditure budget indicated that the amount of \$759k in the Adopted Budget was a net amount and therefore an income budget is required to account for \$189k proceeds on heavy plant and \$270k proceeds on light fleet (15 vehicles) totalling \$459k

Capital Expenditure - **\$551k** increase

- Associated expenditure of \$45k relating to the two (2) successful Sustainability Project grant funding applications mentioned above
- Additional expenditure costs of \$40k in conjunction with the capital contribution of \$64k for the Stirling Institute – Extension of Facility
- The grossing up of the fleet expenditure budget by \$459k as discussed above
- Council resolved at the Council Meeting on 24 October 2017 that an allocation of \$90k be included in Budget Review 1 to undertake the installation of vehicle security bollards in Druid Avenue Stirling
- An additional \$4,500 is required to complete the Library Counter & Self Check Upgrade currently budgeted at \$35k to upgrade people counters at three branches to allow for the installation of more accurate overhead thermal sensors
- An additional \$10k increase in budget is required to the existing \$700k budgeted capital expenditure for Lower Hermitage Road, Upper Hermitage – road widening Project to comply with the 50% Council contribution requirement for the \$355k Special Local Road grant
- A saving of \$98k has been identified in relation to Knotts Hill Road Basket Range – new guard rail

Overall, excluding carry forwards and the capital to operating reallocation, a minor reduction in net capital across income and expenditure lines resulted from Budget Review 1.

Carry Forwards

A number of capital projects has been identified as requiring the unspent budget to be “carried forward” into the 2017-18 financial year to enable the works to be completed, and as such have been included in 2017-18 Budget Review 1. These projects were not finalised by the end of the financial year for a number of reasons including:

- lengthy tender processes and/or contract negotiations
- delays due to inclement weather,
- the reallocation of council resources to address storm damage caused by the September 2016 storm event across the subsequent months of the year.
- projects split over two (2) or more years where an estimate has been made as to how much is spend in each financial year, and
- delays as a result of community consultation.

For a number of carry forward projects, the relevant Project Manager has identified that an additional budget amount is required over and above the existing carry forward budget to complete the works. Of the total of \$451k of additional budget requests, the more significant relate to Bridges and Stormwater asset categories and specifically:

- Hartley Vale Road Kenton Valley – an increase in budget of \$100k on top of the carry forward budget of \$50k
- Spring St Kersbrook Culvert - an increase in budget of \$158k on top of the carry forward budget of \$92k
- Aldgate Oval Sporting Storage Shed – an increase of \$31k on top of a carry forward budget of \$53k

- John Street Woodside Stormwater network addition – an increase in budget of \$36k on top of the carry forward budget of \$25k
- Pirralilla Place Stirling – Stormwater Renewal – an increase in the budget of \$28k on top of the carry forward budget of \$5k
- Edwards Street Crafers Unsealed road extension - an increase of \$25k on top of the carry forward budget of \$9k

Overall, as noted in the separate Council Report to the 28 November 2017 meeting covering the 2016-17 End of Year Results, a favourable result for Capital of \$867k has resulted for the 2016-17 financial year after allowing for those additional budget requests of \$451k. As such these additional budget requests can be accommodated without a negative impact on Council's 2017-18 budget position.

The detailed listing of the proposed carry forward projects totalling \$3.321m as well as additional budget requests relating to those projects of \$451k (total \$3.773m) is included in **Appendix 2** Capital Works Program Proposed 2016-17 Carry Forwards. This compares to the previous year's carry forwards total of \$3.485m.

4. OPTIONS

The Audit Committee is limited to receiving and noting this report.

5. APPENDICES

- (1) 2017-18 Budgeted Uniform Presentation of Finances
- (2) Capital Works Program - 2016-17 Capital Carry Forwards

Appendix 1

2017-18 Budget Review 1
Uniform Presentation of Finances

Adelaide Hills Council

BUDGETED UNIFORM PRESENTATION OF FINANCES
2017-18 Budget Review 1

2016-17 Actual		2017-18 Original	BR1	CF	2017-18 Revised
\$'000		\$'000			\$'000
INCOME					
34,301	Rates	35,520	-	-	35,520
1,022	Statutory charges	975	-	-	975
1,337	User charges	1,352	5	-	1,357
5,048	Grants, subsidies and contributions	2,870	2,502	-	5,372
36	Investment income	58	-	-	58
265	Reimbursements	342	-	-	342
483	Other income	319	-	-	319
57	Net gain - equity accounted Council businesses	125	(125)	-	-
42,549	Total Income	41,561	2,382	-	43,943
EXPENSES					
14,505	Employee costs	15,833	58	-	15,891
18,687	Materials, contracts & other expenses	16,737	499	-	17,236
7,792	Depreciation, amortisation & impairment	8,027	-	-	8,027
781	Finance costs	803	-	-	803
334	Net loss - equity accounted Council businesses	-	-	-	-
42,099	Total Expenses	41,400	557	-	41,957
450	NET BUDGETED SURPLUS / (DEFICIT) BEFORE CAPITAL AMOUNTS	161	1,825	-	1,986
Net Outlays on Existing Assets					
(6,580)	Capital Expenditure on Renewal and Replacement of Existing Assets	(12,751)	(464)	(2,602)	(15,816)
754	Proceeds from Sale of Replaced Assets	-	459	-	459
7,792	Depreciation	8,027	-	-	8,027
1,966	NET OUTLAYS ON EXISTING ASSETS	(4,724)	(5)	(2,602)	(7,330)
Net Outlays on new and Upgraded Assets					
(3,423)	Capital Expenditure on New and Upgraded Assets & Remediation costs	(5,363)	(87)	(1,171)	(6,621)
672	Capital Grants and Monetary Contributions for New and Upgraded Assets	2,600	(1,716)	-	884
-	- Proceeds from Sale of Surplus Assets	1,680	-	-	1,680
(2,751)	NET OUTLAYS ON NEW AND UPGRADED ASSETS	(1,083)	(1,803)	(1,171)	(4,057)
(335)	Net Lending/ (Borrowing) for Financial Year	(5,646)	18	(3,773)	(9,401)

Appendix 2

*Capital Works Program
2016-17 Carry Forwards*

**ADELAIDE HILLS COUNCIL
CAPITAL WORKS PROGRAM
PROPOSED 2016-17 CARRY FORWARDS**

Proj No	Project Description	Amount Requested	Budget Increase
BRIDGES			
3203	Hartley Vale Road, Kenton Valley - Rehabilitation	150,000	100,000
3414	Spring Str, Kersbrook, Culvert	250,000	157,615
		400,000	257,615
BUILDINGS			
3107	Toilets Demolition: Various: Buildings	55,000	0
3139	Piccadilly Netball/Tennis Contr for new building:	30,000	0
3214	Adelaide Hills Business & Tourism Centre	230,722	0
3215	Aldgate Oval Sporting Storage Shed	85,000	31,832
3216	Asbestos Removal Program	26,075	0
3219	Bridgewater Oval, Bridgewater - Replacement of canteen and storage shed	15,990	0
3224	Heathfield Depot - Chemical and Fuel Storage Shed Upgrade	29,599	0
3229	Stirling Institute - Extension/upgrade of facility	100,000	3,600
3413	Stirling Library fitout works	50,000	0
67803215	Crafers Hall: Crafers: Buildings	75,000	0
69605215	AHBTC Buildings: Lobethal	45,000	0
72805215	Draft Masterplan: AHBTC: Buildings	149,000	0
		891,386	34,973
CWMS			
61907215	Pump Stations Upgrade: Regionwide: CWMS	16,670	0
		16,670	0
FLEET			
3160	Fleet Replacement Program	35,729	
		35,729	0
FOOTPATHS			
3073	Bridgewater Oval : Bridgewater: Footpaths	10,000	0
3240	Amy Gillett Bikeway - Contribution to Extension	500,000	0
3251	Walking Trail Plan	23,770	0
		533,770	0
ICT			
3147	EDRMS - Renewal of Systems: Regionwide: ICT	60,500	0
3150	GIS Mapping Renewal: Regionwide: ICT	15,000	0
3153	UPS/Air Con Maintenance Renewal : Regionwide: ICT	20,000	0
3372	E-Development - Stage 2	25,000	0
70329215	Asset Management System	165,734	12,000
		286,234	12,000
OTHER INFRASTRUCTURE			
3177	Finding Workable Solutions	45,000	0
54022114	Sculpture Trail	65,885	0
		110,885	0
PLANT & EQUIPMENT			
3379	Stand-up desks	3,600	0
		3,600	0
RETAINING WALLS			
3128	War Memorials Program: Regionwide	17,220	0
3266	Barbeque Renewal Program	6,030	0
		23,250	0

**ADELAIDE HILLS COUNCIL
CAPITAL WORKS PROGRAM
PROPOSED 2016-17 CARRY FORWARDS**

Proj No	Project Description	Amount Requested	Budget Increase
SEALED ROADS			
3284	BLOCKERS ROAD, Basket Range - Reseal	84,300	0
3302	Forreston Road, Forreston - embankment slip repair	40,000	0
		124,300	0
SPORT & RECREATION			
3119	Signage Replacement: Stirling: S&R	18,720	0
3169	Woodside Swimming Pool - Replacement Return Line	25,000	0
3178	Master Plan Heathfield Recreation Grounds	23,830	0
3310	Summertown Tennis Court - Refurbishment	20,000	0
71212115	Mount Torrens Trail Stage 1: S&R	10,146	8,000
68403215	Mylor Tennis Courts: Mylor: Buildings	15,000	9,408
		112,696	17,408
STORMWATER			
3129	John Street Woodside stormwater network addition:	61,101	36,101
3131	Lange Crescent Birdwood stormwater network additio	19,602	0
3322	Nairne Road 62-66, Woodside - Stormwater	39,760	0
3324	Pirralilla Place, Stirling - Stormwater Renewal	33,000	28,047
3327	Tolmer Road/Ridge Road 31, Woodside - Stormwater	16,901	0
3396	Pirralilla Place, Stirling - Damage	9,006	0
		179,370	83,770
TRAFFIC MANAGEMENT			
3416	August St Birdwood, Traffic Management	11,000	5,000
		11,000	5,000
UNSEALED			
3334	Blockers Hill Road, Basket Range - re-sheet	154,000	0
3342	Edwards Street, Crafers - Road Extension	34,269	25,000
		188,269	25,000
FLOODING			
3382	Burdetts Rd, Basket Range - Reconstruction	17,500	0
3384	Debneys Rd, Basket Range - Flood Repairs	50,000	0
3386	Ford Damage - region wide	17,500	0
3387	Fox Creek Rd, Cudlee Creek - Major Slip	11,000	11,000
3388	Hollands Creek Rd, Cudlee Creek - Slip	15,500	0
3390	Knotts Hill Rd, Marble Hill - low side slip	40,000	0
3393	Montacute Rd, Montacute - Reconstruction	81,600	0
3394	Mt Barker Rd, Aldgate - Embankment and Footpath Reconstruction	59,075	0
3401	Sturt Valley Rd, Stirling - Embankment Stabilisation	40,000	0
3403	Unsealed Roads - region wide	458,500	0
3404	Valley Rd, Montacute	22,000	0
3405	Wyse Rd, Basket Range - Flood Repairs	14,700	4,700
3409	Bridgewater Oval - Rectification Works	28,139	0
		855,514	15,700
TOTAL CAPITAL WORKS CFWD		3,772,673	451,465

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Tuesday 20 February 2018
AGENDA BUSINESS ITEM**

Item: 6.5

Originating Officer: Mike Carey, Manager Finance

Responsible Director: Terry Crackett, Director Corporate Services

Subject: 2017-18 Budget Review 2

For: Information

SUMMARY

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

This report presents Budget Review 2 to the Audit Committee for review. Budget Review 2 is proposed to be considered by Council on 26 February 2018.

The proposed budget changes do not change the Operating Surplus from \$1.986m, as the net favourable changes to the operating budget have been applied to the CEO contingency.

Due largely as a result of changes to estimates of AHBTC capital expenditure and revenues and adopted capital changes from Council's 23 January Meeting, Council's Net Borrowing Result for the year reduces to \$4.0m from the previously adopted \$9.4m.

RECOMMENDATION

The Audit Committee resolves to:

- 1. Receive and note the report.**
 - 2. Notes that the Operating Budget variations presented in Budget Review 2 have no impact on the Operating Surplus for the 2017-18 year of \$1.986m.**
 - 3. Notes the proposed Capital Program amendments that reduce net capital expenditure by \$1.536m resulting in a reduced Net Borrowings of \$4.030m for 2017-18.**
-

1. GOVERNANCE

➤ Strategic Management Plan/Council Policy

Goal	Organisational Sustainability
Key Issue	Financial Sustainability

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

➤ Legal Implications

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

➤ Risk Management Implications

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

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

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

It ensures that financial resources are deployed in areas that align with Council's Strategic Management Plans, are affordable and support Council's LTFP.

➤ Financial and Resource Implications

The proposed variations have no net impact on the operating budget as a result of increasing the CEO contingency to offset the proposed variations. In addition, largely as a result of changes to estimates of AHBTC capital expenditure and revenues, the net decrease in the Capital Program is \$1.536m. This has reduced proposed New Borrowings to \$4.071m, resulting in estimated borrowings at 30 June 2018 of \$17.671m.

A separate report on 2017-18 Capital Delivery was prepared for Council in January 2018 and considered the capacity and impact on resourcing to deliver a capital works program of this magnitude. As a result Council approved a reduction/deferment in the Capital Works Program of \$3.836m which has also been reflected in the statutory financial statements included with this report.

➤ Customer Service and Community/Cultural Implications

Not applicable.

➤ **Environmental Implications**

Not applicable.

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

Council Committees: Not Applicable

Advisory Groups: Not Applicable

Administration: The budget review has been prepared in consultation with Directors and Managers to obtain detailed information for each budget area.

Community: Not Applicable

2. BACKGROUND

Section 9(1)(b) of the *Local Government (Financial Management) Regulations 2011* requires Council to formally consider its budget three times per year. This statutory requirement recognises the likelihood that events will occur that require, or offer opportunities for changes to the budget during the year.

At the Council meeting held on the 28 November 2017, Council adopted the 2017-18 Budget Review 1 with a Budget Operating Surplus before Capital Revenue of \$1.986m and an estimated Net Borrowings of \$9.401m.

At the Council meeting held on 23 January 2018 Council approved a reduction/deferment in the Capital Works Program of \$3.836m which has been reflected in the statutory financial statements included with this report.

Council's original Annual Business Plan and Budget was adopted on 26 June 2017.

Budget Review Presentation

In accordance with the *Local Government (Financial Management) Regulations*, the Budget Review presentation for Budget Review 2 for the year needs to include the full budgeted financial statements presented in a manner consistent with the Model Financial Statements.

In addition, a council must also include in this report revised forecasts for the relevant financial year of the council's operating surplus ratio, net financial liabilities ratio and asset sustainability ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators (***Attachment 1***).

3. ANALYSIS

The budget review and quarterly reports have been prepared in consultation with Managers and Directors to obtain information for each budget area.

Council's customary practice is to include Budget Reviews as an agenda item at Audit Committee meetings.

Operating

Key operating variations included in this review are as follows:

Revenue \$264k increase

- NRM Rates levy adjustment of \$16k to reflect annual contribution required by NRM Board. This is contra'd by the same amount in expenditure.
- Statutory Income increase of \$15k relating to additional Food Safety Income above budget.
- User charges income changes relate to an increase in budgeted Adelaide Hills Business & Tourism Centre (AHBTC) Rent of \$48k offset by a reduction in Retirement Village income of \$42k.
- The proposed Grants (and Contributions) increases relate to unbudgeted contributions received for CWMS Connections of \$22k.
- Reimbursement income increases largely relates to the grossing up of AHBTC Utilities Reimbursements (now invoiced internally)
- \$75k of the Other income increase relates to the East Waste 2016-17 Waste Collection fee rebate received late last calendar year

Expenses \$264k increase

- For employee costs the proposed increase of \$40k relates a correction of budgeted salary compensation claims that were overstated in Council's approved budget offset by employee savings in vacant positions including governance and procurement.
- There is a reallocation of \$135k between Materials, Contract & Other and Finance costs to align bank & other fees in accordance with the Model Set of Accounts definitions.
- Other than the bank fee reallocation there is a net increase in Materials, Contract & Other of \$50k across a number of items. The more material items include an increase of power and water costs for AHBTC (contra'd by an increase in revenue) and increase in governance costs largely relating to the Electoral Representation Review

As a result of the net impact of the above operating variations, the CEO contingency has increased by \$174k to \$232k after accounting for the above variations. Together with the proposed changes to Materials, Contract & Other disclosed above, this results in the overall increase in this expense category of \$359k as disclosed in the Uniform Presentation of Finances.

Capital

The net impact resulting from proposed changes in the capital works program reduce capital income by \$362k and total capital expenditure by \$1.899m as summarised below:

Capital Expenditure –reduction of \$1.898m

- As an outcome of a Council Workshop updating progress on Council's divestment in the Adelaide Hills Business & Tourism Centre (AHBTC) it is proposed to reduce capital project expenditure for the both the AHBTC Divestment project (\$1.515m reduction, relating largely to the transfer of expenditure relating to civil, infrastructure and building compliance works on the Northern site to future years) and the Activation of the Community Space \$438k reduction
- As a result of a successful grant funding application in relation to a Gumeracha "Residents Win" from DPTI of \$32,500, Council's contribution to the Main Street Stage 1 Project will be \$22,500 and as such a request for an expenditure budget of \$55,000 has been included in Budget Review 2

Capital Grants for New & Upgraded Assets - \$32,500 increase

- Grant funding has been confirmed from DPTI in relation to a Gumeracha "Residents Win" Main Street Stage 1 Project involving Grant funding as well as an in kind contribution. Council's contribution is \$22,500

Proceeds from Sale of Surplus Assets - \$395k reduction

- Included in Council's Budgeted Proceeds from Surplus Assets of \$1.68m is an estimate for AHBTC proceeds which is spread across a number of years. As a result of valuations obtained and an increased understanding of tenant improvement undertaken, it is proposed to reduce the proceeds on sale by \$395k for the 2017-18 year. This is more than offset by the reduction in expenditure relating to preparing the site and buildings for sale discussed above

Project Name		BR1 BUDGET	BR2	Proposed Revised Budget BR2
Buildings				
3505	AHBTC Masterplan and Divestment Project Capital Expenditure	\$2,364,722	(\$1,514,722)	\$850,000
	AHBTC Masterplan and Divestment Project – Proceeds	(\$1,605,000)	\$395,250	(\$1,209,750)
3506	AHBTC Masterplan and Divestment Project – activation of Community Space	\$488,000	(\$438,000)	\$50,000
Traffic Management				
New	Gumeracha Residents Win Main Street Stage 1 – Capital Grant	Nil	(\$32,500)	(\$32,500)
New	Gumeracha Residents Win Main Street Stage 1 – Capital Expenditure	Nil	\$55,000	\$55,000
<u>CAPITAL BUDGET REQUESTS</u>			(\$1,534,972)	

Financial Indicator Analysis

The BR2 Revised Budget Financial Indicators are shown with reference to both the 2017-18 Original Budget adopted in June 2017 and the Current Adopted Budget for 2017-18 adopted in November 2017.

Contributing factors that have impacted on the changes in ratios (refer to Table below) are as follows:

Operating Surplus Ratio

Net Financial Liabilities

There has been a decrease in the ratio from the currently adopted budget as a result of a revision of the Capital Works Program downwards from the January 2018 review of Capital Works Delivery as well as a further reduction, largely due to in estimates of net AHBTC capital expenditure from Budget Review 2.

The increase in this ratio between the Original Budget and the Current Adopted Budget was as a result of accounting for the carry forward of capital projects to 2017-2018.

Asset Sustainability Ratio

This ratio increased from the Original Budget to BR1 as a result of accounting for the carry forwards to 2017-18 which included over \$2.6m of renewals. The reduction in capital expenditure as part of the January 2018 Capital Review for renewals and the BR2 reduction for AHBTC has adjusted the ratio back to 149%, being a similar amount to the Original Budget.

Financial Indicator	Target	Original Adopted Budget for 2017-18	Current Adopted Budget for 2017-18 (Nov 2017)	Proposed Revised Budget 2017-18
Operating Surplus Ratio	0% to 10%	0.4%	4.5%	4.5%
Net Financial Liabilities Ratio	0% to 100%	59.7%	66.9%	54.2%
Asset Sustainability Ratio	90% to 110%	146%	188%	149%

Movements in Budgeted Borrowings

As a result of proposed Budget Review 2 changes forecast borrowings have been revised downwards to \$17.6m.

The borrowing movements are shown below.

Borrowings	Opening Balance July 2017 \$'000s	New Borrowings \$'000s	Repayments \$'000s	Forecast June 2018 \$'000s
CAD (Short Term Drawdown)	3,600	-	-	3,600
Current Fixed Term Borrowings	51	4,001	(34)	4,018
Non-Current Fixed Term Borrowings	10,000	-	-	10,000
Total Borrowings	\$13,651	4,001	(34)	\$17,618

Summary

The proposed budget changes do not change the Operating Surplus from \$1.986m, as the net favourable operating budget changes result in an increase in the CEO contingency line by \$174k.

The net impact resulting from proposed adjustments from Budget Review 2 for capital is \$1.536m, being a reduction in capital income of \$362k and a reduction in total capital expenditure of \$1.899m.

A summary of the impact on Council's Net Borrowing is shown below:

	\$'000
Current Adopted Budget Net Borrowings	9 401
Impact of Capital Review adopted by Council January 2018	(3,836)
Second Quarter Budget Review impact	(1 536)
Second Quarter Budget Review Revised Net Borrowings	4 030

4. OPTIONS

Audit Committee is limited to receiving and noting this report.

5. APPENDICES

- (1) Budget Review 2 Statutory Financial Statements

Appendix 1

Budget Review 2 Statutory Financial Statements

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Tuesday 20 February 2018
AGENDA BUSINESS ITEM**

Item: 6.6

Originating Officer: Matt Strapps, Manager Information Systems

Responsible Director: Terry Crackett, Director Corporate Services

Subject: ICT & IS Strategic Plan 2017 - 2020

For: Information

SUMMARY

Technological advancements provide the opportunity to capitalise on state of the art service delivery, by enhancing the customer experience in meeting community expectations, and enabling Adelaide Hills Council to maximise operational efficiencies, whilst meeting compliance and legislative requirements.

The *ICT & IS Strategic Plan* appended to this report has been developed to ensure that Adelaide Hills Council continues to maintain and support innovative, robust technology and applications. It also strives for greater access to services for our community, in a technological environment that is continually evolving.

It also supports the delivery of the key technology based strategies in the Explore section of Council's *Strategic Plan* and progresses outcomes of the 2017 CEO Performance Target to increase Council's Digital Footprint to support community connectivity with the provision of internet services in townships.

RECOMMENDATION

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

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal 4	Explore
Strategy 4.2	We will explore the opportunities that emerging technologies present to people living, working, visiting or doing business in our district
Strategy 4.3	We will offer greater access to services and realise business efficiencies through online services.

The *ICT & IS Strategic Plan* supports the delivery of these two core strategic outcomes that specifically relate to Councils use of technology. The strategies foster innovation and encourage our people to explore solutions through technology.

Corporate Plan 2017-2020

The *ICT & IS Strategic Plan* supports the Corporate Plan, Processes, Systems and Customer Service priority areas 22, 23, 24, 25. These priority areas relate to how Council uses its information systems to support improved customer experiences, streamline business process and integrate systems; to pursue a single source of truth managed in the appropriate line of business system.

➤ **Legal Implications**

Not Applicable

➤ **Risk Management Implications**

The *ICT & IS Strategic Plan* will assist in mitigating the risk of:

Having no ICT & IS Strategic Plan in place leading to unsuitable technology acquisitions, poor systems implementations and an inability to provide service to customers and meet information management legislative requirements

Inherent Risk	Residual Risk	Target Risk
High (4C)	Low (1D)	Low (1D)

The *ICT & IS Strategic Plan* mitigates these risks to and supports both strategic organisation outcomes and ongoing organisational sustainability.

➤ **Financial and Resource Implications**

Not Applicable

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

The ICT & IS supports the delivery of Council's *Customer Service Framework*, by allowing for improved customer experience and continued automation of processes.

➤ **Environmental Implications**

Not applicable

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

Council Committees: Not Applicable
Advisory Groups: Not Applicable
Administration: ICT and IS Strategy and Innovation Panel comprising of;
Melissa Bright – Economic Development Coordinator
Rebecca Shepherd – Manager Community Development

Alexis Black – Team Leader Environmental Health
Chris Janssan – Manager Open Space
David Collins - Manager Sustainable Assets
Bernie Vogelsang – Digital Services Team Leader
James Sinden – Manager ICT
Matt Strapps – Manager Information Systems
Jessica Charlton – Coordinator Service Strategy and Innovation
Natalie Westover – Manager Property Services
Vanessa Nixon – E-Development Officer
Executive Leadership Team

Community:

Not Applicable

2. BACKGROUND

Information Communication Technology and Information Systems (ICT & IS) have radically changed the way we do business and interact with our community. Technological advancements are continually providing new ways to design, develop, automate and deliver efficient services to the community and support greater levels of collaboration and engagement.

As our community's lives shift to online services and emerging technologies, there is a greater need for the organisation to meet community expectations, enabling user friendly online services that facilitate and encourage customer interaction and engagement in an environment of constant technological change.

Integral to community engagement and provision of exceptional customer service experiences Council needs to be at the forefront of technology, embracing and leveraging from emerging technologies, that provide both business and community benefits. This has become the '**expected normal**' of a modern and progressive Council, which also acts to instil a high level of confidence and greater interaction with our customers.

This report was considered by Council on 23 January 2018 at which time it was requested that it be provided to the Audit Committee for review.

3. ANALYSIS

The *ICT & IS Strategic Plan* ensures that Council has an agreed framework for the provision of technology based solutions across the organisation, both for the administration and community. The framework supports the consideration, selection and implementation of appropriate systems and devices that should integrate seamlessly with existing systems, thus avoiding budgetary spend on products not fit for purpose. This is to ensure not only an innovative and outcome focused technology program, it also ensures solutions are aligned to the strategic direction of the organisation, but are also secure and sustainable throughout their lifecycle.

4. OPTIONS

The Audit Committee is limited to receiving and noting this report.

5. APPENDICES

- (1) ICT & IS Strategic Plan 2017 – 2020

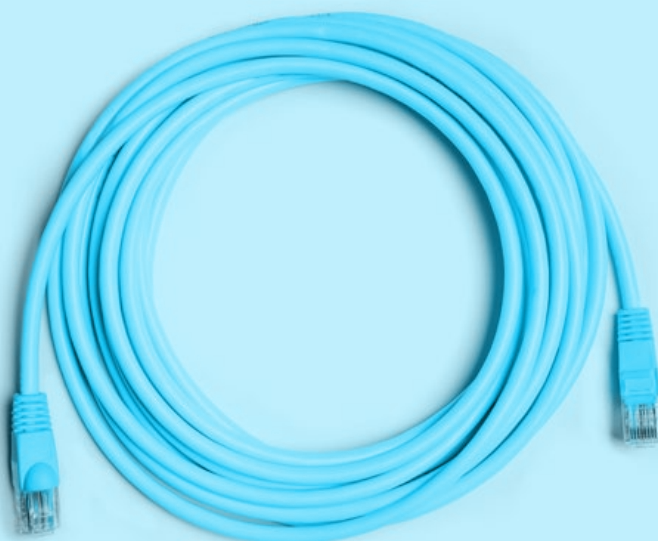
Appendix 1

ICT & IS Strategic Plan 2017 - 2020

*Information Communication Technology
and Information Systems*

ICT & IS Strategic Plan

2017 – 2020



Contents

3	Executive Summary
4	Strategy
5	Customer Profile
5	Technology Profile
6	Trends and Considerations
7	<i>Goal 1</i> Access
7	<i>Goal 2</i> Collaborate
7	<i>Goal 3</i> Explore
7	<i>Goal 4</i> Inform



Executive summary

Adelaide Hills Council aims to use technology to deliver opportunity, better services and liveability for our community.

This Strategy details the collaboration between community and technology. To create a smart community, people must be the focus. Council will work with the community to focus on digital technology that provides better local services, increases economic opportunities and makes the Adelaide Hills an even better place to live.



The Adelaide Hills Council is a diverse region, predominantly rural with substantial residential and township areas. The Council district encompasses a total land area of 795 square kilometres.

Residential development varies from the more urban areas of the foothills and the main settlement areas of Crafrers, Stirling, Heathfield, Aldgate and Bridgewater, to the numerous smaller townships and villages. The dispersed population is provided for with numerous facilities and community services including libraries, community centres, recreation facilities and halls.

The unique character of the Adelaide Hills Council area and its proximity to metropolitan Adelaide has created opportunities for tourism and unstructured recreation. Commercial, tourism and agricultural activities form a strong economic base for the district.

Council's Strategic Plan 'Your Adelaide Hills' provides a focus for Council's service delivery. Adopted in 2016, it is our plan to make the Adelaide Hills a 'place for everyone'.

The Strategic Plan helps us focus on those areas which need new or renewed attention to address emerging community needs and trends.

To meet changing community expectations Council needs to be agile. Our strategies, policies, processes and systems must be current and relevant to community needs. We must embrace flexibility and be prepared to change. In recognising and realising opportunities, we must manage risks to achieve our objectives.

As the world changes, Council needs to be aware of the impacts on its community and advocate accordingly. In an increasingly fast-paced and technological world, opportunities to connect are crucial. A connected community is inclusive, welcoming, engaged, empowered and dynamic. Its members are confident and resilient.

It is now easier than ever before for people to connect, and more people connect on the go, bringing new ideas and expectations. This means new opportunities but also challenges. As it becomes easier and more affordable to connect online, demand for online services and experiences grows, as do expectations of what can be achieved online, including how the community interacts with Council.

New technologies can allow greater, more efficient access to services and information and significantly enhance Council's engagement with its geographically dispersed population.

The ICT & IS strategy will guide Council and the wider community in capitalising on emerging digital technologies and creative industries and address these challenges. In doing so, it addresses objectives of Council's Strategic Plan – to improve the quality of life of residents, the efficiency and transparency of governance, and overall sustainability and prosperity of the Hills.

Four goals guide the implementation of this Strategy

Goal 1 Access

Council strives to provide access to systems that support high quality customer experiences

Goal 2 Collaborate

Council will seek to maintain a variety of external relationships to leverage benefits

Goal 3 Explore

Council needs to explore emerging technologies and the new opportunities they present

Goal 4 Inform

Council highly values reliable, accurate and relevant information

Strategy

Why we need an ICT & IS Strategy

Information Communication Technology and Information Systems (ICT & IS) have radically changed the way we do business and interact with our community. Technological developments are continually providing new ways to design, develop and deliver services, automate existing services and more effectively consult and engage with a broader range of stakeholders.

As our community's lives shift to online services and emerging technologies, our organisation and the community want to interact, engage and do business in a digital world, anywhere, anyplace, anytime.

Council needs to be at the forefront of technology, embracing it and utilising it.

This has become the 'expected normal' of a modern and progressive Council.

There are many challenges in this rapidly changing and transforming space. Not only are there physical challenges of connectivity with the terrain of our region, keeping up with this new 'expected normal' challenges both our back-end systems as well as stretching our resources and knowledge.

This Strategic Plan provides a map that guides future ICT & IS investment and service delivery strategies to contribute to efficient Council operations.



In summary this Strategic Plan aims to provide three important benefits:

-  To align technology with the Council's strategic goals, enabling a contribution to Council's strategic objectives.
-  To enable ICT & IS systems to be fully integrated and managed Council-wide, where the needs of our customers are fully considered and satisfied.
-  To build relationships between the ICT & IS teams and our customers, securing a commitment to the ICT strategy as all stakeholders are involved in the process.

Profiles

Customer profile



180

Over 180 individual staff and external contractors are supported by the ICT & IS teams.



Seven

Our internal customers are based at seven main locations, many of them are using mobile technology in the field.



89%

Data from the 2016 Census shows that 89% of dwellings within the AHC community area have at least one person who uses the internet from the dwelling.



Diverse

The internet may have been accessed from a fixed link connection, satellite connection, a mobile phone, a tablet or an Internet of Things (IoT) device such as a smart TV. This reflects the changing face of technology.

Snapshot



Population

38,863 (ABS Census 2016)



Council area

795km²



Density

0.5 people per hectare



Median age

44 (39 greater Adelaide)



Dwellings

15,454



Work at home

7.3%



High average income



Low unemployment



High labour participation



High education levels



High levels of internet connectivity

Technology profile

Council has a significant investment in a range of technologies to support its operations and provide its customers with current technology where possible. The ICT & IS Teams support and maintain a number of systems from a service delivery perspective.



Renew

ICT Infrastructure renewed regularly on an operating lease with scheduled replacement cycles



Access

Ability to access systems and information from multiple locations including work & home



VR

VR System rolled out for Community Centre use



Managed

Overall, in total there are 1200 devices that are managed and maintained



Software

There are over 90 individual software packages deployed



Wi-Fi

There are over 18 Wi-Fi Access Points installed in council facilities



Servers

There are over 100 virtualised servers operating on physical servers



Print

There are 20 Multi-Function print devices for both staff and community use



300mb/s

Council has its own Microwave network, supporting speeds of up to 300mb/s between locations



Fibre

Council has extensive fibre network, linking directly with our data-centre located in Mile End



Devices

Over 100 computers and tablets for community use in libraries and community centres



Mobiles

Over 250 mobile devices supported

Trends and considerations

Smart City Initiatives

The Smart Cities concept is a trend that is accelerating in our space.

Concepts such as smart lighting, big data, use of drones and Internet of Things (IoT) networks are increasingly being used in our space. There will be opportunities for external funding and other incentives provided by other levels of Government for AHC to potentially take advantage of.

Digital Connectivity

The district has high levels of internet connectivity but speed and reliability varies.

The NBN network is being progressively rolled out and most of the district should be covered by mid-2018

Workforce Mobility

There are ever increasing demands for both office and field based staff to have access to corporate systems, records and applications in the field 24/7. This demand is becoming more complex as many systems require more sophisticated devices in the field.

Subscription Solutions

The proliferation of online subscription based solutions, offers many opportunities for Council to use bespoke solutions to solve discrete problems. There are however many challenges with these solutions, especially related to connectivity to other line of business systems, legislative and record keeping requirements, potential data loss and little control around ongoing financial commitments.

Self Service Customer Experience

Being able to access services in an online environment has become the expected norm with large sections of our community.

Being able to ensure this online experience is consistent with the in-house experience is essential to a successful customer experience and the recurring use of the online service systems.

Automation of Transactional Processing

Many new systems and solutions offer the ability to automate processes that are currently performed manually. This is further enhanced with improved integration between systems and the ability for information to be shared across multiple lines of business systems.



Goals

Goal 1 Access

Council strives to provide access to systems that support high quality customer experiences

1.1 We will maintain high levels of security to ensure system availability and integrity

1.2 We will continue to evolve our service delivery models

1.3 We will use cloud, on premise and hybrid models as appropriate

1.4 We will endeavour to deliver a consistent user experience across all access options

Goal 2 Collaborate

Council will seek to maintain a variety of external relationships to leverage benefits

2.1 We will maintain membership, support initiatives and engage with relevant sector organisations

2.2 We will seek to collaborate with Government and other institutions

2.3 We will collaborate with our systems providers to enhance and improve service delivery

2.4 We will engage and collaborate within our organisation to capitalise on the broad depth of knowledge

Goal 3 Explore

Council needs to explore emerging technologies and the opportunities they present

3.1 Explore opportunities to seek out, and make available, useful and appropriate data to and from external organisations.

3.2 We will explore with our community opportunities to provide suitable and value for money technology based services

3.3 We will explore external funding and income generating opportunities related to technology as they support strategic outcomes

3.4 We will explore offering greater access to services and realise business efficiencies through online services

Goal 4 Inform

Council highly values reliable, accurate and relevant information

4.1 We will work towards a systems structure where a single source of truth can be managed and maintained.

4.2 We will continue to develop and improve our usage and management of organisational information

4.3 We will ensure that data is appropriately secured, protected and recoverable

4.4 We will provide information from systems to inform decision making and process improvement



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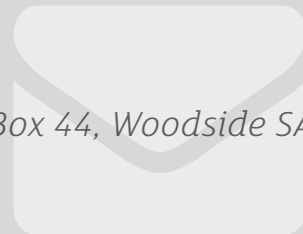
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**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Tuesday 20 February 2018
AGENDA BUSINESS ITEM**

Item: 6.7

Originating Officer: Lachlan Miller, Executive Manager Governance & Performance

Responsible Director: Terry Crackett, Director Corporate Services

Subject: Risk Management Update

For: Information

SUMMARY

This report provides the Audit Committee with an update on Risk Management activities including the current status of the Strategic Risk Profile and Management Plan.

In relation to the Strategic Risk assessments, there has been no change to the Inherent, Residual or Target risk ratings for the quarter.

In relation to the implementation of Mitigation Actions to manage the Strategic Risks, the following results have been achieved which is an improvement on the November 2017 results:

- Completed: 61% (45) up from 53% (39)
- In Progress: 38% (28) down from 44% (33) due to action completions during the quarter
- Not Commenced: 1% (1) down from 3% (2) due to the commencement of an action
- No new mitigation initiatives were created/commenced in this quarter.

RECOMMENDATION

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

1. GOVERNANCE

Goal	Organisational Sustainability
Strategy	Governance

Updating the risk management framework, which addresses workplace health and safety, emergency management, business continuity, public liability and legislative accountability assists in meeting legislative and good governance responsibilities and obligations

➤ **Legal Implications**

A number of sections of the *Local Government Act 1999* require councils to identify and manage the risks associated with its functions and activities. Further, s125 requires council to have appropriate internal controls.

Similarly the *Work Health & Safety Act 2012* is structured around the protection of workers and others against harm to their health, safety and welfare through the elimination or minimisation of risk arising from work or specified substances or plant.

➤ **Risk Management Implications**

Improvements in the implementation of the risk management framework s will assist in mitigating the risk of:

A lack of effective risk management occurs which leads to greater uncertainty in the achievement of objectives and/or negative outcomes.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (4D)	Medium (4D)

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

➤ **Financial and Resource Implications**

While there are no direct financial or resource implications from this report, a number of Strategic Risk Profile and Management Plan treatments are impacted by funding limitations.

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

There is a high expectation that Council has appropriate corporate governance processes in place including an effective corporate risk management system.

➤ **Environmental Implications**

Environmental matters have been considered within the development of the Strategic Risk Profile and Management Plan.

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

Consultation has occurred internally with the Strategic Risk Owners.

<i>Council Committees:</i>	Not Applicable
<i>Advisory Groups:</i>	Not Applicable
<i>Administration:</i>	Terry Crackett, Director Corporate Services David Waters, Director Customer & Community Services Marc Salver, Director Strategy & Development Peter Bice, Director Engineering & Assets Lachlan Miller, Executive Manager Governance & Performance Megan Sutherland, Executive Manager Organisational Development
<i>Community:</i>	Not Applicable

2. BACKGROUND

Council adopted the revised Risk Management Policy at its 25 February 2014 Council meeting. The Audit Committee considered the key elements of the Corporate Risk Management Framework at its May 2014 meeting and suggested a number of enhancements. The revised Framework was adopted by Council at its 24 June 2014 meeting.

A Strategic Risk Profile and Management Plan was developed documenting eleven strategic risks (SR), with SR 9 broken into three sub risks.

The Strategic Risk Profile and Management Plan, including controls and treatment plans against each strategic risk, was initially received by the Audit Committee at its meeting on 22 February 2016 and subsequently by Council at its ordinary meeting on 23 February 2016. This process has since continued each quarter

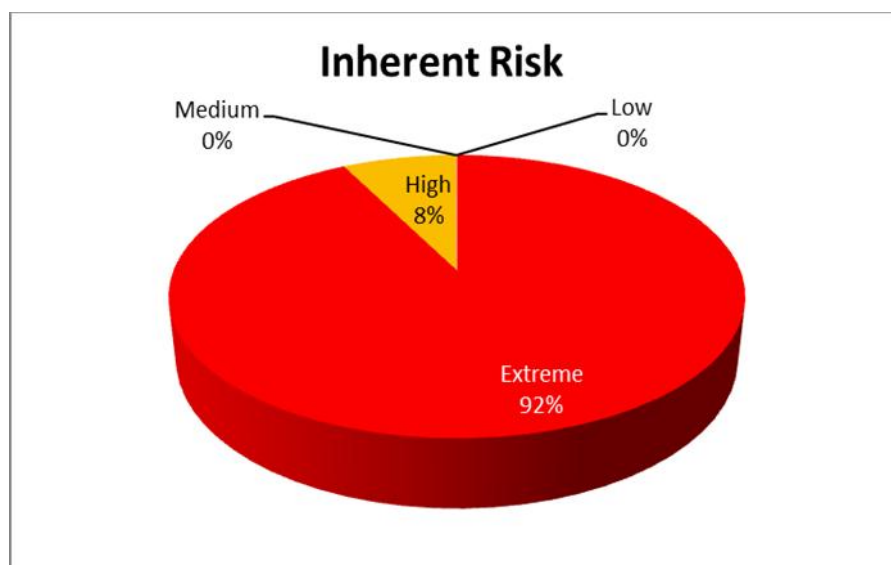
In February 2017, the Executive Leadership Team reviewed the ownership of the strategic risks to more appropriately align the risks with functional responsibilities with the first round of assessments conducted by the new risk owners for the May 2017 assessment.

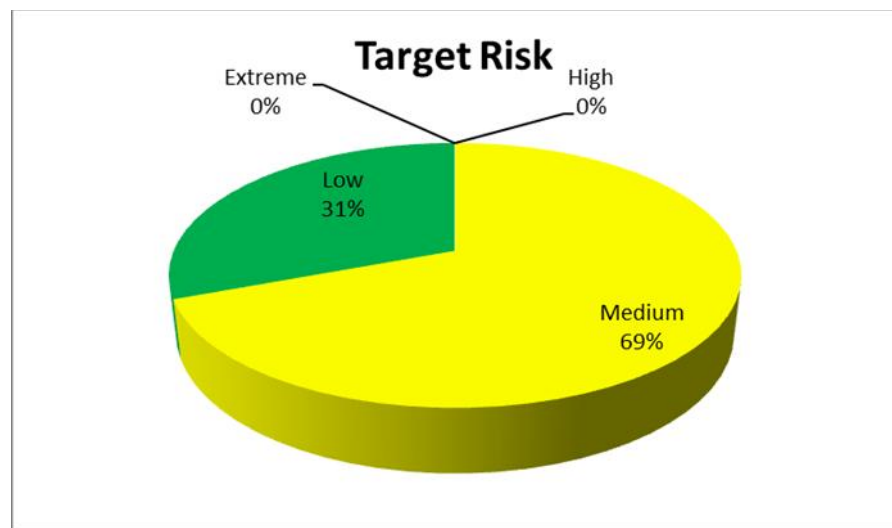
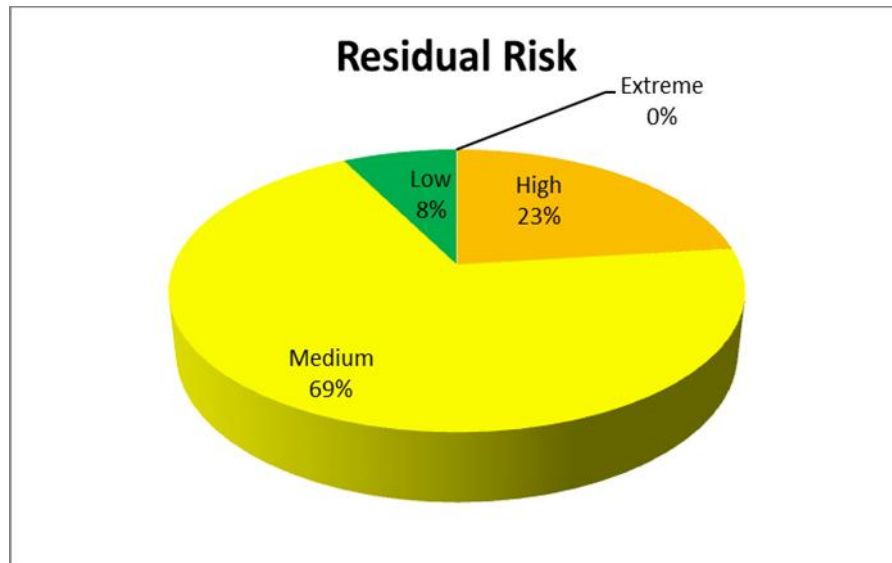
3. ANALYSIS

Strategic Risk Profile

The Strategic Risks are regularly reviewed by the risk owners responding to triggers in the risk environment, changes in causation or impact, changes in the control environment and on the completion of mitigation actions (which then form part of the control environment) which collectively can impact the likelihood and/or consequence of the risk.

The Strategic Risks were recently reassessed and the following diagrams depict the Inherent, Residual and Target ratings. There has been no change to the Inherent, Residual and Target risk ratings from the last (November 2017) assessment.

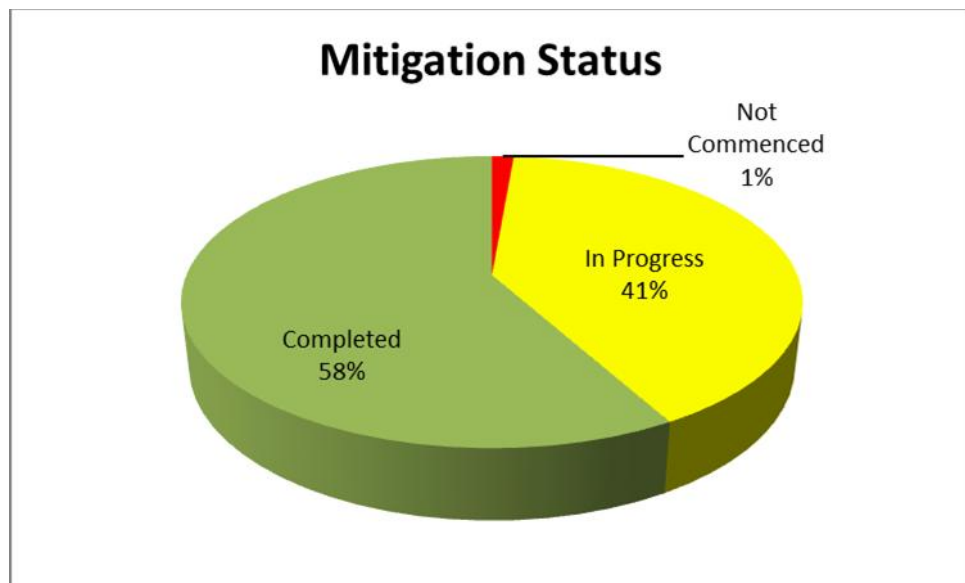




Notwithstanding the absence of change in the risk ratings, the implementation of Mitigation Actions has been progressing steadily. The current status is:

Status	May 2017	August 2017	November 2017	February 2018
Completed	51% (38 actions)	53% (39 actions)	53% (39 actions)	61% (45 actions)
In Progress	46% (34 actions)	43% (32 actions)	44% (33 actions)	38% (28 actions)
Not Commenced	3% (2 actions)	4% (3 actions)	3% (2 actions)	1% (1 action)
New Initiatives (in above totals)	3 actions	0 actions	0 actions	0 actions

This is shown diagrammatically below:



4. OPTIONS

The Audit Committee has the following options:

- I. To note the update on the Strategic Risk Profile as presented (recommended),
- II. To determine not to note either or both updates and/or identify additional actions to be undertaken.

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Tuesday 20 February 2018
AGENDA BUSINESS ITEM**

Item: 6.8

Originating Officer: Lachlan Miller, Executive Manager Governance & Performance

Responsible Director: Terry Crackett, Director Corporate Services

Subject: Internal Audit Quarterly Update

For: Decision

SUMMARY

This report proposes a number of variations to the Strategic Internal Audit Plan (**Appendix 1**) and provides the Audit Committee with an update on progress of the scheduled internal audits.

RECOMMENDATION

The Audit Committee resolves:

1. To receive and note the report.
 2. To approve the proposed changes to the Strategic Internal Audit Plan as contained in Appendix 1.
-

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal 5 Organisational Sustainability
Strategy 5.7 Governance

Monitoring the implementation of the Strategic Internal Audit Plan and audit assists in meeting legislative and good governance responsibilities and obligations.

➤ **Legal Implications**

Section 125 of the *Local Government Act 1999* (the Act) requires councils to ensure that appropriate policies, practices and procedures of internal controls are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records.

The Internal Audit program is an important tool to provide an objective appraisal of the adequacy on internal controls in managing our risk and supporting the achievement of council objectives.

➤ **Risk Management Implications**

The implementation of the internal audit program will assist in mitigating the risk of:

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

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

➤ **Financial and Resource Implications**

The Internal Audit budget for this financial year includes funding to resource the proposed audits and enable them to be outsourced under the oversight of the Executive Manager Governance and Performance. Given the range of demands on this role, and the specialised nature of a number of the audits, it is not possible to undertake audits internally.

The recently approved structural changes in the Governance & Performance Department will assist with the management of the internal audit program. This structural change has been funded within the 2017/18 budget.

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

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

➤ **Environmental Implications**

Not applicable

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

Consultation in the preparation of an internal audit scopes, in finalising audit reports and in the development and implementation of actions to address the audit findings was as follows:

<i>Council Committees:</i>	Audit Committee for the internal audit project scopes via the Strategic Internal Audit Plan as contained in this report
<i>Advisory Groups:</i>	Not Applicable
<i>Workshops:</i>	Not Applicable
<i>Administration:</i>	Terry Crackett, Director Corporate Services Lachlan Miller, Executive Manager Governance & Performance Kylie Hopkins, Governance & Performance Project Officer Jess Charlton, Coordinator Service Strategy & Innovation David Waters, Director Community & Customer Service
<i>Community:</i>	Not Applicable

2. BACKGROUND

At its 13 February 2017 meeting, the Committee considered and approved changes to the Strategic Internal Audit Plan (SIAP) v1.4. The changes involved deferring a number of current year audits and conducting audits of the Customer Service Standards, Development Assessment processes Delegations, Budgetary Management and a Major Projects Review (Montacute Road Reconstruction).

At its 6 November 2017 meeting, the Committee received a report setting out the timing for the deferred audits along with the final report for the Major Projects Review (Montacute Road Reconstruction) audit.

3. ANALYSIS

Strategic Internal Audit Plan

The SIAP (v1.5a) has been updated to reflect the proposed audit timings from the 6 November 2017 report, see **Appendix 1**.

With the completion of Year 5, the current SIAP will effectively come to a conclusion and it will be necessary to frame a new SIAP for the forthcoming period. The development of the SIAP will be the subject of a report to the May 2018 Audit Committee meeting. To assist in the consideration of the future SIAP, an indicative Year 6 – 2019 has been added to the Plan to tentatively identify potential post-implementation review projects arising from earlier audits of key internal controls. While it is not intended for the Committee to commit to the Year 6 proposals, it may commence consideration of potential projects.

Internal Audits

The Internal Audit of Development Assessment Processes is at the draft report stage and it is intended to table the report and an agreed action implementation plan at the May Audit Committee meeting.

The Delegations and Customer Service Standards internal audit assignments are currently being procured and it is anticipated that the fieldwork will commence in last February/early March 2018.

4. OPTIONS

The Committee has the following options:

- I. To note the status of the Internal Audit Update report as presented; or
- II. To identify additional actions to be undertaken.
- III. To provide any feedback on specific areas of focus for the upcoming internal audit assignments.

5. APPENDICES

- (1) Strategic Internal Audit Plan v1.5a

Appendix 1

Strategic Internal Audit Plan v1.5a

Strategic Internal Audit Plan

Audit Engagement	Scope	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Indicative Year 6 2019
Asset Operation	Focussing on Asset operation, processes, activities, controls, risk, service levels, planned work, maintenance programs, monitoring performance, asset registers and reporting.	OS (May 2014 - completed)					Proposed Post-Implementation Review
Procurement	Focussing on Tender and Contract processes, activities, controls, risk, compliance through stages of the function, including planning, assessment, selection, authorisation, reporting, contractor	OS (May 2014 - completed)					Proposed Post-Implementation Review
Emergency Management	Focussing on Emergency Management Plans, identification of risks associated with various types of disasters and the controls and processes to mitigate those risks, status of preparedness in the event of an emergency, recovery process and association with the		OS (deferred)		OS (deferred)		Proposed audit
Business Continuity Plan	Focussing on the review of Business Continuity Plan (Disaster Recovery and Disruption) to key activities of Council including the identification, development, implementation of recovery plans and testing of conditions in the event of a disaster.		OS (deferred)		OS (deferred)		Proposed audit
Customer Service Standards	Focussing on the Customer Management processes, activities, contacts, risks, collection and measurement of data, and decision making. Includes Ombudsman enquiries, investigation, analysis, reporting, action plans, continuous improvement processes management.			OS (deferred)		Feb 2018 (procurement)	
Credit Card Operations	Focussing on the processes, activities, controls, risk associated with the use of Credit Cards, including user training, spending limits, purchases, review and testing of invoices, potential fraud and corruption and improper activity.		OS Nov 2014 (completed - inc petty cash)				Proposed Post-Implementation Review
Payroll Function	Focussing on the payroll operation, including a review of the processes, systems, activities, controls and risks. The extent to the audit engagement will consider aspects from commencement of employment to termination of individuals, including payment of wages, leave, changes to position security, administration and	OS (May 2014 - completed)		OS (deferred)		Proposed Post-Implementation Review	

Audit Engagement	Scope	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Indicative Year 6 2019
Development Assessment	Focussing on the Development and Assessment practices, processes, controls, risk, compliance through the various stages of planning, evaluation, assessment relating to Residential, Commercial, Industrial, Recreational facilities to ensure they meet legislative requirements.		OS (deferred)		Nov 2017 (draft report)		
Compliance Process	Focussing on the Compliance Process, practices, activities, controls, risk, compliance and meet with Legislative and regulatory requirements.			OS (deferred - partial coverage by Good Governance & Delegations)			
Delegations	Focussing on the Delegations of Council, including a review of the processes, activities, controls and management or records, and compliance to Legislative requirements.			OS (deferred)		Feb 2018 (procurement)	
Environmental Sustainability	Focussing on the Environmental Sustainability of Council, including a review of the processes, activities, controls and compliance to				OS (deferred)		
Knowledge Management and Information Services	Focussing on Knowledge and Information Services (KIS) processes, activities, controls, risk, compliance, records management practices. It would include testing of policies and procedures, and security of the IT processes, systems, controls, risk, including hardware, software, updates, storage devices and operating systems.	OS (deferred to year 3)		Deferred (partial coverage by cyber-security)			
Budgetary Management	Focussing on Financial planning, control and reporting. Relationship of budget with LTFP, legislative and regulatory compliance.				OS (deferred to 2018)	Nov-18	
Good Governance - Regulatory	Focussing on the use of the LGA self assessment tool to: Assess the comprehensiveness of the statutory compliance that Council has, identify the current governance processes of regulatory services and their effectiveness, highlight core issues affecting good governance practices, provide guidance for adopting better practice			OS (May 16 - completed)			
Cash Handling	Focussing on the review of cash handling processes, controls, activities, corruption risk, record management, authority levels, training and reporting.				OS (deferred due to petty cash audit - Nov 14)		Proposed Post-Implementation Review

Audit Engagement	Scope	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Indicative Year 6 2019
Inventory Management	Focussing on the Inventory management process, from inventory budget, purchasing of attractive and stock assets, receipt, asset register, monitoring and control of assets, stocktaking, reporting and responsibility.			OS (deferred - partial coverage by asset mgt audit - May 14)			
Major Projects Review	Focussing on processes, activities associated with the project, including scoping, planning, implementation, monitoring, post project review, risk management, development of maintenance program and operations.	OS (deferred)	OS (deferred)	OS (deferred)	OS (Montacute Road - Sept 2017 - completed)	AHBTC Divestment	
Petty Cash (added Aug 2015)	Focusing on the policies, procedures and complaine around the use of petty cash as a procurement method.		OS Nov 2014 (completed - inc credit cards)				Proposed Post-Implementation Review
Cyber Security (added Dec 2014)	Focussing on the systems, processes and controsl associated with securing and protection Council's IC&T network from pentration and data corruption/denial of service from external parties		OS (Aug 2015 - completed)				Proposed Post-Implementation Review

Version Control

Date Adopted	Version Comments	No.
11/02/2013	Intial plan adopted by Audit Committee	1.0
19/05/2014	Defer the conduct of the Year 1 Major Projects Review. 2. Delay the implementation of the Year 2 Strategic Internal Audit Plan until the completion of the first round of Enterprise Risk Assessments, with the exception of the Development Assessment Internal Audit	1.1
1/12/2014	Defer the Knowledge Management and Information Services audit until Year Three and to insert a Cyber Security audit in the Year One Plan.	1.2
12/08/2015	Added review of Petty Cash and updates the dates for the Credit Card, Cyber Security and Development Assessment audits	1.3

Audit Engagement		Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Indicative Year 6 2019
6/02/2017	Inclusion of comments column proposing various actions in relation to Audit Plan	1.4a					
13/02/2017	Audit Committee approved proposed changes to SIAP v1.4a	1.4					
20/02/2018	Updates of proposed timings for programmed audits from Nov 2017 IA Progress Report	1.5a					

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Tuesday 20 February 2018
AGENDA BUSINESS ITEM**

Item: 6.9

Originating Officer: Mike Carey, Manager Financial Services

Responsible Director: Terry Crackett, Director Corporate Services

Subject: Quarterly Debtors Report

For: Information

SUMMARY

The Audit Committee has previously requested and received a list of outstanding debtors on a quarterly basis.

This report covers the period ending 31 December 2017.

RECOMMENDATION

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

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal	Organisational Sustainability
Key Issue	Risk and Responsibility

➤ **Legal Implications**

Council may obtain funds by recovering fees, charges, penalties or other money payable to it under S133 of the *Local Government Act 1999*.

Council also has obligations specified within the current Community Wastewater Management Scheme (CWMS) licence that require an endorsed hardship policy for customers. Failure to establish this policy will result in Council breaching current licence conditions.

➤ **Risk Management Implications**

Monitoring the balances of Debtors through regular reporting will assist in mitigating the risk of:

Poor debt recovery practices which lead to increased levels of overdue debtors will negatively impact on Council's current cashflow as well as reduce the likelihood of future debt recovery.

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

➤ **Financial and Resource Implications**

Close monitoring of debt supported by an agreed Policy will ensure that any cashflow impact on Council is minimised.

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

Nil

➤ **Environmental Implications**

Nil

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

Council Committees: Not applicable

Advisory Groups: Not applicable

Administration: Operational areas have been involved in the development of this report to provide specific details, where necessary. Financial Services have overall responsibility for the Accounts Receivable function within Council, being involved in invoicing and follow up of amounts where they are not paid in a timely basis.

Community: Not applicable

2. **BACKGROUND**

Council generates income from a variety of sources including rates, grants, fines (infringements), development applications and fees and charges for the provision of goods and services to individuals, businesses and other organisations in the community.

This income is managed using financial management systems which also enables recording of amounts owing to Council and information relating to amounts paid. Appropriate action can be taken to collect amounts owing where they are not paid in a timely manner.

A Debt Recovery Policy adopted in December 2015 supports the sale of land for unpaid rates where arrears are in excess of the 3 year requirement outlined within s184 of the *Local Government Act 1999*.

The Debtors report was last presented to Audit Committee on 6 November 2017.

3. ANALYSIS

Rates Debtors

The table below compares Council's debtor balances, over the most recent four (4) year ends, summarised by category. It shows the size of the debtors, but not the age.

Three Year Debtors Comparison \$0,000				
Debtors	June 2014	June 2015	June 2016	June 2017
Rates General	1,629	1,908	1,539	1,333
Rates Postponed	22	20	25	55
	1,651	1,928	1,564	1,388

Council's rates debtor is dominated by rates that are struck in full in July, then quarterly fluctuations of receipts, which makes comparison of rates debtors within the year difficult to interpret. As such, and as previously advised, it is intended that this debtor is reported in detail on an annual basis with interim updates on amounts outstanding.

Sale of Land for Non Payment of Rates Update

There is no change to this category since the previous report but the following has been retained to provide appropriate context.

Following the development of the Debt Recovery Policy in 2015, 11 properties were initially processed for sale. Of these properties nine paid rates in full before sale, one involved the 'squatter' and was settled on auction day, and one sold on the day. The process was very successful with approximately \$120k recovered.

A further \$184 Sale of Property for Non Payment of Rates process for 11 properties totalling \$107k was endorsed by Council on 25 October 2016. All of these properties have since paid the outstanding rates that were owed in order to avoid sale.

Because of the media focus given to Council's proactive approach to recovering unpaid rates, there has been a positive impact on the levels overdue where payment arrangement are not entered into.

A process has recently commenced to progress a further 11 properties to sale. The current owners of these properties have been issued a notice of intent to sell and it is proposed that a report seeking endorsement from Council will be provided to either the April 2018 or May 2018 Council meeting.

Sundry Debtors

A summary of the Aged Debtors as at 31 December 2017 has been provided within **Table 1** of this report with the total Sundry debtors outstanding totalling \$346k.

The level of debtors outstanding in excess of 150 days has increased primarily due to a number of disputed debts in relation to the AHBTC tenancies.

In relation to **Table 1** following points of clarification are provided:

- For Additional Bins, Council has agreed upon the following plan to clear all outstanding debts:
 - East Waste will invoice all additional bin debtors (from Councils updated master listing) from July 2018 (ie for the 2018/19 financial year).
 - A new process for “prorata” debtors is now in place whereby people who request an additional bin are required to pay upfront before the bin is sent to them thus avoiding creating debtor/raising invoice and subsequent follow up where payment is not forthcoming;
 - All invoices for additional bins are to be sent out by the end of February with correspondence highlighting that if the invoice not paid by the due date waste service will cease and bins recovered;
 - All additional bin debtors with outstanding balances at the end of March 2018 will have their waste service ceased by East Waste;
 - Only additional bin debtors who are fully paid up will be forwarded to East Waste for invoicing in July 2018;
 - Only when all the debt has been fully paid will the service be resumed by East Waste;
 - Those additional bin debtors with outstanding balances as at 30 June 2018 will be sent to the debt collectors where it is considered cost effective.
- Some points to note in the Miscellaneous Debtor Category are as follows:
 - The < 30 days includes \$47k for January 2018 rent and outgoings for AHBTC tenants now being invoiced in advance;
 - In the < 150 days, there is one invoice outstanding from SA Water for \$55k which was subsequently paid on 5 January 2018.
 - The > 150 days includes \$7k owed by two debtors that were both paid in January 2018.
 - Of the balance in the > 150 days, the larger outstanding amounts include:
 - \$13k for AHBTC tenancies relating back to 2016 or earlier;
 - \$28k for AHBTC Debtors previously invoiced by Pope Nitschke, of which the majority remaining to collect have been disputed.
 - \$8k relating to a Sporting Club Debt which is being followed up by Property Management
 - \$3k for a tennis club debt outstanding from 2002 which has already been included in the provision for doubtful debts. A decision on whether this should be written off will be made this quarter.
 - The majority of the above will involve individual negotiation with tenants and Property Management have indicated that the 150 day debts are currently a priority to resolve as soon as possible.

Table 1 – Aged Debtors Summary as at 31 December 2017

Description	TOTAL	<30 Days	<60 Days	<90 Days	<120 Days	<150 Days	>150 Days
Additional Bins	27,810	14,557	87	0	810	0	12,356
Burial Fees	30,532	7,110	13,523	5,908	0	0	3,991
Fire Hazard Reduction	1,436	0	0	0	0	0	1,436
Food Premises Inspection	13,163	5,225	177	954	0	1,828	4,979
Grants Receivable	5,500	0	0	5,500	0	0	0
Miscellaneous	266,293	102,457	16,254	14,850	4,844	60,873	67,015
Private Works	65	0	0	0	0	0	65
Road Rents	1,458	0	0	0	939	0	519
TOTAL: 31/12/2017	346,257	129,349	30,041	27,212	6,593	62,701	90,361

TOTAL: 30/9/2017	1,376,429	1,184,457	72,348	42,496	1,131	12,962	63,035
TOTAL: 30/6/2017	620,677	479,988	35,699	2,966	1,045	252	100,727
TOTAL: 31/3/2017	235,285	98,615	608	2,612	1,282	5,880	126,288
TOTAL: 31/12/2016	264,684	88,943	11,508	3,221	22,118	8,226	130,668
TOTAL: 30/9/2016	295,149	121,555	9,053	69,335	6,290	13,671	75,245
TOTAL: 30/6/2016	369,569	160,809	63,538	36,181	7,055	20,976	81,011
TOTAL: 30/11/2015	481,456	131,857	181,985	27,707	(3,288)	1,434	141,761

4. OPTIONS

The Audit Committee is limited to receiving this report.

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Tuesday 20 February 2018
AGENDA BUSINESS ITEM**

Item: 6.10

Originating Officer: Lachlan Miller, Executive Manager Governance & Performance

Responsible Director: Terry Crackett, Director Corporate Services

Subject: Internal Audit Actions Implementation

For: Information

SUMMARY

The implementation status of actions arising from previous Internal Audits is provided in ***Appendices 1-6***.

RECOMMENDATION

The Audit Committee resolves:

1. To receive and note the report.
 2. To note the implementation status of Internal Audit actions.
-

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal 5	Organisational Sustainability
Strategy 5.5	Risk & Responsibility
Strategy 5.7	Governance

Monitoring the implementation of internal audit actions facilitates the effective management of risk exposures and improves the overall governance environment.

➤ **Legal Implications**

Section 125 of the *Local Government Act 1999* (the Act) requires councils to ensure that appropriate policies, practices and procedures of internal controls are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records.

The Internal Audit program is an important tool to provide an objective appraisal of the adequacy on internal controls in managing our risk and supporting the achievement of council objectives.

➤ **Risk Management Implications**

The implementation of the internal audit program will assist in mitigating the risk of:

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

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

➤ **Financial and Resource Implications**

The Internal Audit budget for this financial year includes funding to resource the proposed audits and enable them to be outsourced under the oversight of the Executive Manager Governance and Performance. Given the range of demands on this role, and the specialised nature of a number of the audits, it is not possible to undertake audits internally.

The recently approved structural changes in the Governance & Performance Department will assist with the management of the internal audit program. This structural change has been funded within the 2017/18 budget.

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

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

➤ **Environmental Implications**

Not applicable

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

Consultation on the implementation of actions to address the audit findings was as follows:

<i>Council Committees:</i>	Not Applicable
<i>Advisory Groups:</i>	Not Applicable
<i>Workshops:</i>	Not Applicable
<i>Administration:</i>	David Collins, Manager Sustainable Assets Mike Carey, Manager Financial Services Lachlan Miller, Executive Manager Governance & Performance Kylie Hopkins, Governance & Performance Project Officer Matt Strapps, Manager Information Systems Rhys Elsegood, Finance Officer – Accounts Payable Peter Bice, Director Engineering & Assets Ashley Curtis, Manager Civil Services Helen Smith, Community Planning & Engagement Coordinator
<i>Community:</i>	Not Applicable

2. BACKGROUND

The implementation status of actions arising from internal audits are reported to the Audit Committee biannually in accordance with the Audit Committee Work Plan (see earlier agenda item).

3. ANALYSIS

Internal Audit Action Implementation

A number of internal audits have been conducted in recent years and, while the actions arising from some of these audits have been completed, the more recent audits have actions still being implemented. The implementation status of the following internal audits actions are listed in the nominated appendices:

- Asset Management - **Appendix 1**
- Credit Cards & Petty Cash - **Appendix 2**
- Governance (Legislative Compliance) – **Appendix 3**
- Procurement – **Appendix 4**
- Investigation into Petty Cash Theft – **Appendix 5**
- Major Project Review - Montacute Road Project – **Appendix 6**

4. OPTIONS

The Committee has the following options:

- I. To note the implementation status of the Internal Audit actions as presented; or
- II. To identify additional actions to be undertaken.

5. APPENDICES

- (1) Internal Audit Action Implementation – Asset Management (May 2014)
- (2) Internal Audit Action Implementation – Credit Cards & Petty Cash (November 2014)
- (3) Internal Audit Action Implementation – Governance (Legislative Compliance) (May 2016)
- (4) Internal Audit Action Implementation – Procurement (May 2014)
- (5) Internal Audit Action Implementation – Investigation into Petty Cash Theft (September 2017)
- (6) Internal Audit Action Implementation – Major Project Review - Montacute Road Project (September 2017)

Appendix 1

*Internal Audit Action Implementation – Asset
Management (May 2014)*

6.1.1.1	Policy	That a procedure be documented on how compliance with the policy is going to be monitored.	Accepted	New policy recently adopted and review of necessary procedure underway	David Collins	30/12/2017	31/01/2018 9:53	In Progress	30/03/2018	
6.1.2.1	Registers	That all asset data be transferred into a computerised asset register.	Accepted	Data Validation of existing spreadsheet and GIS information ongoing as part of transfer into Confirm Enterprise Asset Register. Business Review process and data transfer specification for bridges complete. Business Review Process for roads complete. Data transfer specification for roads in progress. specification development has identified a number of data elements that require validation prior to transfer into new system.	David Collins	30/05/2018	11/02/2018 14:16	In Progress	30/11/2018	The vast majority of Council assets are recorded in Conquest and subsequent spreadsheets and GIS. Implementation of Confirm Asset Management System currently underway. Business Review Process complete for Playgrounds, Transport Assets (Seals, Pavements, Footpaths, Unsealed) and Bridges. Data Transfer of Playgrounds complete and data transfer specification being finalised for Transport and Bridges.
6.1.3.1	Recognition	That the matching of data between the Conquest and GIS systems be finalised.	Accepted		David Collins	31/05/2018	10/02/2018 14:04	In Progress		See 6.1.2.1.
6.3.1	Asset Management Plans	That the implementation of asset maintenance and works management software be considered.	Accepted		David Collins	30/06/2017	1/11/2017 15:20	Completed		Implementation of Confirm Asset Management System currently underway.
6.5.1	Asset Condition	That now that the existing condition has been documented, subsequent condition assessments need to be used to reassess the effective life of assets.	Accepted	Currently Building Asset and CWMS Asset complete. Review of useful lives as part of AMP update. Condition assessment of footpaths completed in December 2017. Peer review work required to validate initial AMP review investigations of useful lives, unit rates and subsequent depreciation.	David Collins	31/01/2018	11/02/2018 14:12	In Progress		A schedule of asset revaluations has been developed to ensure asset categories are revalued at least every four years. The schedule is now under review given recent appointment of Manager Sustainable Assets.

Appendix 2

*Internal Audit Action Implementation – Credit Cards &
Petty Cash (November 2014)*

4.3.2	That the use of technology to improve the efficiency of capturing receipts be further investigated.	"Management will consider the use of smart phone technology for capturing receipt data. Council has already had discussions with its bank (National Australia Bank) about the use of mobile phones to capture transactional information. Staff would need to liaise with the financial system provider to investigate ways of retaining (preferably without printing) transactional evidence. Management is also aware that Goods and Services Tax (GST) may be claimable on these purchases.	Accepted	Consider the requirements for using technology to capture receipts, current system abilities and legislative requirements. Council has already had discussions with its bank (National Australia Bank) about the use of mobile phones to capture transactional information.	Mike Carey	30/06/2018	13/02/2018 9:16	In Progress	30/06/2018	Project Plan to roll out Flexipurchase for Purchase Cards is proposed for period February to June 2018. Consideration will be given to the use of smart phone technology to capture receipts. .
5.2.1	That the credit card policy be updated to allow for the changes in technology and more specific purchasing guidance	Management accept that the Purchase Card guidance document (procedure) requires updating.	Accepted	Purchase card procedure has been updated in November 2017. Further update of procedures will be required as part of Flexipurchase Implementation February to June 2018	Mike Carey	31/01/2018	13/02/2018 9:18	Completed		The Credit Card Procedure will be updated as part of system implementation of Flexipurchase due to commence in December 2017 sit underneath the Procurement and Purchasing policy
5.2.2	That the credit card procedure detail expenditure that is not considered appropriate. and allow for alternative methods of retaining receipts.	Council officers currently sign a declaration confirming compliance with the Purchase Card policy prior to the card being released. The confirmation is retained by Finance. The agreement includes the statement: "I am permitted to use the purchase card only to purchase or pay for goods/services necessary in the course of my work for the benefit of Adelaide Hills council and in accordance with the procedures and instructions (Contracts & Tender Policy) issued to me". Management would be happy to include this or a similar statement in a revised Purchase Card Policy	Accepted	Purchase card documentation (procedures and card agreement and acknowledgement by cardholder) includes appropriate reference to only using card for Council business and benefit .	Mike Carey	31/01/2018	13/02/2018 9:28	Completed		Procedure and Purchase Card Card Agreement appropriate and covers off recommendation

Appendix 3

*Internal Audit Action Implementation – Governance
(Legislative Compliance)(May 2016)*

Rec 1	Section 12 - Composition and Wards	The Council is required to conduct a representation review in the period April 2016 – April 2017.	Accepted	Representation Review is underway.	Lachlan Miller	12/12/2017	10/02/2018 13:34	Completed		Review process is completed with the final report certified by the Electoral Commissioner and gazetted.
Rec 11	Section 50 - Public Consultation Policy	The Council review the Public Consultation Policy (PCP) to ensure it correctly reflects the requirements of Section 50 throughout.	Accepted	Programmed into policy review schedule	Helen Smith	28/03/2018	12/02/2018 8:32	In Progress		Awaiting review and feedback. Scheduled for early 2018.
Rec 13	Section 77 - Reimbursement of Expenses	Ensure the Council Members Allowances and Benefits Policy (CMABP) is reviewed by December 2016 as required by the CMABP.	Accepted	Review policy	Lachlan Miller	12/12/2017	10/02/2018 13:57	In Progress	27/02/2018	Programmed for 27 February 2018 Council meeting
Rec 14	80A - Training and Development	The Council ensure the Council Member Training and Development Policy (CMTDP) is reviewed by September 2018 as required by the CMTDP.	Accepted	Programmed into policy review schedule	Lachlan Miller	27/02/2018	10/02/2018 13:59	In Progress	27/03/2018	Scheduled for 27 March 2018 Council meeting
Rec 17	Section 83 - Notice of Ordinary and Special Meetings	Confirm elected members have authorised in writing the provision of notices and agendas via the elected member portal.	Accepted	To be confirmed	Kylie Hopkins	30/11/2017	10/02/2018 14:15	Completed		Written confirmation has been received from Council Members. This will be programmed as part of the induction process following the November 2018 Council election.
Rec 2	Section 41 - Committees - Audit Committee	Consider greater reporting and accountability requirements for the AC such as by specifying in the TOR the matters to be presented in the report provided pursuant to clause 4.2 of the TOR and requiring such report to be in writing.	Accepted	These points will be considered in the review of the Audit Committee TOR as part of the s41 Committee Review.	Lachlan Miller	1/09/2017	1/11/2017 14:45	Completed		Revised TOR incorporated additional reporting and accountability requirements
Rec 3	Section 41 - Committees - CEOPRP and SPDPC	Include in the TOR reporting and accountability requirements for the CEOPRP and the SPDPC.	Accepted	These points will be considered in the review of the CEOPRP and SPDPC TORs as part of the s41 Committee Review.	Lachlan Miller	1/09/2017	1/11/2017 14:46	Completed		Revised TOR incorporated additional reporting and accountability requirements
Rec 4	Section 43 - Ability of Council to Establish a Regional Subsidiary	Follow up the status of the review of the AHRWMA and SHLGA.	Accepted	These points will be considered in Status of Charter reviews to be determined	Lachlan Miller	30/06/2018	10/02/2018 14:01	Not Commenced	30/06/2018	AHRWMA and SHLGA Charter reviews are still to occur.
Rec 8	Section 48 - Prudential Requirements and Certain Activities	Ensure the PMP is reviewed no later than June 2017 (as set out in the PMP).	Accepted	Programmed into policy review schedule	Lachlan Miller	13/06/2017	1/11/2017 14:58	Completed		Policy was reviewed and adopted by Council on 13 June 2017

Appendix 4

*Internal Audit Action Implementation – Procurement
(May 2014)*

4.2.1	Compliance with Applicable Policies and Procedures	That procedures should be documented for: <ul style="list-style-type: none"> the use and selection of preferred suppliers Procurement Committee annual review procedure for preferred suppliers tender opening tender evaluation process Procurement Committee policy compliance review procedures determination of the staff delegations approval process from the Procurement Committee if staff wish to deviate from the procurement and purchasing policy 	Accepted	Develop procedures as recommended	Mike Carey	28/02/2018	13/02/2018 9:37	In Progress	30/06/2018	Policy and templates completed. Procedures have been obtained from other Councils and an update will be completed following appointment of Procurement Coordinator.
4.3.2	Use of Preferred Contractors	That a procedure be developed for the acceptance of new suppliers. Council should determine what supplier details are required and who signs off on the Credit Application, which is effectively a council guarantee.	Accepted	Develop procedures as recommended	Mike Carey	31/03/2018	13/02/2018 11:48	In Progress		To be developed in conjunction with with 4.2.1.
4.6.1	Tendering Processes	That the tender procedure is reviewed and the following clarified: <ul style="list-style-type: none"> The process should only reference the position title of responsible officers. A tender box is no longer operating at Woodside. Include that an automated email is sent to the Records Department's group email address to notify them that a tender has been closed. In relation to the SA Tenders online mailbox, check that access requires two officers. In relation to electronic tenders, the 'Tenders Received and Opened' form be specifically relating to the print screen of the summary page of the SA Tenders website The 'Tenders Received and Opened' form for hard copy tenders should include a column for the Opening Committee to evidence the pricing (inclusive/exclusive of GST) for each tender Clarify the role of the Records Department and the Project Officer in relation to the conversion of the successful tender to a contract file. 	Accepted	Develop procedures as recommended.	Mike Carey	31/03/2018	13/02/2018 9:48	Not Commenced	30/06/2018	This is already covered in Point 4.2.1 with more specific recommendations re Tenders. As mentioned for 4.2.1 this will be included in the new Procurement Framework and procedures to be undertaken by the Procurmenet Coordinator once appointed.
4.6.4	Tendering Processes	That once a tender process has been finalised, it is independently reviewed for compliance with the policy and procedures.	Accepted	Partially Accepted. Independently reviewing every tender is resource intensive, consideration may be given to reviewing on a sample basis.	Mike Carey	31/03/2018	1/11/2017 17:42	Completed		Consider that this best dealt with an part of regular Internal Audit Procurement Audit
4.7.1	Invoice Approval	That using the Procure purchasing system, Council should consider implementing the electronic authorisation of invoices for payment.	Accepted	Automation of a manual authorisation process would improve efficiency and accuracy	Mike Carey	30/09/2016	1/11/2017 17:40	Completed		Spoken to software developer, will raise a request for improvement. Currently this upgrade would require purchasing by AHC until more Councils request the change. Not considered to be a priority improvement at this time.
4.8.1	Inventory	That the inventory management procedures for stores, small plant and fuel at the Depot be documented to ensure compliance when the Works Storeman is absent	Accepted		Mike Carey	31/03/2018	1/11/2017 17:43	In Progress		This work is currently being finalised following a recent leave period, enabling review; and timing with the new Management Structure recently in place.
4.9.1	Credit Cards	That a credit card policy be adopted.	Accepted	No current policy exists	Mike Carey	30/09/2016	1/11/2017 17:36	Completed		A Credit Card Procedure exists which is signed by each employee as part of induction. .

Appendix 5

*Internal Audit Action Implementation – Investigation
into Petty Cash Theft (September 2017)*

REC 1	Petty Cash Storage	That an immediate review be undertaken of all petty cash storage to ensure that it is being held securely at all locations.	Rhys Elsegood	4/10/2017	30/01/2018 17:10	Completed	All Petty Cash/cash float storage facilities have now been reviewed by Finance and they are satisfied that all locations are now appropriately secured
REC 2	Petty Cash Holding Amounts	That the holding amounts of petty cash be reviewed to ensure that the levels align with requirements for each site. This review to examine to value of reimbursements being provided to ensure they are in accordance to the maximum amounts set out within the Petty Cash Procedure.	Mike Carey	30/11/2017	13/02/2018 9:29	Completed	The petty cash float at Woodside has been reduced to \$200 and petty cash holding amounts have been reviewed for at each facility
REC 3	Petty Cash Procedure	That the Petty Cash Procedure be reviewed and amended where appropriate to capture detailed requirements for the secure storage of petty cash and reconciliations.	Mike Carey	31/12/2017	13/02/2018 9:30	Completed	The petty cash procedures have been redistributed and discussed with each petty cash custodian to confirm awareness of those procedures and ensure adherence and consistency across each of the facilities
REC 4	Debit/Purchase Cards	That the utilisation of debit / purchase cards be investigated to replace petty cash floats where practical to do so.	Mike Carey	31/12/2017	13/02/2018 9:34	Completed	The use of purchase cards across the corporation takes into account petty cash considerations.

Appendix 6

*Internal Audit Action Implementation – Major Project
Review - Montacute Road Project
(September 2017)*

REC 1	Emergency Projects Decision Making Porcess Rules	Consideration of developing some rules around the decision-making processes in emergency projects and provision of authority for staff and potential partners to act on Council's behalf		Peter Bice	30/01/2018 16:28				
REC 2	Procurement Policy	Consider whether a more specific definiton of emergency in the Procurement Policy would be beneficial.	Not Accepted	Mike Carey	13/02/2018 11:47				
REC 3	Emergency Management Plan	The current review of the Strategic Management Risk Register has identified the need for an Emergency Management Plan and zone based preventative maintenance programs. This appears to cover the types of events that can impact upon Council assets and infrastructure, though perhaps more emphasis might be placed on flood events given the recent experience	Items relating to dispensation from Procurement Policy are directed towards the Procurement Committee who are best placed to determine whether emergency is an appropriate reason for dispensing with Policy	Lachlan Miller	28/02/2018 10/02/2018 14:03	In Progress	28/02/2018	In progress using the LGA EM Plan template	
REC 4	WHS & IM arrangements with external project managers	As WHS & IM is the responsibility of the asset owner, Council could consider the development of an agreement in similar situations to ensure the protection of the people involved in projects in these circumstances	Stage 1 of the EMP development is in progress wiht a draft to be completed by 18 February 2018	Ashley Curtis	6/02/2018 10:56				
REC 5	Post Project Review	A review could provide good feedback on the beneficial elements of the project and the potential improvements that could be made. The outcome of the review could be used to better inform any potential emergency management planning		Peter Bice	30/01/2018 16:31				

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Tuesday 20 February 2018
AGENDA BUSINESS ITEM**

Item: 6.11

Originating Officer: Mike Carey, Manager Financial Services

Responsible Director: Terry Crackett, Director Corporate Services

Subject: Implementation of External Audit Actions Progress Report

For: Information

SUMMARY

The final BDO Completion report was considered by Audit Committee on 6 November 2017.

This report provides an update on the action items that were identified in the Completion Report.

RECOMMENDATION

The Audit Committee notes the progress made on the items raised in BDO Completion Report.

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal 5	Organisational Sustainability
Strategy 5.5	Risk and Responsibility
Strategy 5.7	Governance

Monitoring the implementation of external audit actions facilitates the effective management of risk exposures and improves the overall governance environment.

➤ **Legal Implications**

Accounts, Financial Statement and Audit, *Local Government Act 1999*

Section 125 of the *Local Government Act 1999* (the Act) requires councils to ensure that appropriate policies, practices and procedures of internal controls are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records.

Testing of Council's transactions and internal controls by the external auditor coincides with Council's own Risk Management Framework. The External Auditor's annual inspection and certification of Council's financial position and performance provides the community with an assurance of Council's internal financial control environment in managing our risk and supporting the achievement of council objectives.

➤ **Risk Management Implications**

The follow up of External Audit recommendations in relation to internal control will assist in mitigating the risk of:

Internal control failures occurring which lead to greater uncertainty in the achievement of objectives and/or negative outcomes.

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

➤ **Financial and Resource Implications**

Funding for the External Audit of Council is provided for within the Annual Budget.

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

Not applicable.

➤ **Environmental Implications**

Not applicable.

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

Council Committees: BDO's Audit Completion Report which included items raised in relation to Internal Controls and management responses were represented to the Audit Committee on 6 November 2018

Advisory Groups: Not Applicable

Administration: Not Applicable

Community: Not Applicable

2. **BACKGROUND**

BDO's final Audit Completion Report was considered at Audit Committee on 6 November 2017. Since then management has considered the items raised in the report and made improvements where appropriate.

3. ANALYSIS

In BDO's final Audit Completion Report, two internal control items were identified by BDO for 2016-17 together with one item relating to the Contract Register that was outstanding from the previous year. At the time Management's comments were also reported.

3.1 Rate Rebate

Whilst it's our understanding that all rate rebates are required to be supported by appropriate documentation prior any further processing in system, we note that once rebate is approved, this is not reviewed on annual basis.

Recommendation

We recommend that management implement the periodical review of rate rebates.

Management Comment

A rate rebate position is to be considered by Council prior to the 2018/19 rating year which will incorporate the requirement for periodic review.

3.2 Credit Notes

Whilst it's our understanding that management and/or Council review and approve credit notes in accordance with delegations of authority and LGA, we have noted 2 instances that no supporting documents could be located to substantiate the credit notes raised in our sample testing.

Recommendation

We recommend that management implement and ensure all credit notes are approved appropriately and the approval could be evidenced

Management Comment

Current procedures require the approval of credit notes in accordance with delegations. This procedure was reinforced with staff, noting that no other instances have been identified.

Update

Completed

3.3 Contract Register – Prior Year Finding

The Council does not maintain a contract register as required by the Better Practice Model.

Recommendation

Establishment of a contract register.

Management Response

Whilst Council does not maintain a contract register, it does keep a list of contracts. A formal register of contracts is considered to be appropriate and will be developed.

Update

Recruitment has commenced for a Procurement Coordinator. This role will be responsible for ensuring the contract register is developed as a priority and appropriately maintained.

4. OPTIONS

The Committee has the following options:

1. To note the progress made on the items raised in BDO Completion Report.
2. To make additional comments or suggestions for Council and staff to consider.