Adelaide Hills
COUNCIL

AUDIT COMMITTEE

NOTICE OF MEETING

To: **Presiding Member** Cr Malcolm Herrmann

Members

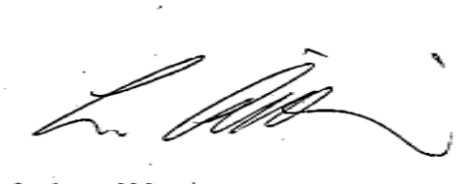
David Moffatt
Peter Brass
Paula Davies
Cr Leith Mudge

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

Monday 19 October 2020
6.00pm
63 Mt Barker Road, Stirling

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

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



Andrew Aitken
Chief Executive Officer

Adelaide Hills
COUNCIL

AUDIT COMMITTEE

AGENDA FOR MEETING
Monday 19 October 2020
6.00pm
63 Mt Barker Road, Stirling

ORDER OF BUSINESS

1. COMMENCEMENT

2. APOLOGIES/LEAVE OF ABSENCE

2.1. Apology

2.2. Leave of Absence

2.3. Absent

3. MINUTES OF PREVIOUS MEETINGS

3.1. Audit Committee Minutes – 17 August 2020

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. 2019 – 2020 General Purpose Financial Statements

1. *That the report be received and noted.*
2. *That in accordance with Section 126(4)(a) of the Local Government (Financial Management) Regulations 1999, the Audit Committee advises Council that it has reviewed:*
   a. *the General Purpose Financial Statements of the Council for the financial year ended 30 June 2020 as contained in Appendix 1, and*
   b. *the External Auditor Galpins' Audit Clearance Report as contained in Appendix 2,*

   and is satisfied that the 2019-20 financial statements present fairly the state of affairs of the Council.
3. *Considers that the Adelaide Hills Council 2019-20 General Purpose Financial Statements, contained in Appendix 1, may be certified by the Chief Executive Officer and the Mayor.*
4. *That it notes the confirmation of Galpins Auditor Independence Statement provided as Appendix 3 and considers that the Certification of Auditor Independence statement contained in Appendix 4 can be certified by the Chief Executive Officer and the Presiding Member of the Audit Committee in accordance with the requirements of Regulation 22(3) of the Local Government (Financial Management) Regulations 2011.*

6.2. Draft Road Footpath and Kerb Asset Management Plans 2020

1. *That the report be received and noted*
2. *To recommend to Council that the Draft Road, Footpath and Kerb Asset Management Plan 2020 as contained in (Appendix 1) be released for community consultation.*

6.3. Climate Change Adaptation Governance Assessment Update

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

6.4. Action Report & Work Plan Update

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

7. CONFIDENTIAL REPORTS

7.1. Cyber Security Audit

8. NEXT MEETING

The next Audit Committee meeting will be held at 6.00pm on 16 November 2020 at 63 Mount Barker Road, Stirling.

9. CLOSE MEETING

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 17 AUGUST 2020
63 MT BARKER ROAD STIRLING

In Attendance

Members:

Councillor Malcolm Herrmann	Presiding Member
Peter Brass	Independent Member
David Moffatt	Independent Member
Paula Davies	Independent Member
Councillor Leith Mudge	Council Member

In Attendance:

Lachlan Miller	Acting Chief Executive Officer
Terry Crackett	Director Corporate Services
Steven Watson	Acting Executive Manager Governance & Performance Minute Taker
Mike Carey	Manager Financial Services

1. COMMENCEMENT

The meeting commenced at 6.02pm

2. APOLOGIES/LEAVE OF ABSENCE

2.1. Apology
Nil

2.2. Leave of Absence
Nil

2.3. Absent
Nil

3. MINUTES OF PREVIOUS MEETINGS

3.1. Audit Committee Meeting – 25 May 2020

Moved Peter Brass
S/- David Moffatt **35/AC20**

That the minutes of the Ordinary Council meeting held on 25 May 2020, as supplied, be confirmed as an accurate record of the proceedings of that meeting.

Carried Unanimously

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING
MONDAY 17 AUGUST 2020
63 MT BARKER ROAD STIRLING

4. Delegation of Authority

In accordance with the Audit Committee Terms of Reference, the Committee has no delegated decision-making powers. The Recommendation in Item 7.5 is to be submitted to Council for consideration.

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

5.1. Nil

6. OFFICER REPORTS – DECISION ITEMS

6.1. Risk Presentation – Office of the CEO

7. OFFICER REPORTS – DECISION ITEMS

7.1. Debtors Report

Moved Cr Leith Mudge
S/- Paula Davies **36/AC20**

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

Carried

7.2. Auditor-General's Recommendations on Credit Card Management

Moved Cr Herrmann
S/- David Moffatt **37/AC20**

The Audit Committee resolves:

1. **That the report be received and noted.**
2. **The Audit Committee notes that the Council Member Allowances and Support Policy will be reviewed by November 2020 and the Employee Functions and Gifts Policy will also be reviewed by the Chief Executive Officer.**

Carried Unanimously

7.3. End of Financial Year Update

Moved Peter Brass
S/- Cr Leith Mudge **38/AC20**

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

Carried Unanimously

7.4. Q4 Council Performance Report

Moved David Moffatt
S/- Paula Davies **39/AC20**

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

Carried Unanimously

7.5. Internal Audit Quarterly Update

Moved David Moffatt
S/- Paula Davies **40/AC20**

The Audit Committee resolves:

1. **That the report be received and noted**
2. **To recommend to Council to adopt the revised Strategic Internal Audit Plan v1.5a as contained in Appendix 1 with minor timing amendments as suggested.**

Carried Unanimously

7.6. Audit Actions Implementation Update

Moved Paula Davies
S/- Peter Brass **41/AC20**

The Audit Committee resolves:

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

Carried Unanimously

7.7. Risk Management Plan update

Moved Cr Leith Mudge
S/- Paula Davies **42/AC20**

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

Carried Unanimously

7.8. Action Report & Work Plan Update

Moved Peter Brass
S/- Paula Davies **43/AC20**

The Audit Committee resolves that:

1. **The report be received and noted.**
2. **The Draft 2020 Work plan V1.2, at Appendix 3 be adopted.**

Carried

8. CONFIDENTIAL ITEMS
Nil

9. NEXT MEETING
The next ordinary meeting of the Audit Committee will be held on Monday 19 October 2020 from 6.00pm at 63 Mt Barker Road, Stirling.

10. CLOSE MEETING
The meeting closed at 7.45pm

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 19 October 2020
AGENDA BUSINESS ITEM

Item:	**6.1**
Responsible Officer:	**Mike Carey** **Manager Financial Services** **Corporate Services**
Subject:	**2019-20 General Purpose Financial Statements**
For:	**Decision**

SUMMARY

The 2019-20 General Purpose Financial Statements are attached ***(Appendix 1)*** for information and review. They have been prepared in accordance with the model statements prescribed in the *Local Government (Financial Management) Regulations 2011.*

In accordance with Section 126(4)(a) of the *Local Government Act 1999* the Audit Committee needs to review the 2019-20 General Purpose Financial Statements and be satisfied that they present fairly the state of affairs of Council in accordance with the *Local Government Act 1999*, the *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.

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

The 2019-20 General Purpose Financial Statements will be presented to Council on 27 October 2020 for endorsement prior to certification by the Mayor and Chief Executive Officer and the Audit Report signed by the external auditors, Galpins.

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

RECOMMENDATION

The Audit Committee resolves:

1. **That the report be received and noted.**

2. **That in accordance with Section 126(4)(a) of the *Local Government (Financial Management) Regulations 1999*, the Audit Committee advises Council that it has reviewed:**

   a. **the General Purpose Financial Statements of the Council for the financial year ended 30 June 2020 as contained in Appendix 1, and**
   b. **the External Auditor Galpins' Audit Clearance Report as contained in Appendix 2,**

   and is satisfied that the 2019-20 financial statements present fairly the state of affairs of the Council.

3. **Considers that the Adelaide Hills Council 2019-20 General Purpose Financial Statements, contained in Appendix 1, may be certified by the Chief Executive Officer and the Mayor.**

4. **That it notes the confirmation of Galpins Auditor Independence Statement provided as Appendix 3 and considers that the Certification of Auditor Independence statement contained in Appendix 4 can be certified by the Chief Executive Officer and the Presiding Member of the Audit Committee in accordance with the requirements of Regulation 22(3) of the *Local Government (Financial Management) Regulations 2011*.**

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1. GOVERNANCE

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

Strategic Plan 2020-24 – A brighter future

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

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

While not set down specifically in policy, good governance practices and a convention of this Audit Committee (although not exercised every year) has been to have the opportunity to meet with auditors without management present (i.e. in-camera).

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

➢ **Legal Implications**

Local Government Act 1999

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

More specifically:

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

Local Government (Financial Management) Regulations

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

➢ **Risk Management Implications**

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

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

➢ **Financial and Resource Implications**

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

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

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

Not applicable.

- **Sustainability Implications**

Not applicable.

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

Consultation on the development of this report was as follows:

Council Committees:	A 2019-20 End of Year Update Report was presented to the Audit Committee on 17 August 2020 where the preliminary end of year results were represented
Council Workshops:	Not Applicable
Advisory Groups:	Not Applicable
Administration:	A 2019-20 Preliminary End of Year Financial Results and Carry Forwards report was presented to Council on 25 August 2020. As part of this report all budget holders reviewed the end of year financial position for their respective areas of responsibility to ensure variations were identified, explained, and reviewed by the Executive Leadership Team.
External Agencies:	Not applicable
Community:	Not Applicable

2. BACKGROUND

At its 28 February 2018 meeting, Council resolved to appoint Galpins Accountants, Advisers and Business Consultants (Galpins) for the provision of external audit services for a period of three (3) years with an option of a further period of up to two (2) years commencing with 2017-18 financial year.

The Annual Financial Statements (or General Purpose Financial Report) in ***Appendix 1*** have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board and relevant South Australian local government legislation.

3. ANALYSIS

The following sections provide a summary in relation to key sections of the General Purpose Financial Statements.

3.1 Statement of Comprehensive Income

The Statement of Comprehensive Income shows an overall operating deficit of $2.542m for 2019-20 compared with a surplus of $951k for the previous year.

Statement of Comprehensive Income	2019-20 $000s	2018-19 $000s	Movement $000s
Council	(2,605)	819	(3,424)
Equity Result from Subsidiaries	63	132	(69)
Operating Surplus/(Deficit)	**(2,542)**	**951**	**(3,493)**

Overall, Council's operating revenue increased by $1.1m (2.3%) with expenditure increasing by $4.6m (10.2%).

Councils operating result was impacted on by a number of large one off items in 2019-20 resulting in a number of significant movement between the two years, including:

- Net impact of Cudlee Creek Bushfire Event and subsequent recovery where in summary:
  - Council spent nearly $3.0m in roadside tree clean-up in the 2019-20 financial year as well as other costs including road repairs, fixing fences, repairing recreational trails, restoring fauna habitat and helping the community rebuild.
  - Council received $1.225m in upfront Federal funding distributed through the State Government

  Council has submitted an application in June 2020 to claim $1.550m in funding through the Local Government Disaster Recovery Assistance Arrangements to offset the recovery expenditure. However Council has yet to receive formal acknowledgement of Council's application and after discussion with Galpins, Council's Auditors, the Statements have not brought to account the $1.550m funding in the 2019-20 financial year, notwithstanding that the application is in accordance with funding guidelines and it is considered that Council's application will be considered favourably

  Overall, the net impact of the Cudlee Creek bushfire in terms of grants received and increase in expenditure resulted in a decrease of approximately $2.150m to Council's 2019-20 net result.
- An adjustment of $487k for PLEC relating to the undergrounding of power lines for the Gumeracha main street, which was budgeted under capital. Our year-end review indicates that from an accounting perspective, this should be disclosed as operating given that Council is contributing an amount to other infrastructure providers including SAPN.
- The additional provisioning of remediation and post closure costs of $400k relating to closed landfills within the Council area.

- An increase in leave provisions of over $500k, largely as a result of a reduction of leave taken in the period March to June 2020 due to the impact of Covid-19, work from home arrangements and closure of borders as well as the increase in the length of service profile of staff for long service leave.
- The impact of Council's COVID-19 response has resulted in a decrease of approximately $112k net to Council's result including reduction in revenue, waiving of interest and fines for rates and additional costs including cleaning and health and safety requirements
- As a result of the focus on the Cudlee Creek bushfire recovery, some contractor expenditure was reduced in Councils normal operations and redirected towards the recovery effort resulting in a reduction in that expenditure line from the previous year

Other key movements from 2018-19 include:

- A rates increase of $1.6m, reflecting the general rates increase of 3.3% and rates growth of 0.8%. (refer Note 2a in the Financial Statements).
- User charges of just over $700k, were $303k less than the previous year as a result of the following:
  - the sale of all but one of Council's retirement villages in October 2018
  - reduced rental income as a result of the divestment of the Adelaide Hills Business and Tourism Centre holdings in September 2018 and September 2019
- Operating Grants, Subsidies and Contributions increased by $122k from the previous year including some offsets relating to timing of grants. These include:
  - Receipt of natural disaster funding from the Federal Government of $1.225m as discussed above, compared to 393k in 2018-19
  - No receipt of Supplementary Local Roads Grants for 2019-20 given that these 2018-19, 2019-20 and 2020-21 road grants totalling $1.035m were all paid in the 2018-19 financial year
  - An increase in Roads to Recovery grant funding of $331k from 2018-19 as a result of increased road funding being paid in 2019-20 as the first year of a new five year funding agreement
- Employee Costs increased in line with:
  - Council's Enterprise Development Agreement increase for the year of 2.25% ($360k)
  - Provisioning of leave as a result of the impact of Covid on leave taken and change in staff service profile as discussed above ($515k)
  - Reduction in the number of vacancies in comparison to previous years, which is also reflected by an offset in a reduction in contract labour shown under Materials, Contracts & Other Expenses ($427k).
  - changes from the previous year FTE complement for a number of new positions relating to Council approved initiatives including a biodiversity project officer, biodiversity team member, sport & recreation officer, building compliance officer in planning, FABRIK public program officer as well as a CWMS Officer

- Materials, Contracts & Other Expenses increased from $19.2m to $21.9m in 2019-20, an increase of $2.7m. Increases of $3.7m are explained by the items mentioned above relating to the undergrounding contribution, Cudlee Creek Bushfire Recovery expenditure and landfill remediation. Other key movements offsetting these include:
  - Reduction in contract labour of $427K from the previous year given less vacancies in 2019-20 as per above
  - Reduction of nearly $500k in contractor payments of which:
    - $230k related to redirection of some business as usual expenditure to Cudlee Creek Bushfire recovery including tree management, roadside reserves and biodiversity
    - $73k reduction relates to divestment of retirement villages and AHBTC
    - the remainder is spread across a number of activities including reduction in training and program expenditure due to working from home and closure of council facilities as well as a reduction in sustainability initiatives compared to the previous year.
- Depreciation increased by $381k from the previous year across a number of categories with the most significant increases occurring in the road assets due to the increase in revaluation at the end of June 2019 and depreciation on leased assets accounted for in previous years under Materials, Contracts & Other.
- Council's result from Equity Accounted Council Businesses was a net gain of $63k in comparison to a net gain of $132k for the previous year. This movement largely relates to the Adelaide Hills Regional Waste Management Authority which had a better than anticipated result in 2018-19 due to the resolution of a legal claim defended in the Supreme Court.

3.2 Statement of Financial Position

Statement of Financial Position	2019-20 $'000	2018-19 $'000	Movement $'000
Assets	427,533	431,566	(4,033)
Liabilities	23,101	19,954	3,147
Net Assets	**404,432**	**411,612**	**(7,180)**

The Statement of Financial Position shows the total assets and total liabilities held by Council. As at 30 June 2020, the overall net assets (total assets less total liabilities) held by Council was $404.4m compared with $411.6m for the previous year, representing a decrease in equity of $7.2m. The decrease in equity is represented largely by a reduction in asset valuation of $4.5m together with the Net Deficit of $2.8m.

As highlighted in Note 7 Infrastructure, Property, Plant & Equipment, Kerb and Gutter and Guardrail Asset Categories were revalued using independent unit rates for 2019-20 resulting in a revaluation increment in the order of $2.3m for Kerb & Gutter and a revaluation decrement of $1.8m for Guardrails.

In addition, as highlighted in the Update on Asset Management Planning Committee Report to the Audit Committee meeting on 17 February 2020, Council undertook a review of its sealed road components in 2019-20 following an external review by Jeff Roorda, TechnologyOne, regarding components for road pavements. Given a useful life change, the sub-base was subsequently revalued from the asset construction date and hence the written down value of the road assets were adjusted downwards by $3.7m during the 2019-20 financial year.

All other remaining infrastructure asset categories were cost indexed internally using ABS Construction data which resulting in a small revaluation increments in Buildings, Sport & Recreation, Street Furniture and Traffic Controls whereas a number of other infrastructure asset categories values were reduced as a result of some construction cost indices falling in the 2019-20 financial year.

In terms of Infrastructure Property Plant & Equipment it is also noted that whilst Council entered into a Contract for the divestment of the Council's retirement village portfolio in August 2018, there were a number of contractual requirements to work through as part of the sale. As such, given that the definition of a non-current assets held for sale is highly restrictive, the sale of one remaining retirement village, Bridgewater is still conditional and as such has remained under land and buildings in the Statement for Financial Position as at 30 June 2020.

Excluding lease liabilities, borrowings at 30 June 2020 were $12m including a short term draw down of $2m being an increase of $2.0m from the balances at 30 June 2019 of $10.0m.

3.3 Cash Flow Statement

Statement of Cash Flows	2019-20 $'000	2018-19 $'000	Movement $'000
Net cash from Operating Activities	6,790	10,341	(3,549)
Net cash from Investing Activities	(10,024)	(3,830)	(6,194)
Cash Flows from Financing Activities	(273)	(78)	(195)
Net Increase/(Decrease) in Cash Held	**(3,507)**	**6,433**	**(9,938)**
Cash & Cash Equivalents	**($1,482)**	**$2,025**	**($3,507)**

Council generated $6.8m from its Operating Activities during the financial year compared to $10.3m during 2018-19. The reduction in net cash from operating activities from the previous year largely related to the cash impact of the Cudlee Creek bushfire where significant payments in the order of $3m were expended during the year whereas $1.55m of the Disaster Recovery funding from the State Government is still to be received at 30 June 2020. In addition, the one off treatment of the contribution of $487k to other infrastructure providers including SAPN for the undergrounding of power lines for the Gumeracha main street under operating also impacts on the comparison between years as it was budgeted as expenditure on new/upgraded assets under Investing Activities. Details of how the cash flow statement reconciles with the net surplus and changes in net assets are shown in Note 11 of the Financial Statements.

During the year, Council spent $12.9m on the construction and purchase of renewal and new assets compared to $14.0m in 2018-19. As noted above, the undergrounding of power lines contribution expenditure of $487k was reallocated to Operating Activities as the transaction was considered operating in nature.

The resultant Cash Flow Statement shows a decrease in cash in the order of $1.5m and the drawing down of Council's short term borrowings to $2.0m by year end as a result of the cash movements discussed above.

3.4 Financial Key Performance Indicators

These Financial Indicators have been calculated in accordance with Information Paper 9 – Local Government Financial Indicators and included as 'Note 15 Financial Indicators' within the Financial Statements.

Financial Indicators	2019-20	2018-19	2017-18
Operating Surplus	**(5%)**	**2%**	**1%**
Adjusted Operating Surplus Ratio *	**(5%)**	**1%**	**1%**
Net Financial Liabilities Ratio	**43%**	**34%**	**55%**
Adjusted Net Financial Liabilities Ratio *	**42%**	**34%**	**55%**
Asset Sustainability Ratio	**106%**	**93%**	**121%**

*The Adjusted Ratios removes the distortion of Federal Government advance payments in the 2018-19 and 2019-20 financial years.

In terms of the financial result, once the one off expenditure including the Cudlee Creek bushfire, additional provisioning of remediation and post closure costs and the undergrounding of power lines expenditure is taken into account the numbers reflect an underlying financially sustainable surplus into the future and strong alignment to the current LTFP. Council will continue to review and monitor future financial results and its financial position in conjunction with its Long Term Financial Plan (LTFP).

3.4.1 Operating Surplus Ratio

This ratio expresses the operating surplus/deficit as a percentage of total operating revenue.

As mentioned above, there are a number of one off items that have had a financial impact on the ratio for 2019-20. This has resulted in the ratio showing as negative for the 2019-20 financial year and hence outside Council's target range of 0% - 10%.

3.4.2 Adjusted Operating Surplus Ratio

This ratio removes the distortion of $345k of 2019-20 Supplementary Local Roads Grants paid in advance in 2018-19 offsetting the Federal Government Financial Assistance Grant advance grant payment movement of $76k. The combined impact reduces the Operating Deficit by $269k and the resultant ratio by 0.7%.

The $76k represents the advance payment of two quarters of the 2020-21 Federal Assistance Grant of $912k in June 2020 offset by $836k, also representing two quarters of the 2019-20 Grant received in June 2019.

3.4.3 Net Financial Liabilities Ratio

This ratio expresses the net financial liabilities as a percentage of total operating revenue with Council's target range being between 0% to 100%.

The Uniform Presentation of Finances as shown in Note 16 of the Financial Statements shows a net borrowing position of $3.4m for 2019-20 in comparison to a budgeted borrowing position of $4.4m. This net borrowing position has increased Council's unadjusted Net Financial Liabilities from 34% to 43% driven in part by the resultant operating deficit together with Council's net outlays on new and upgraded assets.

As per the previous year, this ratio is well within Council's target range and in alignment with the LTFP.

3.4.4 Adjusted Net Liabilities Ratio

Similar to the adjusted Operating Surplus Ratio, this ratio removes the distortion of Federal Government advance grant payments movement of $76k increase and $345k of 2019-20 Supplementary Local Roads Grants paid in advance in 2018-19, from the Operating Surplus, reducing the ratio by 1% to 42%.

3.4.5 The Asset Renewal Funding Ratio

This is a ratio that represents the amount of expenditure incurred in replacing Council's assets compared to the level of planned renewal expenditure as detailed in Council's infrastructure and asset management plans at the time of preparing Council's 2019-20 Budget. Council's target range is between 90% and 110%.

The 2019-20 ratio of 106% reflects an amount greater than 100% as a result of carrying forward of renewal expenditure from 2018-19 offset by capital expenditure carried forward to 2020-21. The ratio for 2019-20 is within Council's target range of 90% to 110%.

3.5 2019-20 Audit Clearance Report

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

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

The Auditor's responsibility is to express a conclusion on the Council's compliance with Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls established by the Council for the period 1 July 2019 to 30 June 2020 to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with law in all material respects.

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

The Auditors are in the final stages of completing the audit, and have provided their final Audit Completion Report on matters arising from the audit. This Audit Completion Report (see ***Appendix 2*****)** indicates that Galpins intend to issue unmodified opinions (subject to the satisfactory completion of the items described in section 1 – Status of our Audit Work of this document) for both the Financial Statements and Internal Controls.

3.6 Statement by Auditor of Audit Independence

Regulation 22(5) of the *Local Government (Financial Management) Regulations 2011* requires the auditor of a council to provide a written statement attesting to their independence. Council's Auditor, Galpins have provided their signed Audit Independence Declaration, as prescribed in the Regulations (see ***Appendix 3***). This Statement to Council will be included in Council's financial statements as part of the finalisation of the audit.

Regulation 21 (2) of the *Local Government (Financial Management) Regulations 2011* requires the Council's Chief Executive Officer and the Presiding Member of the Audit Committee to provide a statement, on an annual basis, that the Council Auditor is independent of the Council for the relevant financial year (see ***Appendix 4***).

4. OPTIONS

The Committee has the following options:

I. To review and recommend to Council as prepared.
II. To make additional comments or suggestions for finance staff to include prior to completing the General Purpose Financial Statements.

5. APPENDICES

(1) 2019-20 Draft General Purpose Financial Statements
(2) Audit Completion Report
(3) Auditor Independence Statement
(4) Draft Certification of Auditor Independence

Appendix 1

2019-20 Draft General Purpose Financial Statements

Adelaide Hills Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

Adelaide Hills
COUNCIL

Adelaide Hills Council

General Purpose Financial Statements

for the year ended 30 June 2020

Contents Page

Adelaide Hills Council

General Purpose Financial Statements
for the year ended 30 June 2020

Certification of Financial Statements

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

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2020 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

Andrew Aitken
Chief Executive Officer

Date

Nathan Daniell
Acting Mayor

Adelaide Hills Council

Statement of Comprehensive Income

for the year ended 30 June 2020

$ '000	Notes	2020	2019
Income			
Rates	2a	38,547	36,915
Statutory Charges	2b	1,180	1,172
User Charges	2c	704	1,007
Grants, Subsidies and Contributions	2g	5,245	5,123
Investment Income	2d	42	41
Reimbursements	2e	228	516
Other income	2f	605	648
Net Gain - Equity Accounted Council Businesses	19	73	138
Total Income		46,624	45,560
Expenses			
Employee costs	3a	17,433	15,923
Materials, Contracts and Other Expenses	3b	21,927	19,231
Depreciation, Amortisation and Impairment	3c	9,207	8,826
Finance Costs	3d	589	623
Net loss - Equity Accounted Council Businesses	19	10	6
Total Expenses		49,166	44,609
Operating Surplus / (Deficit)		(2,542)	951
Physical Resources Received Free of Charge	2h	970	1,982
Asset Disposal & Fair Value Adjustments	4	(1,757)	(95)
Amounts Received Specifically for New or Upgraded Assets	2g	556	425
Net Surplus / (Deficit)		(2,773)	3,263
Other Comprehensive Income			
Amounts which will not be reclassified subsequently to operating result			
Changes in Revaluation Surplus - I,PP&E	9a	(4,485)	59,526
Share of Other Comprehensive Income - Equity Accounted Council Businesses	19	–	240
Impairment (Expense) / Recoupments Offset to Asset Revaluation Reserve	9a	–	(184)
Other Equity Adjustments - Equity Accounted Council Businesses		78	139
Total Amounts which will not be reclassified subsequently to operating result		(4,407)	59,721
Total Other Comprehensive Income		(4,407)	59,721
Total Comprehensive Income		(7,180)	62,984

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

Adelaide Hills Council

Statement of Financial Position
as at 30 June 2020

$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash & Cash Equivalent Assets	5a	518	2,025
Trade & Other Receivables	5b	2,761	2,541
Inventories	5c	18	19
Non-Current Assets Held for Sale	20b(ii)	–	1,530
Total current assets		3,297	6,115
Non-current assets			
Equity Accounted Investments in Council Businesses	6	1,491	1,350
Infrastructure, Property, Plant & Equipment	7a	422,745	424,101
Total non-current assets		424,236	425,451
TOTAL ASSETS		427,533	431,566
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	5,254	5,446
Borrowings	8b	7,285	62
Provisions	8c	3,588	3,048
Total Current Liabilities		16,127	8,556
Non-Current Liabilities			
Borrowings	8b	5,446	10,000
Provisions	8c	1,528	1,398
Total Non-Current Liabilities		6,974	11,398
TOTAL LIABILITIES		23,101	19,954
Net Assets		404,432	411,612
EQUITY			
Accumulated surplus		138,645	141,348
Asset revaluation reserves	9a	265,206	269,691
Other reserves	9b	581	573
Total Equity		404,432	411,612

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

Adelaide Hills Council

Statement of Changes in Equity

for the year ended 30 June 2020

$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2020					
Balance at the end of previous reporting period		141,348	269,691	573	411,612
Net Surplus / (Deficit) for Year		(2,773)	–	–	(2,773)
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	(4,485)	–	(4,485)
- IPP&E Impairment (Expense) / Recoupments Offset to ARR	7a	–	–	–	–
- Share of OCI - Equity Accounted Council Businesses	19	–	–	–	–
- Other Equity Adjustments - Equity Accounted Council Businesses	19	78	–	–	78
Other comprehensive income		78	(4,485)	–	(4,407)
Total comprehensive income		(2,695)	(4,485)	–	(7,180)
Transfers between Reserves		(8)	–	8	–
Balance at the end of period		138,645	265,206	581	404,432
2019					
Balance at the end of previous reporting period		137,081	210,121	1,426	348,628
Net Surplus / (Deficit) for Year		3,263	–	–	3,263
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	59,526	–	59,526
- IPP&E Impairment (Expense) / Recoupments Offset to ARR	7a	–	(184)	–	(184)
- Share of OCI - Equity Accounted Council Businesses	19	12	228	–	240
- Other Equity Adjustments - Equity Accounted Council Businesses	19	139	–	–	139
Other comprehensive income		151	59,570	–	59,721
Total comprehensive income		3,414	59,570	–	62,984
Transfers between Reserves		853	–	(853)	–
Balance at the end of period		141,348	269,691	573	411,612

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

Adelaide Hills Council

Statement of Cash Flows

for the year ended 30 June 2020

$ '000	Notes	2020	2019
Cash flows from operating activities			
Receipts			
Rates Receipts		38,288	37,094
Statutory Charges		1,180	1,172
User Charges		704	1,007
Grants, Subsidies and Contributions (operating purpose)		5,121	5,183
Investment Receipts		42	41
Reimbursements		228	516
Other Receipts		929	622
Payments			
Finance Payments		(589)	(623)
Payments to Employees		(16,703)	(15,723)
Payments for Materials, Contracts & Other Expenses		(22,410)	(18,950)
Net cash provided by (or used in) Operating Activities	11b	6,790	10,339
Cash flows from investing activities			
Amounts Received Specifically for New/Upgraded Assets		556	425
Sale of Replaced Assets		714	497
Sale of Surplus Assets		117	7,942
Sale of Investment Property		1,530	1,204
Repayments of Loans by Community Groups		–	72
Payments			
Expenditure on Renewal/Replacement of Assets		(9,718)	(10,090)
Expenditure on New/Upgraded Assets		(3,223)	(3,877)
Net cash provided (or used in) investing activities		(10,024)	(3,827)
Cash flows from financing activities			
Payments			
Repayments of Borrowings		(62)	(77)
Repayment of Lease Liabilities		(211)	–
Repayment of Bonds & Deposits		–	(1)
Net Cash provided by (or used in) Financing Activities		(273)	(78)
Net Increase (Decrease) in Cash Held		(3,507)	6,434
plus: Cash & Cash Equivalents at beginning of period		2,025	(4,409)
Cash and cash equivalents held at end of period	11a	(1,482)	2,025
Additional Information:			
plus: Investments on hand – end of year	6b	–	–
Total Cash, Cash Equivalents & Investments		(1,482)	2,025

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

Adelaide Hills Council

Notes to and forming part of the Principal Financial Statements
for the year ended 30 June 2020

Contents of the Notes accompanying the General Purpose Financial Statements

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies

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

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

(1) Basis of Preparation

1.1 Compliance with Australian Accounting Standards

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

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

1.2 Critical Accounting Estimates

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

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

1.3 Rounding

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

(2) The Local Government Reporting Entity

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

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

(3) Income Recognition

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

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

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

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

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

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

	Cash Payment Received	Annual Allocation	Difference
2017/18	1,597,298	$1,520,627	+ $76,671
2018/19	$1,526,078	$1,537,852	- $11,774
2019/20	$1,640,046	$1,564,152	+75,894

In addition, the 2019/20 and 2020/21 Supplementary Local Road Grants of $690,138 was paid in advance in June 2019.

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

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

Construction Contracts

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

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

(4) Cash, Cash Equivalents and other Financial Instruments

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

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

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

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

(5) Inventories

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

5.1 Real Estate Assets Developments

Real Estate Assets developments have been classified as Inventory in accordance with AASB 102 and are valued at the lower of cost or net realisable value. Cost includes the costs of acquisition, development, borrowing and other costs incurred on financing of that acquisition and up to the time of sale. Any amount by which cost exceeds the net realisable value has been recognised as an expense.

Revenues arising from the sale of property are recognised in the operating statement when settlement is completed.

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are recognised at the carrying value at the time of that decision.

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

5.2 Other Real Estate Held for Resale

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are recognised at the carrying value at the time of that decision.

Certain properties, auctioned for non-payment of rates in accordance with the Local Government Act but which failed to meet the reserve set by Council and are available for sale by private treaty, are recorded at the lower of the unpaid rates and charges at the time of auction or the reserve set by Council. Holding costs in relation to these properties are recognised as an expense when incurred.

(6) Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

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

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

6.2 Materiality

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

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

Office Furniture & Equipment	$1,000
Other Plant & Equipment	$1,000
Park & Playground Furniture & Equipment	$2,000
Buildings - new construction/extension	$5,000
CWMS extensions & household connections	$5,000
Paving & footpaths, Kerb & Gutter	$5,000
Road construction & reconstruction	$5,000
Stormwater, gravity mains and culverts	$5,000
Artworks	$5,000

6.3 Subsequent Recognition

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

6.4 Depreciation of Non-Current Assets

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

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

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

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

Plant, Furniture & Equipment

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

Building & Other Structures

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

Infrastructure

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

Other Assets

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

6.5 Impairment

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

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

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

6.6 Borrowing Costs

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

(7) Payables

7.1 Goods & Services

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

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

7.2 Payments Received in Advance & Deposits

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

(8) Borrowings

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

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

(9) Employee Benefits

9.1 Salaries, Wages & Compensated Absences

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

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

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council’s involvement with the schemes are reported in Note 18.

(10) Provisions for Reinstatement, Restoration and Rehabilitation

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

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

(11) Leases

Accounting policy applicable from 01 July 2019

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

11.1 Council as a lessee

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

i) Right-of-Use-Assets

The Council recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and the estimate of costs to be incurred to restore the

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements
for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

leased asset. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

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

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

ii) Lease Liabilities

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

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

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

(12) Equity Accounted Council Businesses

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

(13) GST Implications

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

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

(14) New accounting standards and UIG interpretations

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

Adelaide Hills Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

Adoption of *AASB 15 Revenue from Contracts with Customers* and *AASB 1058 Income of Not-for-Profit Entities*

Adelaide Hills Council early adopted AASB 15 and AASB 1058, from the year ended 30 June 2018 and as such the application of these are included in the preparation of this financial report as well as that for the previous year.

AASB 16 Leases
The Council applied AASB 16 Leases, for the first time from 1 July 2019. This standard requires that the right of use conveyed by leasing contracts (except leases with a maximum term of 12 months and leases for low-value assets) be recognised as a form of Infrastructure, Property, Plant and Equipment, and that the lease liability be disclosed as a liability. At 30 June 2019, Council has no leases to which this treatment will need to be applied."

Adoption of *AASB 16 Leases* (AASB 16)

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease and other related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet under a single on-balance sheet model. The

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements
for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

Council has lease contracts for various items of plant, equipment, and computers. Before the adoption of AASB 16, the Council classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

The Council adopted AASB 16 using the modified retrospective method of adoption. Under this method, the standard has been applied retrospectively with the cumulative effect of initially applying the standard recognised as at 1 July 2019 and comparatives have not been restated.

The Council recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases with lease terms that end within 12 months of the date of initial application and leases of low-value assets. The right-of-use assets for all leases were recognised based on the amount equal to the lease liabilities. No adjustments were needed for any previously recognised prepaid or accrued lease expenses as there were none. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The effect of adoption AASB 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

	$'000
Assets	
Infrastructure, Property, Plant and Equip.	
- Right-of-Use-Assets	239
Total Assets	**239**
Liabilities	
Interest-bearing loans and borrowings	239
- Other	**239**

Standards issued by the AASB not yet effective
The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.

The following list identifies all the new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective at the time of compiling these illustrative statements that could be applicable to Councils.

The Standards are not expected to have a material impact upon Council's future financial statements

Effective for NFP annual reporting periods beginning on or after 1 January 2020

- AASB 1059 Service Concession Arrangements: Grantors
- AASB 2018-6 Amendments to Australia Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

Effective for NFP annual reporting periods beginning on or after 1 January 2021

- AASB 17 Insurance Contracts

Effective for NFP annual reporting periods beginning on or after 1 January 2022

- AASB 2014-10 Sale or Contribution of Assets between and Investor and its Associate or Joint Venture (amended by AASB 2015-10 and AASB 2017-5)

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Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

(15) COVID-19 Pandemic

The COVID-19 pandemic has impacted the 2019-20 financial statements, which may impact on the comparability of some line items and amounts reported in these financial statements and/or the notes. The financial impacts are a direct result of either Councils response to the pandemic or due to the mandatory shut downs as directed by the Australian Government and the advice from the Australian Government Department of Health and SA Health.

This included:

- Reduced revenue from Events and venue hire
- Waiving of outdoor dining fees
- Business support in the form of temporary suspension of:
  - Fines & Interest
  - Penalties
  - Debt recovery actions
- Additional costs for
  - Cleaning
  - Equipment hire to maintain social distancing
  - Health and Safety initiatives
  - Hibernation costs for Council Venues

COVID-19 is not expected to have a significant financial impact on Council. Council estimates that the reduction in revenue and the increase in expenditure resulted in a decrease of approximately $112k in the 2019-20 net surplus. It is expected further financial impacts will flow into the 2020-21 financial year. However, Council had determined that there is no material uncertainty that casts doubt on Council's ability to continue as a going concern.

(16) Cudlee Creek Bushfire Impact

The Cudlee Creek Bushfire recovery effort undertaken by Council also has impacted the 2019-20 financial statements with the fire directly impacting some 30 per cent of the Adelaide Hills Council district.

Council infrastructure has had minimal damage, with the most serious impact to land including Lobethal Bushland Park.

As a result, Council has spent nearly $3.0m in roadside tree clean-up in the 2019-20 financial year as well as other costs including road repairs, fixing fences, repairing recreational trails, restoring fauna habitat and helping the community rebuild.

To offset this Council received $1.225m in upfront Federal funding and has put in an application to State Government to claim an additional $1.550m through the Local Government Disaster Recovery Assistance Arrangements. These financial statements do not recognise the $1.550m of funding as State Government confirmation has yet to be received.

Council estimates that the net impact of the Cudlee Breek bushfire in terms of grants received and increase in expenditure resulted in a decrease of approximately $2.150m in the 2019-20 net result but anticipates that the 2020-21 surplus will be increased by the National Disaster Assistance funding once received.

In addition there is likely to be further costs incurred in relation to:

- tree management and further road tree works and debris clean up
- additional resources to manage the development applications the Council expects to receive over the next 2-3 years for people rebuilding destroyed assets.
- biodiversity protection and regeneration work over the next 3 years including managing weed incursion in places that were completely burnt through such as Lobethal Bushland Park and more than 70 significant roadside vegetation sites.

It is therefore expected that further financial costs, in the order of $400k, will also flow into the 2020-21 and future financial years. However, Council has considered the consequences of this and similar events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the Council's ability to continue as a going concern.

(17) Comparative Figures

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

(18) Disclaimer

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

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Income

$ '000	2020	2019
(a) Rates		
General Rates		
General Rates	35,942	34,523
Less: Mandatory Rebates	(275)	(241)
Less: Discretionary Rebates, Remissions & Write Offs	(134)	(247)
Total General Rates	35,533	34,035
Other Rates (Including Service Charges)		
Natural Resource Management Levy	980	975
Community Wastewater Management Systems	1,730	1,646
Separate & Special Rates	6	4
Stirling Business Association Separate Rate	95	85
Total Other Rates (Including Service Charges)	2,811	2,710
Other Charges		
Penalties for Late Payment	150	106
Legal & Other Costs Recovered	53	64
Total Other Charges	203	170
Total Rates	38,547	36,915
(b) Statutory Charges		
Development Act Fees	559	526
Animal Registration Fees & Fines	428	407
Parking Fines / Expiation Fees	28	38
Other Licences, Fees & Fines	105	112
Searches	60	89
Total Statutory Charges	1,180	1,172
(c) User Charges		
Cemetery/Crematoria Fees	334	278
Community Centres	98	123
Sundry	73	82
Adelaide Hills Business and Tourism Centre (AHBTC)	162	397
Retirement Villages	37	127
Total User Charges	704	1,007
(d) Investment Income		
Interest on Investments		
- Local Government Finance Authority	7	6
- Banks & Other	35	33
- Loans to Community Groups	–	2
Total Investment Income	42	41

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Income (continued)

$ '000	2020	2019
(e) Reimbursements		
Private Works	10	15
Other	218	501
Total Reimbursements	228	516
(f) Other income		
Insurance & Other Recoupments - Infrastructure, IPP&E	162	284
Sundry	443	364
Total Other income	605	648
(g) Grants, Subsidies, Contributions		
Amounts Received Specifically for New or Upgraded Assets	556	425
Total Amounts Received Specifically for New or Upgraded Assets	556	425
Supplementary Local Roads Funding	–	1,035
Untied - Financial Assistance Grant	1,640	1,526
Roads to Recovery	699	368
Home and Community Care Grant	942	948
Library and Communications	292	283
Sundry	447	570
Natural Disaster Recovery Funding	1,225	393
Total Other Grants, Subsidies and Contributions	5,245	5,123
Total Grants, Subsidies, Contributions	5,801	5,548

The functions to which these grants relate are shown in Note 12.

(i) Sources of grants		
Commonwealth Government	4,488	3,483
State Government	964	1,724
Other	349	341
Total	5,801	5,548
(ii) Individually Significant Items		
Grant Commission (FAG) Grant Recognised as Income	912	836
Supplementary Local Roads Grants in Advance Recognised as Income	–	690
(h) Physical Resources Received Free of Charge		
Land & Improvements	970	1,982
Total Physical Resources Received Free of Charge	970	1,982

Adelaide Hills Council

Notes to the Financial Statements
for the year ended 30 June 2020

Note 3. Expenses

$ '000	Notes	2020	2019
(a) Employee costs			
Salaries and Wages		14,537	13,409
Employee Leave Expense		2,048	1,848
Superannuation - Defined Contribution Plan Contributions	18	1,244	1,156
Superannuation - Defined Benefit Plan Contributions	18	284	232
Workers' Compensation Insurance		405	374
Personal Income Protection Insurance		262	242
Other		69	112
Less: Capitalised and Distributed Costs		(1,416)	(1,450)
Total Operating Employee Costs		17,433	15,923
Total Number of Employees (full time equivalent at end of reporting period)		194	183
(b) Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		24	25
- Other Auditors		13	–
Elected Members' Expenses		421	417
Election Expenses		13	59
Lease Expense - Low Value Assets / Short Term Leases		308	299
Subtotal - Prescribed Expenses		779	800
(ii) Other Materials, Contracts and Expenses			
Bank Fees		88	84
Contractors		5,047	5,648
Contractors - Bushfire Recovery		3,038	–
Contract Labour		556	982
Contributions & Donations		1,211	710
Energy		554	710
Insurance		605	580
Landfill Remediation		442	170
Legal Expenses		198	278
Levies - Other		579	559
Levies Paid to Government - NRM levy		972	966
Licencing - ICT		100	108
Parts, Accessories & Consumables		2,605	2,737
Professional Services		60	106
Sundry		544	424
Telephone (incl data)		266	228
Waste		4,283	4,076
Work-in-Progress Write-off		–	65
Subtotal - Other Material, Contracts & Expenses		21,148	18,431
Total Materials, Contracts and Other Expenses		21,927	19,231

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Expenses (continued)

$ '000	2020	2019
(c) Depreciation, Amortisation and Impairment		
(i) Depreciation and Amortisation		
Buildings	1,148	1,242
Infrastructure		
- Stormwater	454	482
- Community Wastewater Management Systems	413	398
- Roads	4,197	3,803
- Bridges	291	284
- Footpaths	312	403
- Retaining Walls	169	146
- Guardrails	146	140
- Kerb & Gutter	327	396
- Traffic Controls	25	41
- Street Furniture	71	83
- Sport & Recreation	326	337
- Playgrounds	69	83
- Cemeteries	31	35
Right-of-use Assets	214	–
Plant & Equipment	943	870
Furniture & Fittings	71	83
Subtotal	9,207	8,826
Total Depreciation, Amortisation and Impairment	9,207	8,826
(d) Finance Costs		
Interest on Overdraft and Short-Term Drawdown	10	50
Interest on Loans	568	573
Charges on Finance Leases	11	–
Total Finance Costs	589	623

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Asset Disposal & Fair Value Adjustments

$ '000	2020	2019
Infrastructure, Property, Plant & Equipment		
(i) Assets Renewed or Directly Replaced		
Proceeds from Disposal	714	497
Less: Carrying Amount of Assets Sold	(2,380)	(1,719)
Gain (Loss) on Disposal	(1,666)	(1,222)
(ii) Assets Surplus to Requirements		
Proceeds from Disposal	117	11,235
Less: Carrying Amount of Assets Sold	(138)	(7,994)
Less: Other Amounts Relating to the Sale of Surplus Assets	(70)	(2,059)
Gain (Loss) on Disposal	(91)	1,182
Non-Current Assets Held for Sale		
Proceeds from Disposal	1,530	1,204
Less: Carrying Amount of Assets Sold	(1,530)	(1,259)
Gain (Loss) on Disposal	–	(55)
Net Gain (Loss) on Disposal or Revaluation of Assets	(1,757)	(95)

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Current Assets

$ '000	2020	2019
(a) Cash & Cash Equivalent Assets		
Cash on Hand at Bank	143	1,651
Short Term Deposits & Bills, etc.	375	374
Total Cash & Cash Equivalent Assets	518	2,025
(b) Trade & Other Receivables		
Rates - General & Other	1,503	1,278
Council Rates Postponement Scheme	129	95
Accrued Revenues	540	577
Debtors - General	253	363
Other Levels of Government	196	72
Prepayments	140	156
Subtotal	2,761	2,541
Total Trade & Other Receivables	2,761	2,541
(c) Inventories		
Stores & Materials	18	19
Total Inventories	18	19

Note 6. Non-Current Assets

$ '000	Notes	2020	2019
Equity Accounted Investments in Council Businesses			
Gawler River Floodplain Management Authority (GRFMA)	19i	937	878
Eastern Waste Management Authority (EWMA)	19i	138	101
Adelaide Hills Regional Waste Management Authority (AHRWMA)	19i	416	371
Total Equity Accounted Investments in Council Businesses		1,491	1,350

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements
for the year ended 30 June 2020

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

(a) Infrastructure, Property, Plant & Equipment

		as at 30/06/19				Asset movements during the reporting period												as at 30/06/20			
$ '000	Fair Value Level	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Transition adjustment - AASB 16	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Impairment Loss (recognised in Equity) (Note 9)	WIP Transfers	Adjustments & Transfers	Other Physical Resources Free of Charge	RoU Additions	Tfrs from/(to) "Held for Sale" category	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
Capital Work in Progress		–	2,997	–	2,997	–	3,223	9,718	–	–	–	(12,389)	–	–	–	–	–	–	–	3,550	–	3,550
Land - Community		88,615	–	–	88,615	–	–	–	(138)	–	–	–	–	–	–	–	(1,386)	–	87,091	–	–	87,091
Buildings	3	65,282	–	(24,777)	40,505	–	–	–	(198)	(1,148)	–	224	–	–	–	–	–	223	65,187	–	(25,581)	39,606
Infrastructure																						
- Stormwater	3	39,600	–	(11,348)	28,252	–	–	–	–	(454)	–	901	–	285	–	–	(359)	–	40,097	–	(11,472)	28,625
- Community Wastewater Management Systems	3	20,253	–	(6,298)	13,955	–	–	–	(28)	(413)	–	166	–	–	–	–	(139)	–	20,191	–	(6,650)	13,541
- Roads	3	285,788	–	(103,271)	182,517	–	–	–	(1,170)	(4,197)	–	4,773	–	267	–	–	(3,701)	–	264,156	–	(85,667)	178,489
- Bridges	3	18,210	–	(8,320)	9,890	–	–	–	(4)	(291)	–	255	–	–	–	–	(101)	–	18,239	–	(8,490)	9,749
- Footpaths	3	14,828	–	(6,794)	8,034	–	–	–	(41)	(312)	–	934	–	127	–	–	–	91	15,131	–	(6,298)	8,833
- Retaining Walls	3	11,275	–	(3,588)	7,687	–	–	–	(120)	(169)	–	175	–	–	–	–	–	259	11,421	–	(3,589)	7,832
- Guardrails	3	6,564	–	(1,339)	5,225	–	–	–	(30)	(146)	–	164	–	–	–	–	(1,770)	–	4,316	–	(873)	3,443
- Kerb & Gutter	3	32,728	–	(17,472)	15,256	–	–	–	(19)	(327)	–	534	–	291	–	–	–	2,344	40,381	–	(22,302)	18,079
- Traffic Controls	3	2,124	–	(806)	1,318	–	–	–	(63)	(25)	–	54	–	–	–	–	–	7	1,848	–	(557)	1,291
- Street Furniture	3	2,446	–	(956)	1,490	–	–	–	(8)	(71)	–	618	–	–	–	–	–	5	3,026	–	(992)	2,034
- Sport & Recreation	3	17,496	–	(9,911)	7,585	–	–	–	(26)	(326)	–	417	–	–	–	–	–	28	16,597	–	(8,919)	7,678
- Playgrounds	3	1,753	–	(683)	1,070	–	–	–	–	(69)	–	467	–	–	–	–	–	5	2,229	–	(756)	1,473
- Cemeteries	3	2,041	–	(1,306)	735	–	–	–	–	(31)	–	95	–	–	–	–	–	9	1,699	–	(891)	808
- Other Infrastructure	3	–	2,196	(628)	1,568	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,196	(628)	1,568
Right-of-Use Assets		–	–	–	–	239	–	–	–	(214)	–	–	–	–	703	–	–	–	–	942	(214)	728
Plant & Equipment		–	12,543	(5,556)	6,987	–	–	–	(673)	(943)	–	2,508	–	–	–	–	–	–	–	13,700	(5,821)	7,879
Furniture & Fittings		–	2,748	(2,333)	415	–	–	–	–	(71)	–	104	–	–	–	–	–	–	–	2,851	(2,403)	448
Total Infrastructure, Property, Plant & Equipment		609,003	20,484	(205,386)	424,101	239	3,223	9,718	(2,518)	(9,207)	–	–	–	970	703	–	(7,456)	2,971	591,609	23,239	(192,103)	422,745
Comparatives		532,392	18,288	(179,865)	370,815	–	3,877	10,090	(11,772)	(8,826)	(184)	–	123	1,982	–	(1,530)	(419)	59,945	609,003	20,484	(205,386)	424,101

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements
for the year ended 30 June 2020

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

(b) Valuation of Infrastructure, Property, Plant & Equipment

Valuation of Assets

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

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

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

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

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

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

Information on Valuations

Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

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

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

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

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

Other Information

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

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

Highest and best use

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

continued on next page ...

Notes to the Financial Statements
for the year ended 30 June 2020

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

Transition to AASB 13 - Fair Value Measurement

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

Land & Land Improvements

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

Land - Level 2: The majority of land is based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset. Land assets revaluation was undertaken by Council officers based on the Valuer General's site values as at 1 January 2018.

Land - Level 3: Crown Land which is subject to restriction for its use or sale has been valued by Council officers based on the Valuer General's site values as at 1 January 2018 less allowances for the restriction on sale (requiring Ministerial consent) which are unobservable inputs that have a significant effect on valuation.

Buildings & Other Structures

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

- Council discloses Buildings as a class of Infrastructure Assets for the purposes of AASB 13 Fair Value Measurement,and the level of fair value hierarchy to be Level 3, as no relevant observable inputs (Markets) are available.
- There were no Assets Valued where it was considered that the highest and best use was other than its current use.
- Since the detailed valuation undertaken at 1 July 2017, valuations have been updated annually by Council Officers at depreciated current replacement cost based on Australia Bureau of Statistics Time Series data, Tables 17 (Construction Industries) movements specific to Adelaide for the period since valuation to June 2020

Infrastructure

- Council discloses each of the above as an individual class of Infrastructure Assets for the purposes of AASB 13 Fair Value Measurement, and the level of fair value hierarchy to be Level 3, as no relevant observable inputs (Markets) are available.
- There were no Assets Valued where it was considered that the highest and best use was other than its current use.

Roads

- Valuations were derived as at June 2019 referencing individual rates in Rawlinsons and Council Contracts to determine an overall rate for Council assets including road seal and road pavement by Steve Walker, Principal, Asset Engineering.
- Road Seals rates were established by using Council's recent contract rates for resealing which includes profiling, raising top stones, supply and laying of asphaltic concrete and supply and laying of spray seal
- Road Pavement rates were established by using rates from Rawlinsons applicable to the reconstruction of road pavements and compared against Council's actual costs
- During 2019-20 Council undertook a review of its sealed road components following an external review by Jeff Roorda, TechnologyOne, regarding components for road pavements. The assessment resulted in road pavement being componentised into a pavement base-course (layer immediately under the seal component) and a sub-base (bottom layer of road pavement). The base course layer retained the same useful life and the sub-base useful life was increased based on industry knowledge and standards. Given this useful life change, the sub-base was subsequently revalued from the asset construction date and hence the written down value of the assets adjusted downwards. As part of this process, the overall unit rate was also reallocated between the base-course and sub-base components.
- Since the detailed valuation using unit rates undertaken at June 2019, valuations have been updated by Council Officers at depreciated current replacement cost based on Australia Bureau of Statistics Time Series data, Tables 17 (Construction Industries) movements specific to Adelaide for the period since valuation to June 2020

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

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

Footpaths & Retaining Walls

- Valuations were derived as at June 2019 referencing individual rates in Rawlinsons and Council Contracts to determine an overall rate for Council assets including footpaths and retaining walls by Steve Walker, Principal, Asset Engineering.
- Footpath rates were established by using rates from Council's schedule of rates contract to establish rates for brick paved, asphaltic concrete and concrete.
- Retaining Wall rates were established by using rates from Rawlinsons for retaining walls on a square metre basis for differing heights and referenced against Council's actual constructions in previous years
- Since the detailed valuation undertaken at June 2019, valuations have been updated by Council Officers at depreciated current replacement cost based on Australia Bureau of Statistics Time Series data, Tables 17 (Construction Industries) movements specific to Adelaide for the period since valuation to June 2020

Kerb & Gutter and Guardrails (safety barriers)

- Valuations were derived as at June 2020 referencing individual rates in Rawlinsons and Council Contracts to determine an overall rate for Council assets for kerb & gutter and safety barriers including guard rails by Steve Walker, Principal, Asset Engineering.
- Rates from Councils 2018 schedule of rates contract have been used to establish rates for barrier kerb, semi mountable, pinned semi mountable mountable kerb with stone inlay. A BPI rate of 1.06 has been used to adjust rates from 2018 to 2020.
- Rates from Rawlinsons (2020), have been used to establish rates for safety barriers and terminal treatments. These estimated rates have been adjusted and checked against Councils recent actual costs and relate well.

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

- Valuations were performed by Council Officers at depreciated current replacement cost at at 30 June 2020 based on Australia Bureau of Statistics Time Series data, Tables 17 (Construction Industries) specific to Adelaide for June 2020.

Community Wastewater Management Systems (CWMS)

- Basis of valuation: Fair Value
- Date of valuation: 1 July 2017 noting that effective date of valuation as per APV Valuers is 30 June 2017
- Valuer: APV Valuers & Asset Management
- Since the detailed valuation undertaken at 1 July 2017, valuations have been updated annually by Council Officers at depreciated current replacement cost based on Australia Bureau of Statistics Time Series data, Tables 17 (Construction Industries) movements specific to Adelaide for the period since valuation to June 2020

Plant & Equipment

- Basis of valuation: Historic Cost

Furniture & Fittings

- Basis of valuation: Historic Cost

All Other Assets

- Basis of valuation: Deemed Cost

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Liabilities

$ '000	2020 Current	2020 Non Current	2019 Current	2019 Non Current
(a) Trade and Other Payables				
Goods & Services	2,624	–	3,351	–
Payments Received in Advance	799	–	622	–
Accrued Expenses - Employee Entitlements	711	–	425	–
Accrued Expenses - Other	331	–	197	–
Aged Care Facility Deposits	782	–	782	–
Deposits, Retentions & Bonds	4	–	4	–
Other	3	–	65	–
TOTAL Trade and Other Payables	5,254	–	5,446	–

$ '000	Notes	2020 Current	2020 Non Current	2019 Current	2019 Non Current
(b) Borrowings					
Bank Overdraft		2,000	–	–	–
Loans		5,000	5,000	62	10,000
Lease Liabilities	17	285	446	–	–
TOTAL Borrowings		7,285	5,446	62	10,000

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

(c) Provisions				
Employee Entitlements (including oncosts)	3,338	129	2,843	109
Future Reinstatement / Restoration, etc	250	1,399	205	1,289
TOTAL Provisions	3,588	1,528	3,048	1,398

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Reserves

$ '000	as at 30/06/19 Opening Balance	Increments (Decrements)	Transfers	Impairments	as at 30/06/20 Closing Balance
(a) Asset Revaluation Reserve					
Land - Community	61,264	(1,386)	–	–	59,878
Buildings	32,055	223	–	–	32,278
Infrastructure					
- Stormwater	19,476	(359)	–	–	19,117
- Community Wastewater Management Systems	5,626	(139)	–	–	5,487
- Roads	117,794	(3,701)	–	–	114,093
- Bridges	4,393	(101)	–	–	4,292
- Footpaths	114	91	–	–	205
- Retaining Walls	4,511	259	–	–	4,770
- Guardrails	3,105	(1,770)	–	–	1,335
- Kerb & Gutter	14,044	2,344	–	–	16,388
- Traffic Controls	564	7	–	–	571
- Street Furniture	1,235	5	–	–	1,240
- Sport & Recreation	2,941	28	–	–	2,969
- Playgrounds	108	5	–	–	113
- Cemeteries	2,233	9	–	–	2,242
JV's / Associates - Other Comprehensive Income	228	–	–	–	228
Total Asset Revaluation Reserve	269,691	(4,485)	–	–	265,206
Comparatives	210,121	59,754	–	(184)	269,691

$ '000	as at 30/06/19 Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Other Movements	as at 30/06/20 Closing Balance
(b) Other Reserves					
Community Wastewater Management Systems	188	–	107	–	295
Torrens Valley Community Centre	137	–	(36)	–	101
Library	1	–	–	–	1
Scott Creek Progress Association	6	–	–	–	6
Environmental Fund Reserve	232	–	(54)	–	178
Significant Trees Reserve	9	–	(9)	–	–
Total Other Reserves	573	–	8	–	581
Comparatives	1,426	2	(200)	(655)	573

PURPOSES OF RESERVES

Asset Revaluation Reserves

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

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Assets Subject to Restrictions

$ '000	2020	2019
The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.		
Cash & Financial Assets		
Unexpended amounts received from Federal Government		
Community Wastewater Management Systems Investigations	354	351
Total Cash & Financial Assets	354	351
Total Assets Subject to Externally Imposed Restrictions	354	351

Note 11. Reconciliation to Statement of Cash Flows

$ '000	Notes	2020	2019
(a) Reconciliation of Cash			
Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
Total Cash & Equivalent Assets	5	518	2,025
Less: Short-Term Borrowings	8	(2,000)	–
Balances per Statement of Cash Flows		(1,482)	2,025

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

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

$ '000	2020	2019
(b) Reconciliation of Change in Net Assets to Cash from Operating Activities		
Net Surplus/(Deficit)	(2,773)	3,263
Non-Cash Items in Income Statements		
Depreciation, Amortisation & Impairment	9,207	8,826
Equity Movements in Equity Accounted Investments (Increase)/Decrease	(63)	(132)
Non-Cash Asset Acquisitions	(970)	(1,982)
Grants for capital acquisitions treated as Investing Activity	(556)	(425)
Net (Gain) Loss on Disposals	1,757	95
Other	(71)	–
	6,531	9,645
Add (Less): Changes in Net Current Assets		
Net (Increase)/Decrease in Receivables	(220)	292
Net (Increase)/Decrease in Inventories	1	(6)
Net (Increase)/Decrease in Other Assets	–	(2)
Net Increase/(Decrease) in Trade & Other Payables	(192)	96
Net Increase/(Decrease) in Unpaid Employee Benefits	515	168
Net Increase/(Decrease) in Other Provisions	155	149
Net Increase/(Decrease) in Other Liabilities	–	(3)
Net Cash provided by (or used in) operations	6,790	10,339

$ '000	Notes	2020	2019
(c) Non-Cash Financing and Investing Activities			
Acquisition of assets by means of:			
Physical Resources Received Free of Charge	2h	970	1,982
Amounts recognised in Income Statement		970	1,982
Total Non-Cash Financing and Investing Activities		970	1,982

(d) Financing Arrangements

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

Bank Overdrafts	200	200
Corporate Credit Cards	180	180
Asset Finance - Leasing	750	750
LGFA Cash Advance Debenture Facility	10,200	10,200

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

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12a. Functions

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

$ '000	INCOME 2020	INCOME 2019	EXPENSES 2020	EXPENSES 2019	OPERATING SURPLUS (DEFICIT) 2020	OPERATING SURPLUS (DEFICIT) 2019	GRANTS INCLUDED IN INCOME 2020	GRANTS INCLUDED IN INCOME 2019	TOTAL ASSETS HELD (CURRENT & NON-CURRENT) 2020	TOTAL ASSETS HELD (CURRENT & NON-CURRENT) 2019
Functions/Activities										
Business Undertakings	–	–	–	–	–	–	–	–	427,533	431,566
Community Capacity	1,768	1,727	6,851	6,755	(5,083)	(5,028)	1,472	1,440	–	–
Corporate Services	40,155	38,089	12,153	9,664	28,002	28,425	839	817	–	–
Infrastructure & Operations	3,453	4,537	26,608	24,712	(23,155)	(20,175)	2,850	2,783	–	–
Development & Regulatory Services	1,248	1,207	3,554	3,478	(2,306)	(2,271)	84	83	–	–
Total Functions/Activities	46,624	45,560	49,166	44,609	(2,542)	951	5,245	5,123	427,533	431,566

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

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12b. Components of Functions

The activities relating to Council functions are as follows:

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

CORPORATE SERVICES
Adelaide Hills Business Tourism Centre, Cemeteries, Corporate Services Director's Office, Financial Services, Governance & CEO Office, ICT, Information Management, Organisational Development & Work Health & Safety, Property Management and Retirement Villages.

INFRASTRUCTURE & OPERATIONS
Civil Services, Community Wastewater Management System (CWMS), Emergency Management, Infrastructure & Operations Director's Office, Open Space Biodiversity, Open Space Operations, Open Space - Sport & Recreation Planning, Sustainability, Sustainable Assets and Waste.

DEVELOPMENT & REGULATORY SERVICES
Animal Management, Development & Regulatory Services Director's Office, Fire Prevention, Mt Lofty Waste Control Project, Parking and By-Laws , Planning & Development, Policy Planning and Public Health.

Adelaide Hills Council

Notes to the Financial Statements
for the year ended 30 June 2020

Note 13. Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

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

Terms & Conditions:
Deposits are returning fixed interest rates between 0.45% and 0.75% (2019: 1.25% and 1.75%).

Carrying Amount:
Approximates fair value due to the short term to maturity.

Receivables - Rates & Associated Charges

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

Terms & Conditions:
Secured over the subject land, arrears attract interest of 5.2% (2019: 6.6%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:
Approximates fair value (after deduction of any allowance).

Receivables - Fees & Other Charges

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

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

Carrying Amount:
Approximates fair value (after deduction of any allowance).

Receivables - Other Levels of Government

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

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

Carrying Amount:
Approximates fair value.

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements
for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

Receivables - Retirement Home Contributions

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

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

Carrying Amount:
Approximates fair value (after deduction of any allowance).

Liabilities - Creditors and Accruals

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

Terms & Conditions:
Liabilities are normally settled on 30 day terms.

Carrying Amount:
Approximates fair value.

Liabilities - Retirement Home Contributions

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

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

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

Liabilities - Interest Bearing Borrowings

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

Terms & Conditions:
Secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between **4.6**% and 6.75% (2019: **4.6**% and **6.75**%).

Carrying Amount:
Approximates fair value.

Liabilities - Leases

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

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2020					
Financial Assets					
Cash & Equivalents	518	–	–	518	518
Receivables	2,621	–	–	2,621	2,621
Total Financial Assets	3,139	–	–	3,139	3,139
Financial Liabilities					
Payables	3,744	–	–	3,744	3,744
Current Borrowings	7,636	–	–	7,636	7,285
Non-Current Borrowings	230	6,380	–	6,610	5,446
Total Financial Liabilities	11,610	6,380	–	17,990	16,475
2019					
Cash & Equivalents	2,024	–	–	2,024	2,025
Receivables	2,385	–	–	2,385	2,385
Total Financial Assets	4,409	–	–	4,409	4,410
Financial Liabilities					
Payables	4,401	–	–	4,401	4,399
Current Borrowings	65	–	–	65	62
Non-Current Borrowings	568	6,257	5,230	12,055	10,000
Total Financial Liabilities	5,034	6,257	5,230	16,521	14,461

The following interest rates were applicable to Council's Borrowings at balance date:	**2020**		**2019**	
$ '000	**Weighted Avg Interest Rate**	**Carrying Value**	**Weighted Avg Interest Rate**	**Carrying Value**
Overdraft	2.20%	(2,000)	3.35%	–
Fixed Interest Rates	5.68%	12,731	5.68%	10,062
		10,731		10,062

Net Fair Value

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

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

Risk Exposures

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

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

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

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

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Capital Expenditure and Investment Property Commitments

$ '000	2020	2019
(a) Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Infrastructure	1,900	1,750
Plant & Equipment	94	304
	1,994	2,054
These expenditures are payable:		
Not later than one year	1,994	2,054
	1,994	2,054
(b) Other Expenditure Commitments		
Other non-capital expenditure commitments in relation to investment properties at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	–	24
	–	24
These expenditures are payable:		
Not later than one year	–	24
	–	24

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Financial Indicators

$ '000	Amounts 2020	Indicator 2020	Prior periods 2019	2018
These Financial Indicators have been calculated in accordance with Information paper 9 - Local Government Financial Indicators prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.				
1. Operating Surplus Ratio				
Operating Surplus	**(2,542)**	**(5.5)%**	2.1%	1.0%
Total Operating Income	**46,624**			
This ratio expresses the operating surplus as a percentage of total operating revenue.				
2. Net Financial Liabilities Ratio				
Net Financial Liabilities	**19,822**	**43%**	34%	55%
Total Operating Income	**46,624**			
Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.				
Adjustments to Ratios				
In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.				
Adjusted Operating Surplus Ratio				
Operating Surplus	**(2,273)**	**(4.8)%**	0.6%	1.0%
Total Operating Income	**46,893**			
Adjusted Net Financial Liabilities Ratio				
Net Financial Liabilities	**19,553**	**42%**	34%	55%
Total Operating Income	**46,893**			
3. Asset Renewal Funding Ratio				
Net Asset Renewals	**9,718**	**106%**	93%	128%
Infrastructure & Asset Management Plan required expenditure	**9,207**			
Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.				

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Uniform Presentation of Finances

$ '000	2020	2019

The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.

All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.

Income	46,624	45,560
less Expenses	(49,166)	(44,609)
Operating Surplus / (Deficit)	(2,542)	951
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(9,718)	(10,090)
add back Depreciation, Amortisation and Impairment	9,207	8,826
add back Proceeds from Sale of Replaced Assets	714	497
	203	(767)
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(3,223)	(3,877)
add back Amounts Received Specifically for New and Upgraded Assets	556	425
add back Proceeds from Sale of Surplus Assets (including investment property, real estate developments & non-current assets held for resale)	1,647	9,146
	(1,020)	5,694
Net Lending / (Borrowing) for Financial Year	(3,359)	5,878

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Leases

(i) Council as a lessee

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

Right of use assets

$ '000	Right of Use	Total
2020		
Adoption of AASB 16 at 1 July 2019	239	239
Additions to right-of-use assets	703	703
Depreciation charge	(214)	(214)
Balance at 30 June 2020	728	728

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

$ '000	2020	2019
Balance at 1 July	239	–
Additions	703	–
Accretion of interest	11	–
Payments	(221)	–
Balance at 30 June	732	–
Classified as:		
Current	286	–
Non Current	446	–

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

Council had total cash outflows for leases of $529k.

The following are the amounts recognised in profit or loss:

Depreciation expense of Right-of-Use Assets	214	–
Interest expense on lease liabilities	11	–
Expense relating to short term leases	308	–
Total amount recognised in profit or loss	533	–

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Superannuation

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2019/20; 9.50% in 2018/19). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2018/19) of "superannuation" salary.

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

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2017. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to Other Superannuation Schemes

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

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in Other Entities

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

	Council's Share of Net Income		Council's Share of Net Assets	
$ '000	2020	2019	2020	2019
Council's Share of Net Income				
Joint Ventures	63	132	1,491	1,350
Total Council's Share of Net Income	63	132	1,491	1,350

(i) Joint Ventures, Associates and Joint Operations

(a) Carrying Amounts

$ '000	Principal Activity	2020	2019
Eastern Waste Management Authority	Waste Management	138	101
Gawler River Floodplain Management Authority	Floodplain Management	937	878
Adelaide Hills Regional Waste Management Authority	Waste Management	416	371
Total Carrying Amounts - Joint Ventures & Associates		1,491	1,350

Eastern Waste Management Authority
Eastern Waste is a regional subsidiary pursuant to S.43 of the Local Government Act 1999. Council has an interest in the assets and liabilities of Eastern Waste. The other member Councils are Norwood, Payneham & St. Peters, Burnside, Mitcham, Campbelltown and Walkerville.

Gawler River Floodplain Management Authority
Gawler River Floodplain Management Authority is a regional subsidiary pursuant to S.43 of the Local Government Act 1999. Council has an interest in the assets and liabilities of Gawler River Floodplain Management Authority. Other members are Barossa, Gawler, Light, Adelaide Plains and Playford Councils.

Adelaide Hills Regional Waste Management Authority
Adelaide Hills Regional Waste Management Authority is a regional subsidiary pursuant to S.43 of the Local Government Act 1999. Council has an interest in the assets and liabilities of Adelaide Hills Regional Waste Management Authority. Other members are Alexandrina, Mt. Barker and Murray Bridge Councils.

(b) Relevant Interests

	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
$ '000	2020	2019	2020	2019	2020	2019
Eastern Waste Management Authority	14.29%	14.29%	14.29%	14.29%	14.29%	14.29%
Gawler River Floodplain Management Authority	4.23%	3.92%	4.23%	3.92%	16.67%	16.67%
Adelaide Hills Regional Waste Management Authority	34.40%	33.10%	40.52%	41.41%	25.00%	25.00%

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in Other Entities (continued)

(c) Movement in Investment in Joint Venture or Associate

	Eastern Waste Management Authority		Gawler River Floodplain Management Authority		Adelaide Hills Regional Waste Management Authority	
$ '000	2020	2019	2020	2019	2020	2019
Opening Balance	101	69	878	600	371	169
Share in Operating Result	28	19	(10)	(6)	45	119
Share in Other Comprehensive Income	–	5	–	229	–	7
Adjustments to Equity	9	8	69	55	–	76
Council's Equity Share in the Joint Venture or Associate	138	101	937	878	416	371

Note 20. Non-Current Assets Held for Sale & Discontinued Operations

$ '000	2020	2019

Carrying Amounts of Assets and Liabilities

Assets		
Infrastructure, Property, Plant & Equipment (Northern side of AHBTC)	–	1,530
Total Assets	–	1,530
Net Assets	–	1,530

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

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

1. LAND UNDER ROADS

As reported in the Financial Statements, Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in the reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

2. POTENTIAL INSURANCE LOSSES

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

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

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

3. LEGAL EXPENSES

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of 4 appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Note 22. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2020, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

COVID-19 has been classified as a global pandemic by the World Health Organisation and has developed rapidly in 2020. Measures taken by the Federal and State governments have affected South Australia’s economic activity and Council’s operations.

At this stage, the financial impacts on Council’s operations have not been significant and Council expects that further impacts on Council’s operations to flow into the 2020/21 financial year will not be significant. We refer to Note 1.15 providing details of the financial impacts caused by COVID-19 during the 2019/20 financial year.

Council is aware of the following "non adjusting event" that merit disclosure;

Retirement Villages
In August 2018, Council resolved to sell its Retirement Village portfolio to Clayton Church Homes (CCH). As a result of contract negotiations and due diligence it was discovered that a portion of the Bridgewater Village is the subject of an unregistered charitable trust and is Community Land. As such, it was necessary to excise the Bridgewater village from the transaction at that time. However, Council has provided CCH with a first right of refusal to purchase the Bridgewater Village if the Trust is able to be varied and the community land classification revoked.

As a result, there is a number of contractual conditions precedent still to be fulfilled prior to the sale of Bridgewater Village being unconditional. Given the highly restrictive definition of a non-current assets held for resale these assets have remained within the land and buildings categories under Infrastructure, Property Plant & Equipment in the Statement for Financial Position.

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related Party Transactions

Key Management Personnel

Transactions with Key Management Personel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 20 persons were paid the following total compensation.

$ '000	2020	2019
The compensation paid to Key Management Personnel comprises:		
Short-Term Employee Benefits	1,590	1,544
Long-Term Benefits	116	112
Total	1,706	1,656

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

Receipts from Key Management Personnel comprise:

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

Planning and Building Application Fees	1	–
Total	1	–

Five Key Management Personnel are a Board Members/Deputy Board Members of entities, namely the State Libraries Board, Local Government Association of SA, Local Government Professionals SA, Adelaide Hills Regional Waste Management Authority and The Hutt Community Centre respectively, which have had some dealings with Council but it is not considered that those members control or jointly control those organisations.

During the financial year the Adelaide Hills Council:

- received grants for materials of $159,756 and operating $131,827 from Arts SA for a Public Libraries Grant and paid $13,830 for library management software
- paid to LGA of SA an amount of $56,928 for Membership and $21,132 for Training, Seminar/Forum and Tenders & Contracts
- paid an amount of $5,254 to LG Professionals SA for bronze memberships and $8,716 for conferences and training
- paid to AHRWMA $1.3m for collection and disposal of waste and associated services

One Key Management Person received salary and wages from the Hut Community Centre Inc. During the 2019-20 financial year, Council paid $186,055 to The Hut Community Centre relating to the following:

- Funding for Provision of Community Home Support Program of $12,650
- Funding $167,890
- Reimbursement of volunteer expenses of $ 4,823
- Reimbursement of 80% electricity $692

Five Key Management Personnel received income from five entities, namely Summit Health, University of SA, Ecodynamics, Electoral Commission and Gawler River Flood Plain Management during the 2019-20 financial year.

During the financial year Council paid:

- $1,100 in a Grant contribution to Summit Health
- $2,200 for Library review to University of SA
- $314 to Ecodynamics for the supply of plants
- $14,331 to the Electoral Commission for Roll maintenance costs
- $28,206 to the Gawler River Flood Plain Management Authority, being a Council subsidiary for 19/20 Subscription

continued on next page ...

Adelaide Hills Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related Party Transactions (continued)

Five Key Management Personnel are members on six management committees of groups that received contributions from Adelaide Hills Council. Details of those contributions are as follows:

- Birdwood High School, $150 donation
- Kersbrook Public Hall Inc, who received:
  - $6,551 relating to a contribution for public toilet maintenance
  - $1,382 as a rate rebate
  - $992 Community Development Grant
- RSL Gumeracha Sub branch who received a minor grant of $300
- Woodside Hall who received $1,905 for reimbursement of insurance
- Old School Community Garden who received a $2,500 grant
- Adelaide Hills (War Memorial) Swimming Centre Inc who received a Maintenance Grant of $93,404

Adelaide Hills Council

General Purpose Financial Statements
for the year ended 30 June 2020

Independent Auditor's Report - Financial Statements

To be included

Adelaide Hills Council

General Purpose Financial Statements
for the year ended 30 June 2020

Independent Auditor's Report - Internal Controls

To be included

Adelaide Hills Council

General Purpose Financial Statements

for the year ended 30 June 2020

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Adelaide Hills Council for the year ended 30 June 2020, the Council's Auditor, Galpins has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Andrew Aitken
Chief Executive Officer

Malcolm Herrmann
Presiding Member, Audit Committee

Date:

Adelaide Hills Council

General Purpose Financial Statements

for the year ended 30 June 2020

Statement by Auditor

I confirm that, for the audit of the financial statements of Adelaide Hills Council or the year ended 30 June 2020, I have maintained my independence in accordance with the requirements of APES 110 – Code fof Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations* 2011 made under that Act.

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

Auditor's Name

Audit Firm Name

Date: dd MMMM yyyy

Appendix 2

Audit Completion Report

Galpins

Accountants, Auditors & Business Consultants

2019/20 Audit Completion Report

Adelaide Hills Council

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Table of Contents

EXECUTIVE SUMMARY

To the members of the audit committee of Adelaide Hills Council

We are pleased to present our Audit Completion Report for the financial year ended 30 June 2020. The purpose of this document is to summarise the key accounting and audit matters that have arisen during the engagement and our audit conclusions.

We intend to issue the following opinions (subject to the satisfactory completion of the items described in section 1 – *Status of our Audit Work* of this document):

Intended opinions	Type of opinion	Proposed Auditor's Report
Opinion on the Financial Statements	Unmodified	Refer to the Appendix 1 of this report.
Controls Opinion	Unmodified	Refer to the Appendix 2 of this report.

We have included in this report the following information to ensure that councillors, management and audit committee members are aware of all significant matters relating to the audit.

Matters	Sections
Status of our audit work	Section 1
Summary of Audit Risks and Overall Responses	Section 2
Key Audit Matters	Section 3
Internal Controls Opinion and Recommendations	Section 4
Final Management Letter	Section 5
Corrected Adjustments	Section 6
Immaterial Uncorrected Misstatements	Section 7
Proposed Independent Auditor's Report on the Financial Report	Appendix 1
Proposed Independent Auditor's Report on the Internal Controls	Appendix 2
Draft Statement by Auditor	Appendix 3
Better Practice Model (BPM) Risks	Appendix 4
Risk Ratings	Appendix 5

We also confirm our intention to sign the statement by auditor regarding our independence, and confirm that for the audit of the year ended 30 June 2020 we have maintained our independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (including Independence Standards)*, Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

Yours faithfully

Tim Muhlhausler CA Registered Company Auditor
Date: 14 October 2020

1. Status of Our Audit Work

Below a summary of the status of audit activities and key documents related to the completion of our final audit.

Activities/Documents	Responsibility	Status
Final draft of the financial report	Management	**Completed**
Final audit visit	Audit	**Completed**
Final substantive procedures	Audit	**Completed**
Audit verification of the final draft of the financial report	Audit	**Completed**
Final draft of the financial report after audit verification	Management	**Completed**
Audit Completion Report	Audit	**Completed**
Final financial report after considerations from the audit committee	Management	**To be completed**
Signed certification of financial statements	Management	**To be completed**
Signed certification of auditor independence	Management	**To be completed**
Signed management representation letter	Management	**To be completed**
Signed statement by auditor	Audit	**To be completed**
Review of the subsequent events up to the date of the auditor's report.	Audit	**To be completed**
Final Independent Auditor's Report on the Internal Controls	Audit	**To be completed**
Final Independent Auditor's Report on the Financial Report	Audit	**To be completed**

Our final independent auditor's reports on the internal controls and on the financial report will be issued upon receipt of the final financial report (containing the signed certification of financial statements and the signed certification of auditor independence) and the signed management representation letter.

2. Summary of Audit Risks and Overall Responses

Below, a summary of our initial audit risks identified in our audit plan presented to the audit committee, the audit approach and responses to address these risks and the final audit risks (residual risks) after the execution of our audit procedures.

Statement of Comprehensive Income – Income

Accounts	Initial Audit Risk	$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Rates and charges	High	38,547	RA1/RA2/RA3/RA4/RE1/RE2	Controls and substantive tests	Low	Fairly presented
Statutory charges	Moderate	1,180	US1/US2/US3/RE1/RE2	Substantive tests	Low	Fairly presented
User charges	Moderate	704	US1/US2/US3/RE1/RE2	Substantive tests	Low	Fairly presented
Grants	Moderate	5,245	GR1/GR2/GR3/RE1/RE2	Substantive tests	Low	Fairly presented
Investment Income	Low	42	II1	Substantive tests	Low	Fairly presented
Reimbursements	Low	228	OR1	Substantive tests	Low	Fairly presented
Other Income	Low	605	OR1	Substantive tests	Low	Fairly presented
Equity Accounted Businesses	Low	73	OR1/OE1	Substantive tests	Low	Fairly presented

Statement of Comprehensive Income - Expenses

Accounts	Initial Audit Risk	$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Employee costs	High	17,433	PA1/PA2/PA3/PA4/PA5/PA6	Controls and substantive tests	Low	Fairly presented
Materials / Contracts / Other Expenses	High	21,927	PP1/PP2/PP3/PP4/PP5/PP6 CO1/CO2/CO3 CC1/CC2/CC3	Controls and substantive tests	Low	Fairly presented
Depreciation and amortisation	High	9,207	FI4	Controls and substantive tests	Low	Fairly presented
Finance Costs	Low	589	BO1	Substantive tests	Low	Fairly presented
Equity Accounted Businesses	Low	10	OR1/OE1	Substantive tests	Low	Fairly presented

Statement of Comprehensive Income – Other Comprehensive Income

Accounts	Initial Audit Risk	$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Asset Disposals & FV Adjust	High	(1,757)	FI1/FI3	Controls and substantive tests	Low	Fairly presented
Amounts Received Specifically for New or Upgraded Assets	Moderate	556	GR1/GR2/GR3/RE1/RE2	Substantive tests	Low	Fairly presented
Physical Resources Received Free of Charge	Low	970	FI1	Substantive tests	Low	Fairly presented

Statement of Financial Position – Assets

Accounts	Initial Audit Risk	$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Cash and cash equivalents	High	518	BA1/BA2/IN1/IN2/IN3	Controls and substantive tests	Low	Fairly presented
Trade and other receivables	Moderate	2,761	DE1/DE2/DE3/DE4/DE5/PR1	Controls and substantive tests	Low	Fairly presented
Inventories	Low	18	STK1	Substantive tests	Low	Fairly presented
Non-current assets held for sale	High	-	OTH1	Substantive tests	Low	Fairly presented
Financial Assets – NC	Low	-	LO1	Substantive tests	Low	Fairly presented
Equity Accounted Businesses	Low	1,491	OR1/OE1	Substantive tests	Low	Fairly presented
IPPE	High	422,745	FI1/FI2/FI3/FI4/FI5	Controls and substantive tests	Low	Fairly presented

Statement of Financial Position – Liabilities

Accounts	Initial Audit Risk	$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Trade and other payables	High	5,254	AP1/AP2/AP3/AP4/AP5/TA1/AE1	Controls and substantive tests	Low	Fairly presented
Borrowings	Low	7,285	BO1/BO2/BO3/BO4	Substantive tests	Low	Fairly presented
Provisions	Moderate	3,588	EP1	Substantive tests	Low	Fairly presented
Borrowings - NC	Low	5,446	BO1/BO2/BO3/BO4	Substantive tests	Low	Fairly presented
Provisions - NC	Moderate	1,528	EP1	Substantive tests	Low	Fairly presented

Statement of Financial Position – Equity

Accounts	Initial Audit Risk	$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Accumulated Surplus	Low	138,645	N/A	Substantive tests	Low	Fairly presented
Asset Revaluation Reserves	High	265,206	FI3	Controls and substantive tests	Low	Fairly presented
Other Reserves	Low	581	N/A	Substantive tests	Low	Fairly presented

Intended Audit Opinion
In our opinion, subject to the satisfactory completion of the items described in section 1 of this report, the financial report prepared by the Council presents fairly, in all material respects, the Council's financial position as at 30 June 2020 and its financial performance for the year ended on that date.

* A list of the main risks as per the Better Practice Model (BPM) addressed during our audit and related risk references is provided in Appendix 4.

3. Key Audit Matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report. We address these matters in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

3.1 Valuation of Infrastructure assets

Why the matter is significant	How the matter was addressed
Infrastructure assets are valued at fair value. The fair values of these assets were based on depreciated current replacement costs which is comprised by the gross replacement cost less accumulated depreciation. Council values the gross replacement cost using the estimated average cost (unit cost) at which it could construct a substitute asset of comparable quality in the normal course of business. There was inherent subjectivity involved in making judgments in relation to assumptions used to estimate unit rates which also involved determining the: ▪ components of assets that are replaced at different times in the asset lifecycle ▪ costs required to replace these components using current prices for materials, labour, and plant costs ▪ indices for measuring subsequent changes in unit rates. The useful lives of assets and the measurement of accumulated depreciation are determined by external valuers. Significant judgement is used to determine the different useful lives for different components of assets and to calculate the depreciation that would have accumulated since original construction using these estimated useful lives. The significant professional judgments used to estimate the gross replacement cost and the accumulated depreciation are also relevant to the calculation of the annual depreciation expense of these assets.	Our audit included but was not limited to the following activities: ▪ reconciled closing balances to the asset registers ▪ reconciled the movements in note 7 to the asset register ▪ reviewed the basis for valuation used by external valuers ▪ assessed the competence of external valuers (experts) in accordance with Australian Accounting Standards ▪ reviewed the fair value hierarchy provided in note 7 for each category of asset ▪ reconciled the useful lives used to calculate the accumulated depreciation and the depreciation for the period to the revaluation reports ▪ reviewed the useful lives mentioned above for different components and compared them to other local government entities ▪ performed a recalculation of depreciation ▪ reviewed the methodology used by Council to perform componentisation of infrastructure assets and compared the methodology used to Council's actual asset management practices and to other local government entities ▪ reconciled the unit rates used for different components of infrastructure assets to the unit rates provided in the revaluation report ▪ reviewed the unit rates mentioned above and compared them to different local government entities ▪ assessed the adequacy of disclosures in the financial report.

3.2 Valuation of Land and Buildings

Why the matter is significant	How the matter was addressed
Land and buildings are valued at fair value. The basis of valuation to be used for these assets depends on a number of factors such as the nature of the asset, purpose of their use, the highest and best use of the asset, potential restrictions to the disposal of these assets among other factors. Valuation of land depends on whether the land is classified as Crown land or community land. Community land and Crown land are valued using unobservable (level 3) inputs as the allowance for the restriction on sale (requiring Ministerial consent) is usually an unobservable input, and is likely to have a significant effect on valuation. Land, where Council has an unfettered right to sell them, is usually valued at current market value based on their highest and best use. Level 2 inputs are primarily used for land during the valuation process. Valuation of buildings depends on the nature of these assets. Some Council buildings have no active market due to the specialised nature of the assets and the services they provide. For such buildings fair value is usually determined on the basis of replacement with a new building having similar service potential. Valuation techniques used to measure fair value of these buildings include significant unobservable inputs (level 3). For buildings that have an active market, buildings are assessed on market value principles which is deemed to be their fair value based on level 2 inputs. The most significant input into this valuation approach is sales transactions of comparable properties within the City, adjusted for any pertinent differences. The significant professional judgments used to estimate the value of land and buildings are also relevant to the calculation of the annual depreciation expense of these assets.	Our audit included but was not limited to the following activities: ▪ reconciled closing balances to the asset registers ▪ reconciled the movements in note 7 to the asset registers ▪ reviewed the basis for valuation used by external valuers ▪ assessed the competence of external valuers (experts) in accordance with Australian Accounting Standards ▪ analysed the nature of the land building assets and concluded whether the fair value hierarchy provided in note 7 for each category of asset was reasonable ▪ reconciled the useful lives used to calculate the accumulated depreciation and the depreciation for the period to the revaluation reports ▪ reviewed the useful lives mentioned above for different components and compared them to other local government entities ▪ performed a recalculation of depreciation; and ▪ assessed the adequacy of disclosures in the financial report.

3.3 Accounting treatment of capitalisation of assets

Why the matter is significant	How the matter was addressed
Councils are asset intensive and highly dependent on multiple assets to deliver services to customers. Hence, there is a high volume of transactions and significant amounts involved in relation to capitalisation of assets. Due to the unique characteristics of Council's assets a number of considerations are taken into account when an expenditure is capitalised which include: ▪ whether Council is incurring capital expenditure to physical resources that are controlled by Council. Control is the most difficult of the characteristics of an asset to be defined as this usually goes beyond the legal ownership; ▪ Inclusions and exclusions of costs at initial recognition of an assets in accordance with AASB 116; ▪ Cost involved in dismantling and removing the asset and/or restoring the site under AASB 137; ▪ Borrowing costs to be capitalised into the cost of IPPE where the asset is a "qualifying asset" as per AASB 123; and ▪ accounting for subsequent costs and defining the nature of these costs as being capital or maintenance expenditure.	Our audit included but was not limited to the following activities: ▪ performed analytical procedures to define whether the amounts capitalised for the FY was in accordance with our expectation and our understanding of the entity; ▪ reviewed internal controls in place for capitalisation of assets; ▪ selected a sample of additions and performed an assessment of the nature of the addition and concluded whether the addition was recognised in accordance with Australian Accounting Standards; ▪ reviewed the WIP schedule and selected a sample of transfers out to ensure that the asset was appropriately valued and capitalised in the right account; and ▪ reviewed the WIP schedule in order to identify projects that should have been capitalised but were not.

3.4 Accounting for non-current assets held for sale

Why the matter is significant	How the matter was addressed
Accounting for sales of non-current assets and liabilities and presentation of discontinued operations contain several judgements that affect timing, presentation of the statement of comprehensive income and the statement of financial position. The definition of a non-current asset (or disposal group) as held for sale is highly restrictive. The asset must: ▪ be available for immediate sale in its present condition (subject only to terms that are usual and customary for sales of such assets); and ▪ its sale must be highly probable. Australian Accounting Standards provide a number of criterion that an entity must meet to classify an asset as held for sale. Council shall present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non current assets and liabilities.	Our audit included but was not limited to the following activities: ▪ reviewed the criterion used to classify the asset as held for sale ▪ reviewed council minutes ▪ verified sales agreements in place (if any) ▪ inspected settlement agreements (if any) ▪ compared the value agreed between the parties to the WDV of the asset ▪ reviewed the related note disclosures.

3.5 Revenue Recognition

Why the matter is significant	How the matter was addressed
AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities commenced from 1 January 2019 – effectively 1 July 2019 for SA Councils. Council early adopted AASB 15 and AASB 1058 during the 2017/18 financial year. The main change for Councils is that income from capital and other specific purpose grants previously recognised on receipt may be recognised over time as performance obligations are met (where these obligations are sufficiently specific and rise from enforceable contracts) and a liability recognised for unspent monies. We focussed on this area as recognition of revenue involves some degree of professional judgement from Management in identifying sufficiently specific performance obligations in a grant agreement, determining whether a grant agreement can be classified as a capital grant and concluding on the most appropriate method for recognition of revenue for different types of grant agreements.	Our audit included but was not limited to the following activities: ▪ evaluated Council's work to implement AASB 15 and AASB 1058 and assessed whether Council's accounting practices comply with Australian Accounting Standards ▪ performed analytical procedures to identify any variance that would represent a risk or incorrect application of AASB 15 and AASB 1058 ▪ reviewed a sample of grant agreements and assessed whether agreements contain sufficiently specific performance obligations ▪ evaluated the accounting treatment used by Council to account for the existing grant agreements in place selected for our tests ▪ tested a sample of financial transactions for compliance with Australian Accounting Standards.

3.6 Adoption of AASB 16 Leases

Why the matter is significant	How the matter was addressed
The new lease standard – AASB 16, with effective date of 1 January 2019, has brought significant changes to the way Councils report leases. The previous accounting treatment for a lessee under AASB 117 was based on the classification of a lease agreement either as a finance or an operating lease. A finance lease was a lease that transfer substantially all the risks and rewards of ownership to the lessee. An operating lease was a lease that does not transfer substantially all risks and rewards incidental to ownership. Under AASB 117, operating leases were not recorded in the Statement of Financial Position. AASB 16 – Leases is eliminating the distinction between operating and finance leases. The accounting treatment is based on the 'right-of-use' of an asset rather than 'risks and rewards' incidental to the ownership. The new standard requires Councils to recognise right-of-use assets and lease liabilities in the Statement of Financial Position related to current lease agreements. The completeness and accuracy of the lease amounts recorded in the statement of financial position and related note disclosures relating to the transition to AASB 16 was a key audit matter.	Our audit included but was not limited to the following activities: ▪ assessed the design and implementation of the key controls relating to the implementation of AASB 16 ▪ reviewed a sample of lease agreements to determine the appropriate accounting treatment for these lease agreements ▪ assessed the discount rate used to calculate the lease obligations ▪ performed a recalculation of the lease liability and right-of-use assets for a sample of leases ▪ reviewed a register of lease agreements to ensure the completeness of the right-of-use assets and lease liabilities record in the statement of financial position ▪ reconciled the lease liabilities as at 1 July 2019 to the operating lease commitments as of 30 June 2020 .

3.7 Management Override of Controls

Why the matter is significant	How the matter was addressed
Management is in a unique position to perpetrate fraud because of management's inherent ability to manipulate accounting records and prepare a fraudulent report by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, the risk of material misstatement due to fraud is always considered a significant risk for audit purposes.	Our audit included but was not limited to the following activities: ▪ tested the appropriateness of journal entries recorded in the general ledger ▪ reviewed accounting estimates for biases ▪ performed final analytical procedures to conclude as to whether the financial report is consistent with our understanding of the entity ▪ requested written representation from Management ▪ reviewed IT access controls rights processes in place ▪ reviewed processes in place to ensure independent reviews of exception reports generated by Council ▪ reviewed processes in place to ensure independent reviews of audit trails of changes to master files.

3.8 Other High Risk Areas

The other high risk areas described in this section are account balances and/or audit areas that are not subject to a high degree of professional judgement, however we assessed their inherent risks as being high due to the materiality of the account balances, the high volume of transactions involved and other reasons outlined below:

Account balance	Why the risk is High	Overall audit response
Rates and charges	- largest revenue item - it is usually used as a reference point for analysing expenditure decisions - politically sensitive – reputational risk involved if rates are raised incorrectly.	- walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - comparison of total capital values from the VG report to the total capital value recorded in the rates system - reconciliation of the rates modelling to the rates system and to the general ledger - recalculation of rates for a sample of rate payers
Employee costs	- one of the largest expense items - high volume of transactions / data – subject to error. - errors impact individuals financially.	- walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - inspection of employee files (contracts, awards, EBs) - inspection of timesheets - recalculation of a sample of individual payments.
Materials, Contracts & Other expenses	- one of the largest expense items - High volume of transactions / date – subject to error - fraud risk area (procurement, payments and credit cards) - procurement and contracting are key focus areas for ICAC and the Auditor-General's Department.	- walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - inspection of supporting documents (contracts, invoices, purchase orders, subsequent payments, etc) for a sample of expenses

Account balance	Why the risk is High	Overall audit response
Cash and cash equivalents	- material balance - fraud risk - if there is any instance of errors and/or fraud it will be indicative of broader errors - Poor attitude to cash controls may be indicative of overall culture related to the entity's controls environment - public money	- walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - bank confirmation - inspection of bank statements - verification of outstanding reconciling items - reperformance of bank reconciliations.
Trade and other payables	- one of the largest liabilities - material balance - opportunity for understatements - if there is a poor use of accrual basis of accounting it will be indicative of poor culture - payments represent an opportunity for fraud	- walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - reconciliation between subsidiary ledgers and the general ledger - inspection of subsequent payments for a sample of creditors - inspection of a sample of subsequent payments for completeness test.

4. Internal Controls Opinion and Recommendations

We have performed an extensive review of the Council's financial controls for the purpose of forming our control opinion as required by section 129 of the *Local Government Act 1999* based on council's obligations under s125 of that Act.

Our controls opinion is restricted per s129 of the Act to the application of s125 as it relates to financial internal controls, specifically the controls exercised by the Council during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

A summary of the results of our review is provided in the table below:

Business cycles	Controls Reviewed	Operating Effectively			2020 Findings			
		2020	2019	2018	H	M	L	BP
Purchasing & Procurement/Contracting	10	8	7	4	-	2	-	-
Fixed Assets	16	13	13	11	-	2	1	-
General Ledger	11	9	8	8	-	1	1	-
Accounts Payable	13	13	11	10	-	-	-	-
Rates / Rates Rebates	10	10	10	7	-	-	-	-
Payroll	19	19	18	16	-	-	-	-
Receipting	5	5	4	3	-	-	-	-
Credit Cards	5	5	5	5	-	-	-	-
Banking	5	5	5	5	-	-	-	-
Debtors	6	6	6	6	-	-	-	-
Total	**100**	**93**	**87**	**75**	**-**	**5**	**2**	**-**

Overall the Council demonstrated a high level of compliance with the implementation of an internal control framework consistent with the principles within the Better Practice Model.

During our interim audit visit we found that the majority of key internal controls reviewed were in place and were operating effectively (93 out 100 core controls reviewed). Risks were rated based on an assessment of the risk of non-compliance with s125 of the Local Government Act 1999 as described in the Appendix 5 – Risk Ratings.

An ***interim audit management letter*** was issued and presented to the audit committee containing our overall assessment of the council's internal controls and all the controls weaknesses identified during our review of the Council's financial controls.

We recommended that Council prioritises the moderate risk findings, as failure in compensating controls addressing the same risk or existence of multiple moderate weakness within the same business cycle may lead to a material weakness and non-compliance with s125 of the Local Government Act.

In our opinion, subject to the satisfactory completion of the items described in the section 1 of this report, the ***Council has complied, in all material aspects, with Section 125 of the Local Government Act 1999*** in relation to Internal Controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities.

5. Final Management Letter

We have identified the following additional performance improvement observations when performing our substantive procedures during our final audit:

	Risk
1. Manual spreadsheets being used as asset registers	**Low**
Finding	Financial Management uses manual spreadsheets as asset registers for plant and equipment.
Risk	Risk of errors in the asset registers and, consequently, risk of the financial statements being misstated.
Recommendation	Management to consider inclusion of all classes of assets in Confirm or another electronic asset register.

	Risk
2. Plant hire rates are not reviewed on a regular basis	**Low**
Finding	Audit noted an absence of formal processes to ensure that plant hire rates (rates used to calculate the cost of usage of plant items) are reviewed on a regular basis.
Risk	Risk of capitalised values in internal management reporting and external financial statements being misstated.
Recommendation	Management determines an appropriate frequency for review of the plant hires rates, and conducts reviews in accordance with this determination.

	Risk
3. Employees with excessive annual leave balances	**Low**
Finding	Audit identified fourteen employees with annual leave balances in excess of 300 hours.
Risk	Leave balances exceeding the allowable balances under the relevant EB. Staff not taking leave has financial implications as leave is paid at higher rates than it was accrued, and may lead to health safety and welfare issues.
Recommendation	Implement strategies to systematically reduce excessive leave balances, and review monitoring procedures to ensure that employees do not accumulate excessive annual leave balances.

Risks were rated based on an assessment of the risk of non-compliance with s125 of the Local Government Act 1999 as described in Appendix 5 – Risk Ratings.

6. Corrected Adjustments

Adjustment 1 – Implementation of AASB 16 - Leases					
D/C	Account at FS level	Assets Increase/ (decrease) $'000	Liabilities (Increase)/ decrease $'000	Surplus/Deficit (Increase)/ decrease $'000	Other Comprehensive Income (Increase)/ decrease) $'000
D	IPPE – Right-of-Use Assets	728	-	-	-
D	Depreciation, Amortisation and Impairment	-	-	214	-
D	Finance Costs	-		10	-
C	Borrowings	-	(731)	-	-
C	Materials, Contracts and Other Expenses	-	-	(221)	-
Description: Amounts related to the adoption of AASB 16.					

Adjustment 2 – Reversal of revenue related to grants not yet approved by the grantor					
D/C	Account at FS level	Assets Increase/ (decrease) $'000	Liabilities (Increase)/ decrease $'000	Surplus/Deficit (Increase)/ decrease $'000	Other Comprehensive Income (Increase)/ decrease) $'000
D	Grants, Subsidies and Contributions	-	-	1,550	-
C	Trade & Other Receivables	(1,550)	-	-	-
Description: Council claimed $1.550m in support through the Local Government Disaster Recovery Assistance Arrangements (State and Federal funding) during the 2019/20 financial and recorded this amount as accrued income. At the time of our final audit the claim had not yet been approved by the grantor. Audit recommends Council to record the amount as revenue after the approval of the grant.					

7. Immaterial Uncorrected Misstatements

No Immaterial Uncorrected Misstatements to be reported. All misstatements identified by audit were adjusted by Council.

8. Contact Details

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Partner

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Appendix 1 – Proposed Independent Auditor's Report on the Financial Report

To the members of Adelaide Hills Council

Opinion
We have audited the accompanying financial report of Adelaide Hills Council (the Council), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of Adelaide Hills Council.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2020, and its financial performance and its cash flow for the year then ended in accordance with the Australia Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*.

Basis for Opinion
We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Auditor's Responsibility for the Audit of the Financial Report
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatements, whether due to fraud or error, and to issue and auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably

be expected to influence the economic decision of users taken on the basis of this financial report.

As part of an audit of the financial report in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the financial report in order to design procedures that are appropriate in the circumstances, but for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA Registered Company Auditor
Partner

Date:

Appendix 2 – Proposed Independent Auditor's Report on the Internal Controls

To the members of Adelaide Hills Council

Independent Assurance Report on the Internal Controls of Adelaide Hills Council

Opinion
We have audited the compliance of Adelaide Hills Council (the Council) with the requirements of Section 125 of the *Local Government Act 1999* in relation only to the internal controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2019 to 30 June 2020 have been conducted properly and in accordance with the law.

In our opinion, Adelaide Hills Council has complied, in all material respects, with Section 125 of the *Local Government Act 1999* in relation to internal controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2019 to 30 June 2020.

Basis for Opinion
We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagement ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagement on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2019 to 30 June 2020. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

The Council's Responsibility for Internal Controls
The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with Section 125 of the Local Government Act 1999 to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with law.

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

Auditor's responsibility

Our responsibility is to express an opinion on the Council's compliance with Section 125 of the *Local Government Act 1999* in relation only to the internal controls established by the Council to ensure that financial transactions relating to receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2019 to 30 June 2020. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

Limitations of Controls

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

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

Limitation of Use

This report has been prepared for the members of the Council in accordance with section 129 of the *Local Government Act 1999* in relation to the internal controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA Registered Company Auditor
Partner

Date:

Appendix 3 – Statement by Auditor

I confirm that, for the audit of the financial statements of Adelaide Hills Council for the year ended 30 June 2020, I have maintained my independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (including Independence Standards)*, Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA Registered Company Auditor
Partner

Date:

Appendix 4 – Better Practice Model (BPM) Risks

The risks outlined below are the main BPM risks addressed when determining our audit approach / response as described in section 2 of this report.

Business Cycles	Risk REF	Risks
Rates	RA1	Council does not raise the correct level of rate income
	RA2	Rates and rate rebates are either inaccurately recorded or not recorded at all
	RA3	The property master file data does not remain pertinent
	RA4	Rates are not collected on a timely basis
User Pay Income / Fee for services	US1	The fee charged does not reasonably reflect the value of the services provided
	US2	Council does not apply User Pay principles consistently
	US3	User pay income is either inaccurately recorded or not recorded at all
Investment / Interest Income	II1	Investment income is either inaccurately recorded or not recorded at all
Other Revenue	OR1	Other revenue is either inaccurately recorded or not recorded at all
Grants	GR1	Council loses recurrent grant funding to provide existing services
	GR2	Grant funding is not claimed by Council on a timely basis or not claimed at all
	GR3	Grants are either inaccurately recorded or not recorded at all
Receipting	RE1	Receipts are either inaccurately recorded or not recorded at all
	RE2	Receipts are not deposited at the bank on a timely basis
Purchasing & Procurement	PP1	Council does not obtain value for money in its purchasing and procurement
	PP2	Purchase of goods and services are made from non-preferred suppliers
	PP3	Purchase orders are either recorded inaccurately or not recorded at all
	PP4	Purchase orders are made for unapproved goods and services
	PP5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file
Payroll	PA1	Payroll expense is inaccurately calculated
	PA2	Payroll disbursements are made to incorrect or fictitious employees
	PA3	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all
	PA4	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.
	PA5	Voluntary and statutory payroll deductions are inaccurately processed or without authorisation
	PA6	Employees termination payments are not in accordance with statutory and enterprise agreements
Credit cards	CC1	Credit cards are issued to unauthorised employees
	CC2	Credit cards are used for purchases of a personal nature
	CC3	Credit card limits are set at inappropriate levels

Business Cycles	Risk REF	Risks
Other Expenses	OE1	Other expenses are invalid, inaccurately recorded or not recorded at all
Contracting	CO1	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process
	CO2	Council does not obtain value for money in relation to its Contracting
	CO3	Commitments are made for unapproved goods and services
Banking	BA1	Banking transactions are either inaccurately recorded or not recorded at all
	BA2	Fraud (i.e. misappropriation of funds)
Investments	IN1	Council makes poor investment decisions
	IN2	Investment transactions are either not recorded or are recorded inaccurately
	IN3	Investment income is inaccurately calculated or not recorded in the appropriate period
Debtors	DE1	Debtors are either inaccurately recorded or not recorded at all
	DE2	Rebates and credit notes to debtors are either inaccurately recorded or not recorded at all
	DE3	An appropriate provision for doubtful debts is not recorded
	DE4	Debtors are either not collected on a timely basis or not collected at all
	DE5	The Debtors master file data does not remain pertinent.
Fixed Assets	FI1	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register (FAR) does not remain pertinent
	FI2	Fixed assets are inadequately safeguarded
	FI3	Fixed assets are not valued correctly initially or on subsequent revaluation
	FI4	Depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes inappropriate useful lives and residuals
	FI5	Fixed asset maintenance and/or renewals are inadequately planned
Prepayments	PR1	Prepayments are either inaccurately recorded or not recorded at all
Loans to Community groups	LO1	Loans to community groups are inaccurately recorded or not recorded at all
Accounts Payable	AP1	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all
	AP2	Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all
	AP3	Disbursements are not authorised properly
	AP4	Accounts are not paid on a timely basis
	AP5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file
Accrued Expenses	AE1	Accrued Expenses are either inaccurately recorded or not recorded at all
Borrowings	BO1	Borrowings are either not recorded or are recorded inaccurately
	BO2	Loans are taken out without appropriate approval

Business Cycles	Risk REF	Risks
	BO3	Loans are not repaid in accordance with agreed terms
	BO4	Loan repayments are not recorded at all or are recorded inaccurately
Employee Provisions	EP1	Employee provisions are either inaccurately recorded or not recorded at all
Taxation	TA1	Tax liabilities are either inaccurately recorded or not recorded at all
Inventories	STK1	Inventory received is either recorded inaccurately or not recorded at all.
Other	OTH1	Other accounts at risk of either recorded inaccurately or not recorded at all.

Appendix 5 – Risk Ratings

The audit findings identified during our interim audit documented in our interim management letter and in section 4 of this report were rated as follows:

Category	Description
Potential Material Weaknesses	The issue described could lead to a material weakness in the council's internal controls and non-compliance with s125 of the Local Government Act.
Moderate Weaknesses	The issue described does not represent a material weakness due to the existence of compensating controls. However, the failure of the compensating controls or the existence of any other moderate weakness within the same business cycle may lead to a material weakness in the council's internal controls and non-compliance with s125 of the Local Government Act.
Low Risk Weaknesses	The issue described is a low risk weakness due to the existence of compensating controls and/or the failure or absence of the internal controls does not impact significantly on the council's financial risk. However, multiple low-level risk weakness within the same business cycle may lead to a material weakness in the council's internal controls and non-compliance with s125 of the Local Government Act.
Better Practice Weaknesses	The issue described has been included in this report as an opportunity for better practice.

Appendix 3

Auditor Independence Statement

Appendix 3 – Statement by Auditor

I confirm that, for the audit of the financial statements of Adelaide Hills Council for the year ended 30 June 2020, I have maintained my independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (including Independence Standards)*, Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA Registered Company Auditor
Partner

Date:

Appendix 4

Draft Certification of Auditor Independence

Adelaide Hills Council

General Purpose Financial Statements

for the year ended 30 June 2020

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Adelaide Hills Council for the year ended 30 June 2020, the Council's Auditor, Galpins has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Andrew Aitken
Chief Executive Officer

Malcolm Herrmann
Presiding Member, Audit Committee

Date:

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 19 October 2020
AGENDA BUSINESS ITEM

Item:	**6.2**
Responsible Officer:	**David Collins** **Manager Strategic Assets** **Infrastructure and Operations**
Subject:	**Draft Road, Footpath and Kerb Asset Management Plan 2020**
For:	**Decision**

SUMMARY

Significant work has been undertaken recently within the asset management department including condition assessments, implementing a new enterprise asset management system, cleansing and revaluing transportation assets and implementing a rolling capital renewal program that incorporates or feeds into the Asset Management Planning Process.

In 2018/19 large changes in asset base and re-valuation occurred as part of Council's asset management planning process. In response to these changes Council undertook a high level external peer review of the asset management planning process, strategies and assumptions to ensure that these projections and impacts are in line with current industry asset management practice.

The high level review found that the overall asset management strategy of Council is sound and provides for a medium to long term financially sustainable position. Along with the internal data review and data validation there are a number of scenario suggestions from the external peer review in relation to renewal asset management strategies. These considerations, as well as an in-depth review of the pavement and seal assets, have been undertaken in formulation of the draft Road, Footpath and Kerb Asset Management Plan (***Appendix 1***).

RECOMMENDATION

The Audit Committee resolves:

1. **That the report be received and noted**

2. **To recommend to Council that the Draft Road, Footpath and Kerb Asset Management Plan 2020 as contained in (*Appendix 1*) be released for community consultation.**

---

1. GOVERNANCE

➢ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal	A functional Built Environment
Objective B1	Our district is easily accessible for community, our businesses and visitors.
Priority B1.5	Provide accessibility for the full range of users by ensuring Council's road, footpath and trails network is adequately maintained and service levels for all users are developed and considered.
Objective B4	Sustainable management of our built assets ensures a safe, functional and well serviced community
Priority B4.1	Ensure the long term management of the built form and public spaces occurs in consideration of the relevant financial, social and environmental management matters.

Council's Asset Management Plans are underpinned by Asset Management Policy – INF-03 (refer ***Appendix 2***).

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

➢ Legal Implications

A key aspect of Council's legislative responsibilities is to develop and adopt Asset Management Plans for four years, within two years of a Local Government election.

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

Local Government Act 1999

Part 1 – Strategic Management Plans

Section 122,

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

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

➢ **Risk Management Implications**

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

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

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

An asset management plan is an existing control.

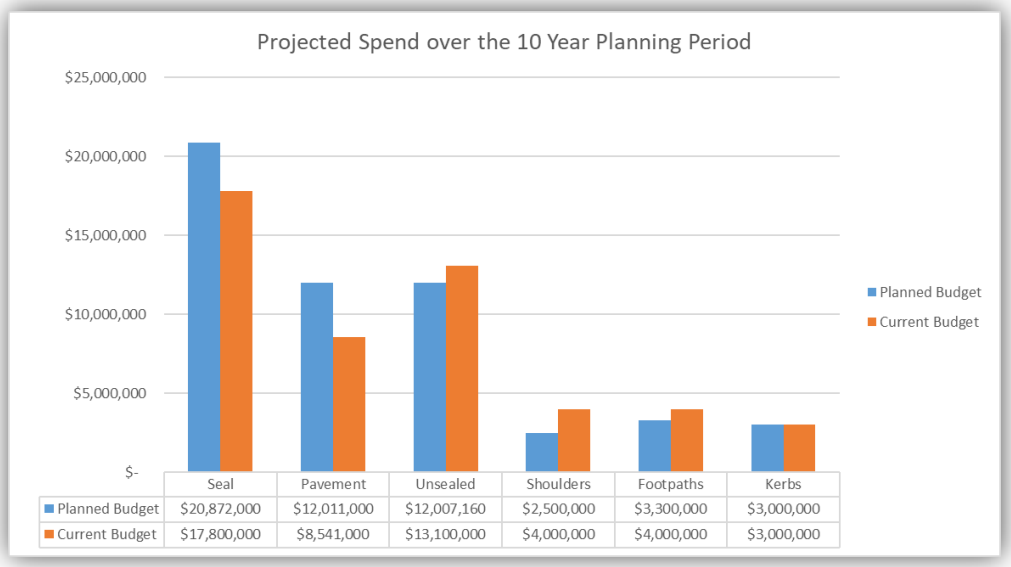
➢ **Financial and Resource Implications**

The asset management planning process directly informs the Long Term Financial Plan (LTFP) of Council and must be considered in the development of the LTFP.

The current proposed asset management plan proposes an increase of approximately $3.35 million (2020) dollars over the ten year lifecycle or $335k per year on average than currently proposed in the LTFP.

This increase is primarily based on the age of the sealed road network and the need to have a sustained increase in network coverage to ensure on-going lowest cost intervention for the sealed road network.

The chart below shows the proposed change in expenditure for asset type renewal over the 10 life of the plan.



	Seal	Pavement	Unsealed	Shoulders	Footpaths	Kerbs
Planned Budget	$20,872,000	$12,011,000	$12,007,160	$2,500,000	$3,300,000	$3,000,000
Current Budget	$17,800,000	$8,541,000	$13,100,000	$4,000,000	$4,000,000	$3,000,000

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

Recommending to Council that the Draft Road, Footpath and Kerb Asset Management Plan be released for community consultation ensures there is opportunity for the community to provide feedback on the draft plan.

- **Sustainability Implications**

It is acknowledged that assets and in particular road assets can be impacted by a scenario of a warmer climate. This may reduce the ultimate economic life of road seals as the road binder may not last as long in future years.

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

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

Consultation on the development of this report was as follows:

Council Committees:	Update on Asset Management Planning – Audit Committee February 2020
Council Workshops:	AMP workshops in July 2017, September 2017 and January 2018 AMP Overview and Footpath Process (New/ Upgrade/ Renewal & Policy) – August 2019 Seal and Road Pavement Workshop – September 2019 AMP Draft Overview and Planning Process – October 2019 Valuation Update November 2019 AMP Draft Review – September 2020 EngagementHQ – Elected Member – September 2020 Council Member Workshop – October 2020
Advisory Groups:	Not Applicable
Administration:	Acting Director Infrastructure & Operations Director Corporate Services Manager Financial Services Senior Infrastructure Planner Manager Civil Services Coordinator Civil Operations
External Agencies:	Not Applicable
Community:	Not Applicable

2. BACKGROUND

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

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

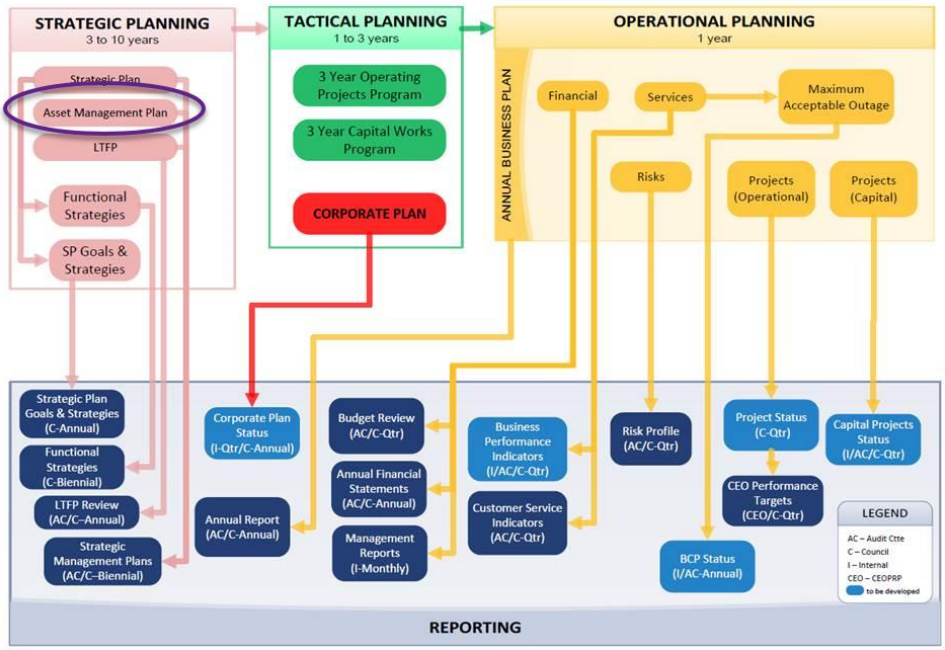
The key elements of this plan are:

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

Previously, in 2012 Council endorsed its 'Infrastructure Asset Management Plan'. The following assets and infrastructure categories are considered in Council's Infrastructure and Asset Management Plan

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

An Asset Management Plan is a key strategic planning driver to assist Council in considering the long term requirements to maintain, renew, dispose, upgrade or acquire infrastructure assets to meet projected community requirements and expectations. The following graphic shows where the Asset Management Plan fits into the overall Council planning framework.



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

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

Given this change in valuation and extensive work undertaken on data cleansing Council undertook an external review of its asset management process and strategies towards the end of 2019 and this review was used as an input to developing its draft Road, Footpath and Kerb Asset Management Plan.

3. ANALYSIS

As part of the update of Council's Road, Footpath and Kerb Asset Management Plans the following processes and practices have been undertaken.

- Comprehensive high speed data collection across the entire sealed network providing point data for analysis, condition, maintenance and renewal review & modelling into capital works and LTFP provisions
- Field inspections and validation of technical data across numerous asset classes including the development of a 3 year rolling renewal program and introduction of additional treatment types using a hierarchical based policy approach where available
- Review of hierarchy for unsealed roads, to provide the basis for maintenance planning for patrol grading, re-sheeting and unit rates for appropriate services
- Review of current operation practices and highlighted areas to build improvement plan across the life of the AMP
- Highlighting of risks across the network and applying measures to mitigate, and develop models to counteract impacts
- Assess climate change impacts and plan for increased resilience across the network
- Review of unit rates and useful lives of assets and applied to valuations
- Highlight demands being placed across the transportation network and suggested treatments
- Reviewed and provided customer values, customer levels of service and technical levels of service within the framework
- Developed AMP based on the latest NAMS 3+ (National Asset Management Strategy) framework released in August 2019
- External Peer Review by TechnlogyOne (***Appendix 3)***
- Internal Pavement and Seal Review 2020 (***Appendix 4)***

<u>Key Plan Drivers</u>

The majority of the work throughout the planning process has focussed on the seal and pavement asset classes as they hold a substantial portion of the valuation and provide a high level of service to the community.

The current asset register information highlights that 70% of all sealed surface assets will reach end of life over the next 10 years. This is based on the current useful life in registers of 17-20 years for spray sealed surfaces and 25 years for asphalt surfaces.

However, the detailed pavement and seal review undertaken has highlighted that at least 40% of the network will need to be renewed over the next ten years. Whilst 70% of the network is identified as coming to the end of its life in the register we have assumed longer lives in our current modelling. We have assumed 22 years for spray sealed road and 30 years for asphalt roads. This assumption has been made from site inspection and random auditing of road segments at the end of life. In addition, we have reviewed and utilised our current condition data information including a review of the 2015 high speed data collection.

In 2015 Council collected high speed condition data (65,000 data point records) for its entire sealed road network. The proposed plan includes the provision of $100,000 in the operating budget to undertake a new high speed data collection in 2021/22. This will provide Council with greater clarity of the sealed road performance over the past 7 – 8 years and allow further refinement of future investment.

Given that Council has 600km of road it is important that we continue to get realistic coverage on average of our sealed road network over the long term. We have assessed existing end of economic life assets through this process as per the seal and pavement review ***(Appendix 4***). The additional coverage of our sealed road network and subsequent increase of expenditure against this asset class is envisaged to continue beyond the 10 years of this plan.

In balancing out the improvement in targeting the failing sections of pavement for renewals we will see benefit in reducing a high cost and increasingly failing network for future generations and engaging in an optimised approach to seal and pavement renewals.

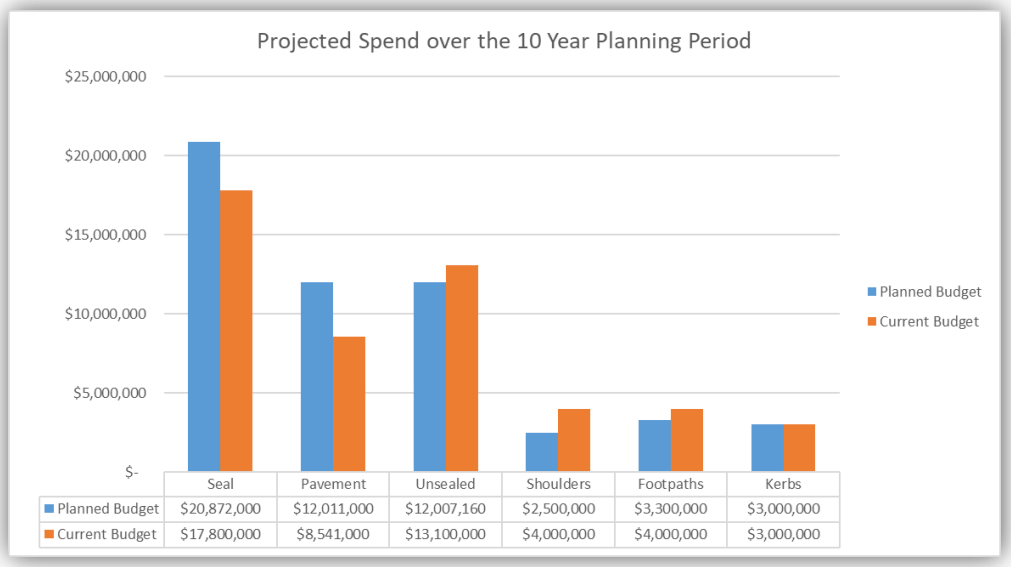
There has been significant investment in the past 5 years in unsealed road assets which has seen the unsealed roads level of service improve overall. Part of this outcome has been driven by the accelerated investment but Council also commenced using a different quarry product across its network. This new limestone quarry product appears to be performing much better than material previously used. Operational knowledge would suggest that the deterioration of the unsealed road network is at a lower rate than previously. This has allowed us to modify the strategy for the unsealed roads that reduces the re-sheeting extent and ensure that the operational teams can increase patrol grading and maintenance activities to maximise the significant investment in good quality material. This strategy will be continually monitored on a yearly basis moving forward.

Footpath renewal funding has been reduced over the life of the proposed plan. Whilst the footpath network is old, further assessment of the remaining useful life is required to determine the life of these footpath assets (predominately asphalt footpaths). In addition an assessment of the asset class identified rubble footpaths with a relatively short useful life. The useful life of 15 years is not considered realistic in relation to how the asset is consumed. Noting these footpaths often need some additional maintenance effort due to greater impact from environment damage, for example storms, the full renewal of these rubble assets could be debated and simply managed operationally via a maintenance program. Further consideration on the footpath investment going forward will be undertaken following a full condition assessment to be undertaken over the next 18 months and a footpath policy review has been conducted.

The capital investment in road shoulder asset has been reduced in consideration of taking a targeted approach to road sections in the future and greater use of routine grader maintenance where practical.

The kerb asset has remained unchanged. This asset class is undergoing a data transition from 11,000 individual assets to approximately 2,500 new assets in the Enterprise Asset Management System. Once the data is transitioned into Confirm an updated assessment of condition and defect data will be collected. This may have an impact on the required expenditure in a future update of the plan.

Below (and as provided in the financial implications section of this report) is the projected increase/decrease across the asset classes for the 10 year period.



	Seal	Pavement	Unsealed	Shoulders	Footpaths	Kerbs
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Current Budget	$17,800,000	$8,541,000	$13,100,000	$4,000,000	$4,000,000	$3,000,000

Consideration of External Peer Review

Council commissioned Mr Jeff Roorda of TechnologyOne to undertake a peer review of Council's asset management system, process and assumption in light of the large change in the value of the road assets following a re-valuation process at the end of the 2018/19 financial year. This revaluation was undertaken by an external party and met Council's stated obligation and timing as communicated to Council's auditor. The report, Asset Management and Valuation Review by Jeff Roorda of TechnologyOne January 2019 (Roorda Report), is provided in (***Appendix 3***).

The high level review found that the overall asset management strategy of Council is sound and provides for a medium to long term financially sustainable position. The high level review highlighted a number of scenarios for detailed reviews of depreciation and valuation inputs associated with different asset strategies.
The external peer review identified a number of suggestions regarding potential renewal asset management treatments and strategies. These strategies consider the lifecycle interventions, and how Council commits resourcing to maintain and renew its various asset classes to align with asset lives.

Footpath Renewal – Whole of Lifecycle Example and Impact on the Plan

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

Table 5: Path Life Cycle Cost (Capital)

AC Footpath - Useful Life = 30 years

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

Source: Unit Rates AHC First Principles Rates July 2018_V5

Table 6: Road Hierarchy Unit Cost

Concrete Footpath - Useful Life = 100 years with partial renewal

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

Source: Unit Rates AHC First Principles Rates July 2018_V5

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

Source: Roorda Report

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

Council Response to Footpath Whole of Lifecycle

Based on the initial assessment there appears to be merit in the use of concrete footpaths as part of the renewal approach by Council. The Adelaide Hills environment creates unique circumstances and various practical implications to implementing a strategy of concrete footpath replacement for all footpaths. In some situations the replacement with asphalt may still be the most practical and cost effective way to continue the service. This outcome may occur due to site specific access issues, the surrounding environment and how the infrastructure fits within this local environment.

Council is proposing to undertake a review of footpath condition across its network over the next 18 months and consideration will be included for the suitability for replacement with concrete. This will further inform the extent at which the long term strategy to replace asphalt footpath with concrete footpaths can be implemented.

Therefore, it is suggested that additional funding of $50,000 per annum be made available with the plan to accommodate replacement of asphalt with concrete where appropriate noting that this component of the plan may need to be updated.

Road Pavement Useful Life and Renewal

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

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

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

Council Response to Road Pavement Useful Life

Council officers have reviewed the pavement useful lives and concluded that it is reasonable to split the pavement assets into two components, that is a base-course (upper layer of road pavement immediately below the seal) and sub-base component (lower level of road pavement). The life of the sub-base has been reasonably assumed to be twice the life of the base-course component. These assumption were made following a review of available and historic road pavement reports from across the road district. One of the assumptions for the longer useful life of the road pavement is that Council is ensuring that the seal surface is being appropriately maintained. The current asset management plan and associated additional investment in the sealed surface and partial renewal of road pavements (base course layer) incorporates this review and extended life for the road pavements.

4. OPTIONS

The Committee has the following options:

I. To recommend to Council that the draft Road, Footpath and Kerb Asset Management Plan be released for community consultation. This option is recommended as it proposes to council that community engagement be undertaken and in turn allows community members to provide feedback on the draft plan. (Recommended).

II. Not endorse the plan for community consultation (Not Recommended).

5. APPENDICES

(1) Draft Road, Footpath and Kerb Asset Management Plan 2020
(2) Asset Management Policy
(3) AHC Infrastructure Valuation Review Report (TechnologyOne)
(4) Summary of Road Sealed Surface and Pavement Review Process

Appendix 1

Draft Road, Footpath and Kerb Asset Management Plan 2020

Adelaide Hills
COUNCIL

ASSET MANAGEMENT PLAN

Roads, Footpath and Kerb

Document Control	Asset Management Plan				
Document ID :					
Rev No	Date	Revision Details	Author	Reviewer	Approver
1	Nov 2018	Draft Document Review	CM		
2	April 2019	Initial Data Loaded to NAMS	CM		
3	June 2019	Draft Document for Review by Peer – Asset Engineering	CM	AE	
4	Sep 2019	Transfer to New IPWEA AMP Template	CM		
5	July 2020	Rebuild into 2021 timeline	CM	DC	
6	September 2020	Internal Draft for Consultation	CM	DC	

The entity can choose either template to write/update their plan regardless of their level of asset management maturity and in some cases may even choose to use only the Executive Summary.

The illustrated content is suggested only and users should feel free to omit content as preferred (e.g. where info not currently available).

This Asset Management Plan may be used as a supporting document to inform an overarching Strategic Asset Management Plan.

DISCLAIMER: This draft report has been prepared for educational purposes only as part of undertaking a Professional Certificate in Asset Management Planning. The data and conclusions have not been reviewed for accuracy nor endorsed or adopted by the organisation. DELETE if not Applicable

Contents

1.0 EXECUTIVE SUMMARY

1.1 The Purpose of the Plan

Asset management planning is a comprehensive process to ensure delivery of services from infrastructure is provided in a financially sustainable manner.

This asset management plan details information about infrastructure assets including actions required to provide an agreed level of service in the most cost-effective manner while outlining associated risks. The plan defines the services to be provided, how the services are provided and what funds are required to provide the services generally over a 10-year planning period.

This plan covers the infrastructure assets that provide services across the Roads, Footpath and Kerb network.

1.2 Asset Description

These assets include:

The Roads, Footpath and Kerb network comprises:

Asset Category	Dimensions	Replacement Value
Sealed Road Surface Network	608 kilometres network length	$36,866,799 Valued – 30/6/2020
Pavement Road Network	608 kilometres network length	$158,758,870 Valued – 30/6/2020
Unsealed Surface Road Network	401 kilometres network length	$24,692,043 Valued – 30/6/2020
Footpath Network	115 kilometres network length	$14,334,842 Valued – 30/6/2020
Kerb and Water Table	253.4 kilometres network length	$33,110,766 Valued – 2015/16
Sealed Road Surface Shoulders	561,161 m2	$19,424,817 Valued – 30/6/2020
Totals		**$287,188,128.**

1.3 Levels of Service

The plan acknowledges that in general residents and the community value their road and footpath networks as a key service to go about their daily lives.

Our present projected funding levels are insufficient to continue to provide existing services at current service levels in the next ten years.

The main service consequences of the Planned Budget (currently funded in the 2020/21 Long Term Financial Plan) are:

- The extent of road pavement deteriorating over time to condition 5 will likely increase.
- On-going community expectation to provide more footpath sealed network
- Current levels of shoulder maintenance inadequate

1.4 Future Demand

The main demands for new services are created by:

- Increased recreation with the provision to access paths and trails that include links within our footpath network
- Increased tourism in line with projects such as Fabrik.
- Community requests for new footpaths and sealing of unsealed roads.
- Residential and Industrial development within rural areas

1.5 Lifecycle Management Plan

1.5.1 What does it Cost?

The forecast lifecycle costs necessary to provide the services covered by this Road Footpath and Kerb Asset Management Plan (AM Plan) including operation, maintenance, renewal, acquisition, and disposal of assets over the 10-year planning period is $88,324,920or $8,832,492 on average per year.

1.6 Financial Summary

1.6.1 What we will do

Estimated available funding for this period is $84,975,240 or $8,497,524 on average per year as per the Long Term Financial Plan or budget forecast.

The reality is that only what is funded in the long term financial plan can be provided. The emphasis of the Asset Management Plan is to communicate the consequences that this will have on the service provided and risks, so that decision making is informed.

The anticipated planned budget leaves a shortfall of $ 334,968 on average per year of the forecast lifecycle costs required to provide services in the AM Plan compared with planned budget currently included in the Long Term Financial Plan. This is shown in the figure below.

This additional required funding is primarily driven by the renewal requirement of our sealed road network. The current proposed asset strategy is to ensure the long life of our sealed road pavements requires additional investment in the road sealed surface. This will also require increase targeted pavement works including about 5% of the area on average within resurfaced areas to address the pavement distress and failure that are evident right across the network. This investment approach will lower the cost per annum of the life of these long lived assets of providing the sealed road service to the community.

Forecast Lifecycle Costs and Planned Budget

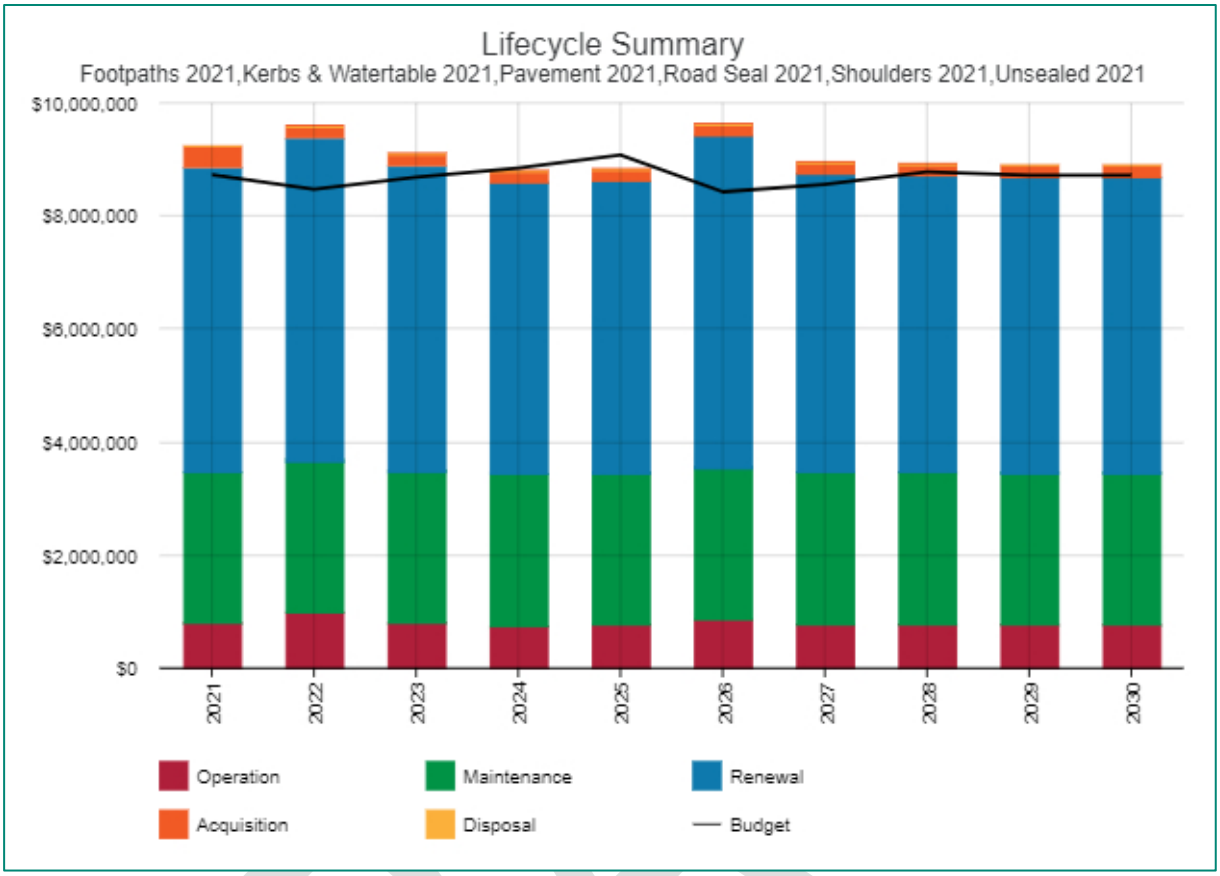


Figure Values are in current 2020 dollars.

We plan to provide across the Roads, Footpath and Kerb network the services for the following:

- Operation, maintenance, renewal and upgrade of Roads, Footpath and Kerb assets to meet service levels set by in annual budgets including;
    - Extension of the footpath network by about 1km per annum
    - Grading of at least 55% of the unsealed road network at least once per annum
    - Re-Sealing of the sealed surface road network at a rate of 10 – 15km per annum
    - Re-sheet about 20km of the unsealed road network per annum
- Upgrade Amy Gillet Bikeway, improve footpath network for High to Very High usage areas, improve unsealed road practices and manage shoulders more sustainably within the 10-year planning period.

1.6.2 What we cannot do

We currently do **not** allocate enough budget to sustain these services at the current standard or to provide all new services being sought. Works and services that cannot be provided under present funding levels are:

- We will not be able to seal a sufficient amount of the sealed road surface to ensure protection of the underlying pavement structures.
- We will not be able to maintain seal road pavements at the present funding levels – that is, it is anticipated an increasing amount of our network will show signs of distress and failures.
- We will not be able to provide new and upgraded footpaths to a level that the community is expecting

1.6.3 Managing the Risks

Our present budget levels contained in the LTFP (2020) are insufficient to continue to manage risks in the medium term.

The main risk consequences are:

- Our sealed road network will deteriorate and there is a risk of future generations needing to pay more for the services.
- Seal & Pavement will potentially pose a higher road safety risk
- Footpath renewal v new/upgrade is competing for funding
- Shoulder network is receiving minimal maintenance, increasing edge breaks and loss of seal
- The existing processes for identifying asset defects for footpath, kerb and seal is generally via Customer complaints.

We will endeavour to manage these risks within available funding by:

- Work to proactively identify road, kerb & footpath defects sooner to intervene and rectify faults through the roll out of additional field devices as part of the Confirm Enterprise Asset Management System
- Implement systems to work towards increased planned maintenance versus reactive maintenance
- Ensure that High Use & Medium use Roads/Footpaths are a priority over lower usage assets

1.7 Asset Management Practices

Our systems to manage assets include:

- Open Office Finesse
- Confirm Enterprise Asset Management System

Assets requiring renewal/replacement are identified from either the asset register or an alternative method. These methods are part of the Lifecycle Model.

- If Asset Register data is used to forecast the renewal costs this is done using the acquisition year and the useful life,
- Alternatively, an estimate of renewal lifecycle costs is projected from external condition modelling systems (such as Pavement Management Systems) and may be supplemented with, or based on, expert knowledge.

The Alternate Method was used to forecast the renewal life cycle costs for this asset management plan.

1.8 Monitoring and Improvement Program

The next steps resulting from this asset management plan to improve asset management practices are:

- Review and revise customer values for these asset and level of service measures
- Improve condition information across footpath, shoulder, kerb & water table and unsealed roads through internal and external audits.
- Undertake a full detailed sealed road network high speed data collection to correlate against 2015 metrics to review network deterioration.
- Review and update useful lives for sealed surfaces, shoulders and kerb & water table

2.0 Introduction

2.1 Background

1. Introduction

The Adelaide Hills Council delivers services to our residents, visitors and businesses that support the distinctive culture, creativity and accessibility of our community and region, and the transportation network includes footpaths, kerbs, unsealed and sealed roads that provide functionality and an appropriate quality that enables us to utilise these assets to deliver a wider ranger services to our community.

This asset management plan communicates the actions required for the responsive management of these assets and services, compliance with regulatory requirements, and funding needed to provide the levels of service over a 10-year planning period, and the value of these assets is approximately $290 million.

The Road, Footpath and kerb AMP is a projection of the likely future funding requirements over the next 10 years, considering the state of our current assets, the community values and outcomes contained in the Strategic Plan 2020 – 2024. The document is not a detailed budget, but a key strategic document that informs the Long Term Financial Plan and hence the financial sustainability of Council over the long term.

The asset management plan is to be read with the Adelaide Hills Council planning documents. This should include the Asset Management Policy and developed along with other key planning documents:

- Adelaide Hills Council 2020-2024 Strategic Plan
- Adelaide Hills Council 2020-2021 Annual Business Plan
- Adelaide Hills Council 2020-2021 Long Term Financial Plan

The asset management plan outlines the responsibilities and management of assets to maximise their value to deliver the services to the community and to meet our obligations under the Local Government Act 1999 in preparation of asset management plans.

Throughout this journey we review the lifecycle of our assets, develop renewal strategies and analyse risks through condition audits, customer feedback, forecasting and integration into existing strategic documents to provide confidence that the community's asset base is sustainably funded and allows for minor or major challenges across the network. Minor impacts recently have included changes in operations for the Cuddle Creek Bushfire and also adaptation in providing services through the Covid-19 phase.

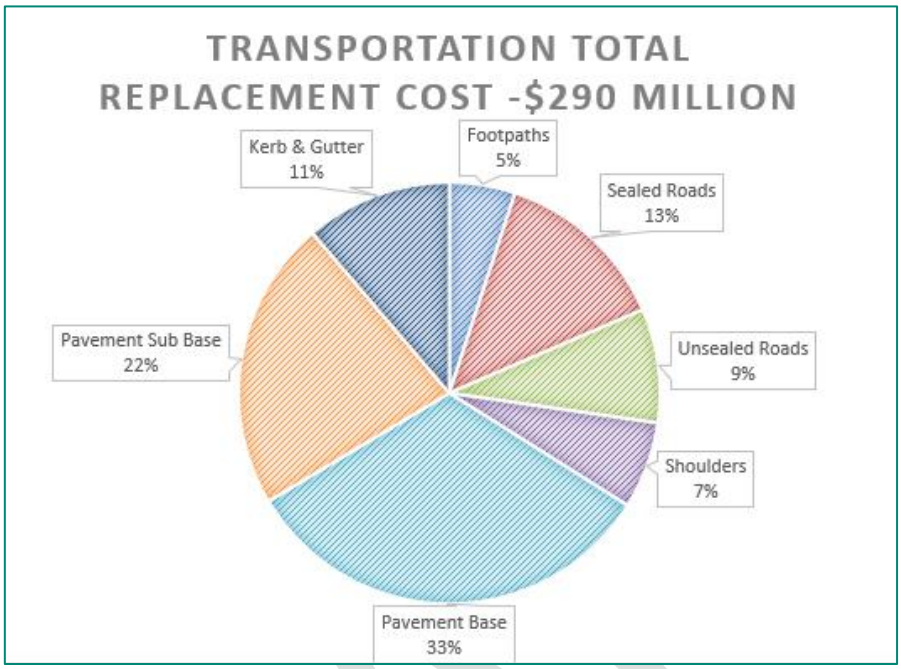
A changing climate and implementing sustainable products including recycled asphalt for road sealing, rejuvenation and recycled plastics for roads, as well as consideration of priorities for age friendly access, whilst still keeping the Adelaide Hills lifestyle at heart are what fundamentally drives the resilience of the asset management plan.

The asset management plan is to be reviewed on a regular basis and provides the detail for services levels, and the levels of funding that drive the renewal strategies for Adelaide Hills Councils Roads, Footpath and Kerb assets.

The AMP is a projection of the likely future funding requirements over the next 10 years, considering the age and state of the current assets, the community values and outcomes contained in the Strategic Plan 2020 – 2024. The document is not a detailed budget, but a key strategic document that informs the Long Term Financial Plan and hence the financial sustainability of Council over the long term.

2. Our Roads, Footpath and Kerb assets: what do we own?

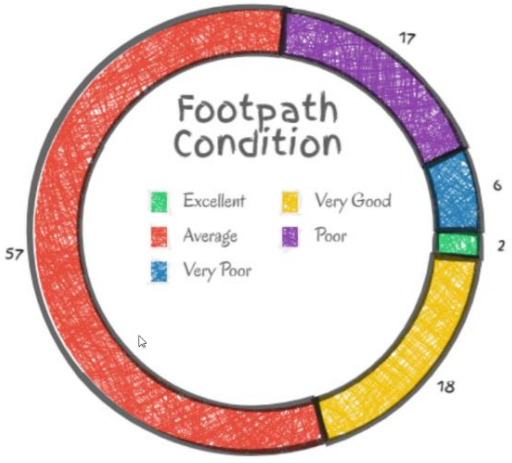
Here is a snapshot of the Roads, Footpath and Kerb assets and their value that provide services to the community.



What assets do we own, what are they worth and what services do they provide?

Footpaths

Councils footpath network consists of over 115km of footpath that provides pedestrian access across a broad range of terrain, central business districts and key priority areas, focusing on schools, aged friendly destinations, recreation areas and encompasses a combination or rubble/natural surface that is amenable to Adelaide Hills terrain, durable asphalt paths and paving around towns and villages.



Road Seals and Pavement

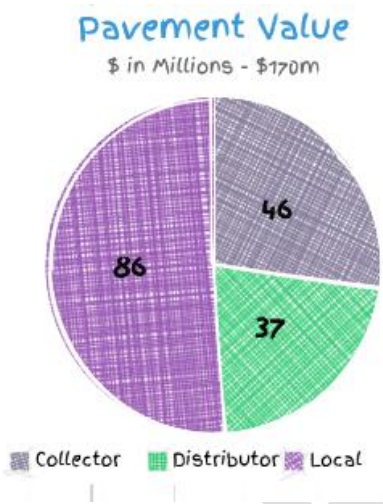
We have over 608kms of sealed road within the district and the two key components are the seal, which is the road surface (black stuff) that protects the underlying road pavement which provides the strength for all roads around the globe. Adelaide Hills Council receives its fair share of rain and it is the role of the road seal to protect the pavement underneath, this is why Council has a strong focus on ensuring roads are sealed at the optimum time to ensure the life of both assets (the road surface and the road pavement) .

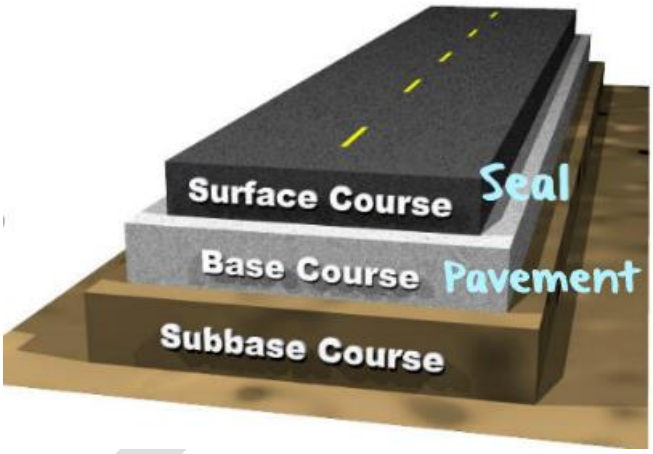
Regular sealing of the surface is very important to ensure that the underlying pavement last as long as it possible can. Water is one of the main enemies of a road pavement and the sealing of the surface keeps water from getting to the road pavement. Reconstruction of the road pavement is very expensive and impacts residents and businesses during the period that the roadworks are occurring.

Therefore, quite often you will ask the question of the Council as to why are you sealing my road?
It looks in good condition? Council has a specialised assessment process that surveys the entire 608kms of road that detects minute cracks, service trenches, bitumen deterioration, and over 20 types of defects and anomalies.

This information allows us to prioritise and intervene at the correct time before the pavement below is damaged but is the optimum time to reseal the road. Council has approximately $37 million dollars' worth of seal and $160 million dollar investment into the pavement, so it is important that this pavement is protected.

Council currently utilises a range of strategies across the sealing of roads that includes sustainable options including RAP – Recycled Asphalt (reused toner cartridges, plastics, glass and recyclable materials), rejuvenation treatments to extend the life of seals, and a combination of fit for purpose seals to mitigate skidding, noise and durability across its network.





Unsealed Roads

Across the region our unsealed roads distribute a variety of terrain, rainfall, and the services, including local traffic through to light/medium and heavy freight for fruit production. Grape harvesting and distribution, through to sport and recreation for tourists and locals as they access parks and sporting facilities or undertake gravel cycling, all these services need to be considered.

Council has over 400kms of unsealed roads to manage and the priorities consist on meeting demands and the uses mentioned whist providing a safe smooth ride where possible, keeping dust to a minimum and implementing grading practices that are optimum for prolonging the life of the unsealed road. It is best practice to facilitate patrol grading to utilise the existing material within the road corridor and continue this process until we undertake regular surveys and the unsealed road requires a re-sheeting to restore it to its former serviceability.


CAT

Kerb & Watertable

The purpose of the kerb and watertable (or gutter) is to channel water to the stormwater network, or redirect away from other infrastructure, and remove water from the seal whilst also protecting the seal edge.

There is approximately 115km of kerb, comprising of generally concrete kerbs worth an estimate $32 million dollars across the network. A portion of kerb is currently asphalt that whilst serves the purpose of usually mitigating driveway/resident flooding it is an option that is not sustainable and Council will be working towards reducing the maintenance required across these kerbs in the future.

Street sweeping is an example of an operational activity undertaken as a component of our road, footpath and kerb asset management to capture leaves and the build-up of sediment that impacts the function of the kerb and this is increased in the autumn months as appropriate. This also has a dual impact on the amount of debris that gets into our stormwater systems and how these systems function.

Hillside Road, Longwood
Prior – Cracked, retaining water and causing bitumen to break away
After – Clean kerb that allows the flow of water to the stormwater network

Road Shoulders

Shoulders are important in providing integrity to the seal, and as you can see above once the shoulder begins to fail it impacts the seal of the road. The shoulder is constructed as part of the road and provides protection to the seal, improves drainage and can be formed of natural material, cement treated or sealed depending on the intended purpose.

Sealed shoulders generally are extended out past the original seal to provide additional structure to the seal as well as safety. Cement treated shoulders whilst a cheaper method are generally used to improve drainage and funnel water away, and natural shoulders like the image above require additional maintenance to keep the rubble against the seal for additional protection. Overall each road throughout the hills has a variety of treatments depending on traffic conditions, volumes and usages.

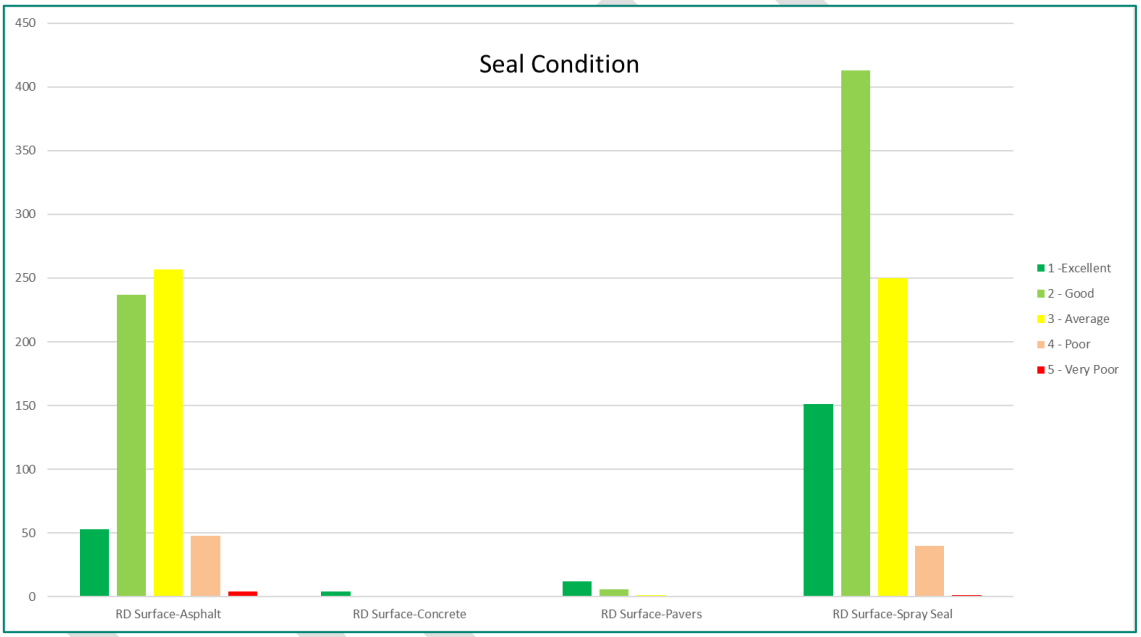
Adelaide Hills Council is responsible for over 560,000 square metres of shoulders across the district and is proactively looking at ways to increase the maintenance of these assets. Council needs to prioritise through its maintenance programs an increased level of shoulder maintenance in the future to continue to protect the road seal.

3. How healthy are our assets?

How do we keep track of the condition of our assets?

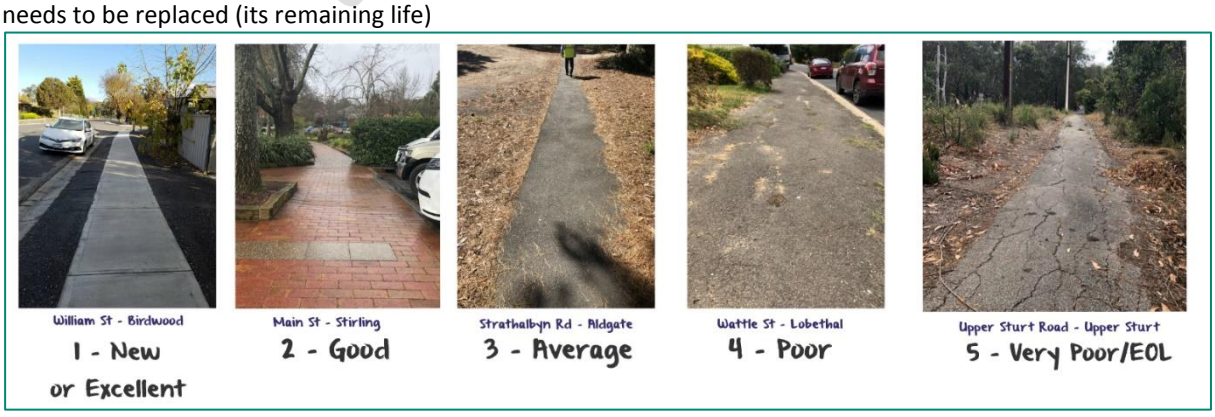
Council regularly assesses the condition of their assets utilising different techniques, depending on the different types of assets, which may consist of a visual inspections, technically driven assessments, or understanding the age of the infrastructure and/or utilising existing knowledge of staff or systems. This information is utilised in the effective management of our assets and the condition assessment methodology is broken down into a simple 1 to 5 condition rating:

1. Very good: only normal maintenance required
2. Good: planned to minor maintenance required
3. Fair: maintenance required to return to acceptable level of service
4. Poor: major maintenance required over next 3– years
5. Very poor: beyond maintenance and should be renewed or replaced in next 3 years



Seal Condition across various seal types

In general, condition assessments are undertaken depending on the asset class (and generally based on risk – a bridge audit takes precedent over a kerb audit) every four to six years depending on the requirements and level of detail.
Utilising the 1 to 5 methodology above the process applied to footpaths condition assessment is outlined below to provide ratings and examples of where the footpath is in its lifecycle or effectively how long before it needs to be replaced (its remaining life)



Footpaths

Our footpath network is generally in good condition, though the asphalt paths previously utilised bitumen in the past and the longevity of current asphalt treatments is not as superior, and does not generally perform as well and thus have a shorter overall life. The asphalt footpaths are a good mix for the terrain types across the district involving quite often steep sections and are fit for purpose across the Adelaide Hills.

Council is always looking for alternatives, or sustainable treatments to integrate into various footpath networks across the region, and has implemented a priority based system that takes numerous factors into account (schools, aged friendly, CBD), condition and age, to determine renewal and upgrade strategies.

Kerb & Watertable

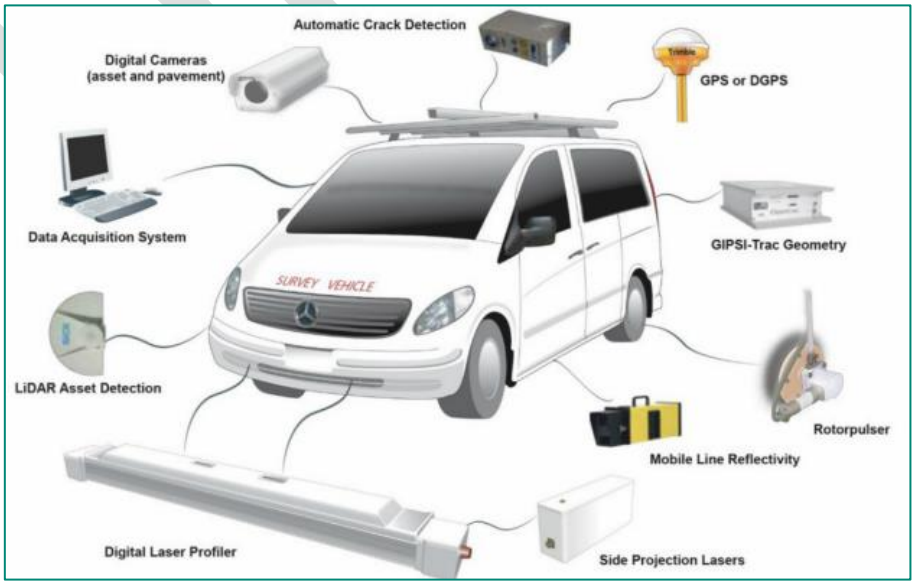
The overall condition of the concrete kerb network and this is the majority of the network is in good shape. A condition assessment is due to be undertaken and considerable work in simplifying the management of the assets in various systems has been completed to improve the renewal strategies going forward. The lifecycle of the asphalt kerbs has been highlighted for review in order to provide additional maintenance strategies to integrate these asset types into future planned works.

Concrete kerbs are a long lived asset, generally lasting between 60-100 years depending on the location and impact from trees and traffic factors so a long term approach in managing the condition is warranted.

Seal (Asphalt, Spray Seal & Rejuvenation Treatments)

Council undertakes an internationally recognised method of assessing the road network using High Speed Data which involves a vehicle that collects over 20 different data sets at 10 metre intervals for every sealed road in the district. This information provides a SCI (Seal Condition Index) as a measure to determine the condition of the road and where it is in its life and indicatively indicates whether it should technically be renewed.

The overall condition of Council's seal is above average but with roughly 5% of the network in bad shape that equates to over 20kms per year that requires resealing to ensure the seal is renewed and protects the underlying pavement. Utilising improved measures and treatment types Council, moving forward, has increased the number of segments being resealed from 35-40 to 40-45 over the next four year asset management plan lifecycle.



High Speed Data Vehicle – Provides detailed information about the seal condition

Lobethal – Seal Condition across each road based on the High Speed Data Collection.

Pavement (Below the seal)

Undertaking the condition of the road pavement below the surface of the seal is akin to trying to establish how a piece of wood is holding up under a coat of paint. How can this be achieved? There are several options, you can dig up the road, take a core sample, utilise some technology that thumps the road at intervals, but these are all expensive or unpractical options.

The High Speed Data process outlined above provides some key assumptions as to the quality and or the condition of the pavement based on key failures or tell-tale defects including extended sections of crocodile cracking, indicating water has penetrated the seal, seeped into the pavement and over time it had deteriorated into a pothole, or large depression. Similar to how the paint on wood will bubble, go brittle or water has allowed the wood to rot underneath, the same issues are indicative of the pavement.

Utilising these defects software, engineering expertise and site inspections provide Council with a Pavement Condition Index along the road sections that fundamentally highlight failed pavement. Whilst this may affect a small section of the road it is practical and economic to replace the sections that have failed.

So the overall condition of Council's pavement is above average, though there are over 33,000 square metres of failed sections identified which is around 5% of the network. Pavement renewal is expensive due to its nature, and Council has taken an approach to targeting sections for renewal rather than investing in full construction of individual roads as this is an optimised approach and can be undertaken in advance, or during the resealing process.

Planned over the next 10 years Longwood Road (Stirling), Tiers Road (Lenswood), Carey Gully Road (Mt George), Miller Road (Lobethal) are highlighted as requiring extended treatments or full reconstructions of the pavement and seal.

In both the resealing and the pavement renewal process there are several other factors taken into consideration including asset age, seal type, field inspections, customer requests, internal field staff input, treatment and optimum time to intervene in the assets life.

Please refer to the Pavement and Seal Review Appendix 1 that has been compiled by the Strategic Assets Team.

Woodside – Targeted Pavement Works – Before and After

Unsealed Roads

Councils unsealed road network is in above average condition and this has been attributed to regular inspections across the district each year prior to prioritising the re-sheeting program, distribution of improved material (wet conditioned from supplier – reducing water cartage, moisture control) and implementation of unsealed road hierarchy moving forward.

There has been significant investment in the road surface of the unsealed network in the past several years. However, to ensure that this investment reaches its full potential additional resource is required to patch and grade these roads to ensure maximum life of the unsealed surfaces. Given that Council internal resources undertake both the re-sheeting program and the maintenance a good operational understanding of the condition and performance exists in the team. This has driven our decision to reduce the capital expenditure to allow additional resource time to maintain the previous increase investment undertaken.

It is recognised that a reduction in the budget for this asset class will not overall effect the condition of the asset class or reduce the level of service as it has been of a high standard for a number of years.

Shoulders

Our overall shoulder condition is average to poor, and edge breaks identified need to be addressed through increased maintenance that is currently being investigated by the Infrastructure and Operations directorate.

Shoulders play an underestimated role in both providing structural support for the sealed road edge but also assist with road safety by providing an area for vehicles to recovery

Shoulders in their nature can be subject to changing conditions from storm events or overrun of vegetation, and it is recognised that further work is required increasing the maintenance of these assets.

Key Findings

Assets within Adelaide Hills Council are in a reasonable condition based on last audits conducted, though the network is old and ongoing high levels investment is required particularly in the sealed road network.

A decrease in the overall spending on unsealed roads will have minimal impact on the condition, and targeted pavement works will not generally improve the condition but extend the life of the asset.

4. Levels of service: what do we provide and how well are we doing it?

By developing performance measures around services, we can establish the expectations that we deliver to the community. We do this in two ways: customer levels of service and technical levels of service.

Customer levels of service are derived from what aspects of the service is important to the customer (is the ride bumpy), whether they see value in the service being provided (the road I traverse everyday is not potholed or sections missing), and what is the likely trend over time based on the current budget (this road is getting bumpier, and the potholes have increased – or – the road has been resealed and I have a smooth journey).

We generally engage the community and undertake review of the customer request system to monitor the customer's expectation. We need to improve our engagement with the community to further understand their expectations.

Technical levels of service are performance measures relating to how Roads, Footpath and Kerb assets are managed to deliver customer services. They are linked to activities covering the operation, maintenance and renewal of existing assets, and the upgrade or acquisition of new asses to deliver new services.

Technical levels of service generally refer to technical specifications, establishing the end of life for a footpath would utilise existing technical specifications or publications recognised as industry standard. For footpath condition assessments the IPWEA Footpath Condition Assessment Guidelines 2018 would be the technical reference for defining condition and intervention levels.

What are we doing well?

- Implementing corporate wide asset system to provide a repository for condition, construction dates, imagery, documentation and mobile collection and assessment across a broad range of Roads, Footpath and Kerb assets.
- Improved the overall function of delivering unsealed roads to the broader community.
- Transitioned to a rolling capital works program for Roads, Footpath and Kerb assets to incorporate road, footpath and kerb works into co-ordinated process.
- Targeted approach to pavement works.
- Increased inspections around road seal and pavement works.
- Implemented prioritised footpath renewal and upgrade system with endorsement from Council.

Where can we improve?

- Identify and implement long term renewal for pavement works.
- Review missing key footpath linkages across the network in conjunction with trail strategies.
- Improve maintenance practices across the shoulder assets.
- Practical approach to minimising the practice of asphalt rollover kerb usage.

What is planned?

- Undertake condition assessments across key Roads, Footpath and Kerb assets.
- Maximise usage of mobile asset system for data collection and maintenance activities.
- Identify key pavement and structural patching requirements for collector roads.
- Implement unsealed road hierarchy into maintenance and renewal activities.

5. Future Demands:

Council gets in the order of 30 -40 requests for footpath each year and currently many of these are unable to be funded. It is expected that customers will continue to request more sealed footpaths across the Council area.

6. Lifecycle Management: how much do the services cost to deliver?

To deliver the recognised services, resourcing is allocated across the following four areas:

- ***Operations/Maintenance****:* regular activities to provide services. Examples of typical operational activities include patrol grading, project management, street sweeping, asset inspection, plant & fleet, and utility costs.
- ***Renewal/Replacement:*** major works to restore, rehabilitate, replace or renew an existing asset to its original service intention. Changes to its intent or improvement on design or capacity is classed as an upgrade/enhancement.
- ***Upgrades/New Works:*** improving or creating a new asset, increasing its capacity to provide an additional service has an impact on operations and maintenance, and broader implications for long term renewal and budgeting strategies.
- ***Acquisition:*** Usually gifted or handed over from developers or government agencies, inherited assets require eventual renewal and operations and maintenance in order to deliver services at existing levels additional resourcing is required.

7. Financial: How will we pay for these services?

This section contains the financial requirements from the previous sections in this document, and sourced from the Roads, Footpath and Kerb Asset Management Plan (TAMP). The detailed information within the TAMP ultimately provides options for delivery of assets and services to the community with a sustainable funding strategy at the forefront.

What does this mean? Council funds the renewal of existing assets by determining where the asset is within its lifecycle. As an asset approaches the end of its useful life funding is allocated through the TAMP and the Long Term Financial Plan to ensure that adequate funds are available to renew the asset. As assets are inspected on a regular basis quite often the asset may be performing better than anticipated, or may have deteriorated quicker than expected so assets fluctuate and this is adjusted for both in the annual budget, the TAMP and this flows through to the Long Term Financial Plan.

So in order to provide serviceable assets that meet the community's expectation whilst performing within their as technical design, funding in allocated through the Long Term Financial Plan and these amounts fluctuate over its 10 years cycle, and this is where a portion of rates, grants, businesses and co-contributions pay to provide these assets to the community.

Risk Management and Critical Assets

As part of the risk assessment, we identify critical risks that will result in significant loss, financial shock or a reduction in service. The critical risks are those assessed with 'Very High' (requiring immediate corrective action) and 'High' (requiring corrective action) risk ratings.

Adelaide Hills Council has identified through the risk assessment process that are deemed 'High' impact to either services or assets, and appropriate action plans would be required.

A potential high risk service impact identified is a Major Bushfire where severe impact on the road network could impede traffic flow and access to transportation services. The recommended proactive measures is a Bushfire Action Plan which may provide mitigation strategies across the network.

Critical assets identified throughout the Roads, Footpath and Kerb Asset Management Plan include major roads that may deteriorate or 'sudden' failures may result in unplanned budget allocation or reduced access to locations within the hills and extended delays. The strategy to tackle these failures is target treatments and regular inspections.

8. Key Take Aways

The key take aways are summarised below that have been the primary drivers of the Roads, Footpath and Kerb Asset Management Plan

- ***What we own:*** Adelaide Hills Council has a broad range of assets, spread across various terrain types, extensive number of towns or villages (52 in total) and provide a sustainably funded distribution of Roads, Footpath and Kerb assets to its community..

- ***Condition***
    - Councils asset base is currently in a reasonable condition and is generally funded sustainably to ensure these assets are replaced at their optimum time. Further work is required and condition may decrease as further audits across the road, kerb and footpath asset classes are undertaken.
    - The pavement which is a long lived asset, but expensive to renew has a provided challenges in the strategy for delivering the level of service with the current model of renewal. Recent changes in the targeted approach to patching and pre-planning has delivered cost savings and increase in the volume of work being undertaken for this asset class.
- ***Service Levels***
    - We understand that the community generally value their road and footpath network and our assumption is that they wish to have the service provided at the lowest long term costs. We assume that this is what our customers would expect us to do and we should.
    - The levels of service across the network are considered reasonable for the majority of asset classes, and further refinement is required on how we report, gather and understand to how we respond and engage has been highlighted through the AMP process.
    - The community has a high level of expectation on delivering new assets especially footpaths which in turn increase the overall asset base and adversely effects depreciation, operation and maintenance costs, and the eventual renewal of assets for future generations.
- ***Lifecycle and Funding***
    - Whilst adequate funding is allocated across the network of Roads, Footpath and Kerb assets currently via the Long Term Financial Plan, further work is required in understanding the criticality of key assets, fine tuning intervention points and improved reporting of maintenance activities. These issues have been identified in the improvement plan and Council is actively working towards these goals.

9. Improvement Planning

Throughout the asset management planning process the key areas which require improvement, data is immature, or resources have not been allocated are built into the framework for delivery into the next phase of the AMP process. Where we believe we need to work towards is listed below:

Task	Task	Responsibility	Resources Required	Timeline
1	Redevelop footpath hierarchy model to include new drivers within existing network	Sustainable Assets	Sustainable Assets/Infrastructure Operations	2020/21
2	Seal – Review Hierarchy	Sustainable Assets/Infrastructure Operations		2021/22
3	Unsealed – Review Hierarchy	Sustainable Assets/Infrastructure Operations	Sustainable Assets/Infrastructure Operations	2020/21
4	Undertake Customer Satisfaction Surveys across asset classes	Sustainable Assets/Communications	Internal	2020/21
5	Undertake Condition Assessments – Seal & Pavement	Sustainable Assets	External	2021/22
7	Undertake Condition Assessments - Kerb & Footpath – Migrate Ramps from Kerbs to Footpaths	Sustainable Assets	Internal	2020/21
8	Maintenance Guidelines – Roads, Kerb & Footpath	Sustainable Assets/Infrastructure Operations	Internal	2021/22
9	New Assets Priority Ranking Criteria	Sustainable Assets	Internal	2022/23
10	Shoulder and Pavement Data Cleanse and Migrate Shoulders into Pavement and revalue	Sustainable Assets	Internal	2022/23
11	Intervention Analysis & Predictive Modelling	Sustainable Assets	Internal/External	2023/24
12	Undertake review of re-sheeting, patrol grading and shoulder strategies across the network to improve efficiencies within the existing constraints.	Sustainable Assets/Infrastructure Operations	Internal	2022/23
13	Capture relevant maintenance data across asset classes to understand where, when, how and how much we spend on assets	Sustainable Assets/Infrastructure Operations	Internal	2022/23

10. Forecast Spending and where is it being allocated?

Graphs from AMP for renewal/upgrades & maintenance

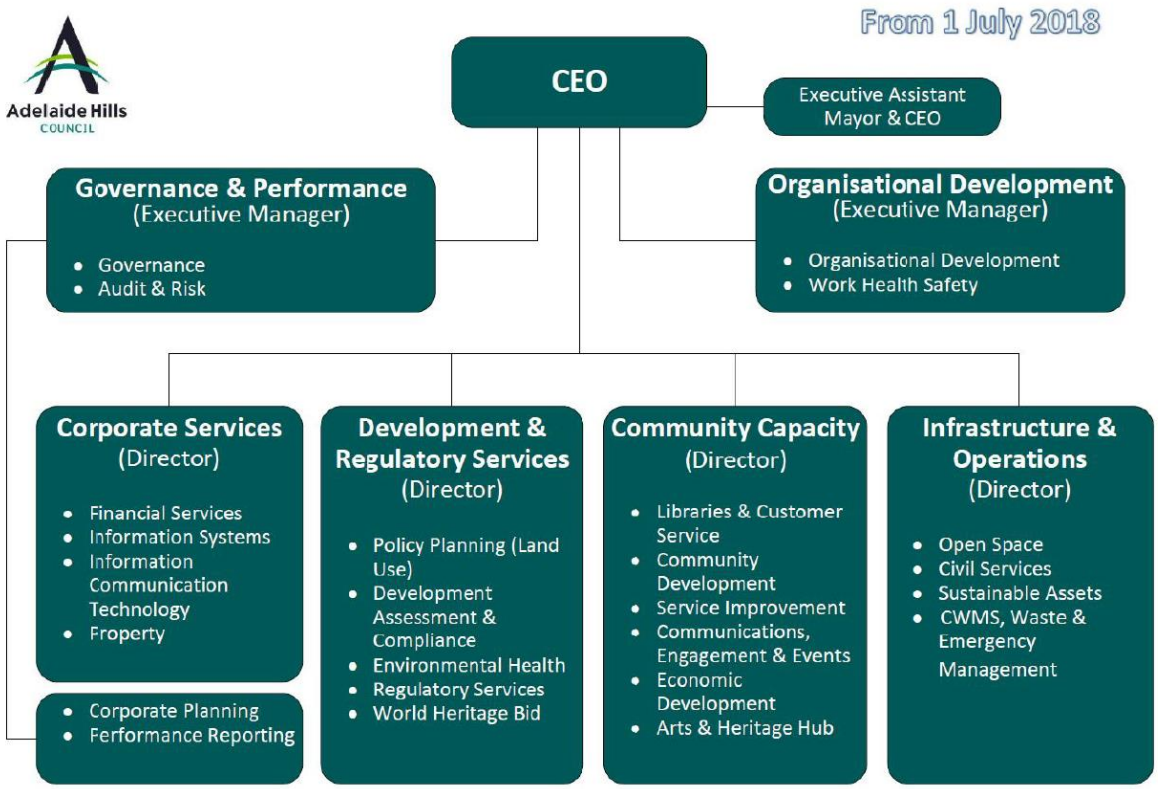
The infrastructure assets included in this plan have a total replacement value of $287,188,128

Key stakeholders in the preparation and implementation of this asset management plan are shown in Table 2.1.

Table 2.1: Key Stakeholders in the AM Plan

Key Stakeholder	Role in Asset Management Plan
Councillors	■ Represent needs of community/shareholders, ■ Establish the strategic vision and budget ■ Allocate resources to meet the organisation's objectives in providing services while managing risks, ■ Ensure organisation is financial sustainable.
CEO/Directors	■ Implement the strategic vision and budget set out by the elected Council ■ Establish the operational vision and policy ■ Oversee delivery of services
Engineering and Sustainable Assets Department	■ Development of delivery of the Transport Asset Management Plan through the Infrastructure & Operations Directorate
Community	■ Service levels through consultation, representation and expectation and the customer request system.

Our organisational structure for service delivery from infrastructure assets is detailed below,



2.2 Goals and Objectives of Asset Ownership

Our goal in managing infrastructure assets is to meet the defined level of service (as amended from time to time) in the most cost effective manner for present and future consumers. The key elements of infrastructure asset management are:

- Providing a defined level of service and monitoring performance,
- Managing the impact of growth through demand management and infrastructure investment,
- Taking a lifecycle approach to developing cost-effective management strategies for the long-term that meet the defined level of service,
- Identifying, assessing and appropriately controlling risks, and
- Linking to a long-term financial plan which identifies required, affordable forecast costs and how it will be allocated.

Key elements of the planning framework are

- Levels of service – specifies the levels of service to be provided,
- Future demand – how this will impact on future service delivery and how this is to be met,
- Lifecycle management – how to manage its existing and future assets to provide defined levels of service,
- Financial summary – what funds are required to provide the defined services,
- Asset management practices – how we manage provision of the services,
- Monitoring – how the plan will be monitored to ensure objectives are met,
- Asset management improvement plan – how we increase asset management maturity.

Other references to the benefits, fundamentals principles and objectives of asset management are:

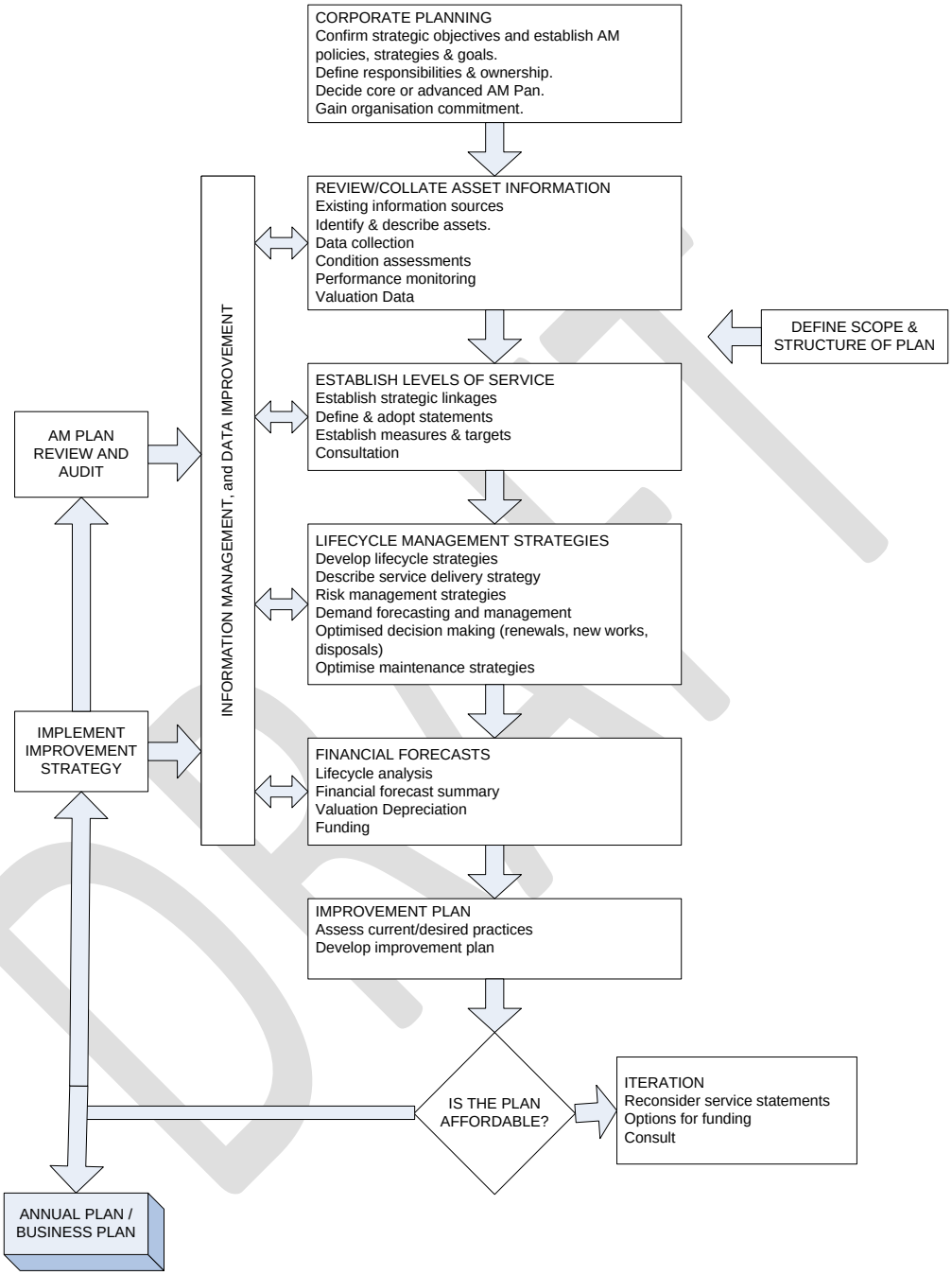
- International Infrastructure Management Manual 2015 [1]
- ISO 55000[2]

A road map for preparing an asset management plan is shown below.

[1] Based on IPWEA 2015 IIMM, Sec 2.1.3, p 2| 13
[2] ISO 55000 Overview, principles and terminology

Road Map for preparing an Asset Management Plan

Source: IPWEA, 2006, IIMM, Fig 1.5.1, p 1.11



3.0 LEVELS OF SERVICE

3.1 Customer Research and Expectations

This asset management plan is prepared to facilitate consultation prior to adoption of levels of service by the Adelaide Hills Council. Future revisions of the asset management plan will incorporate customer consultation on service levels and costs of providing the service. This will assist the Adelaide Hills Council and stakeholders in matching the level of service required, service risks and consequences with the customer's ability and willingness to pay for the service.

We currently have no research on customer expectations. This will be investigated for future updates of the asset management plan. Currently we extrapolate data from the Customer Request System to provide an indicative expectations and requests from the community.

3.2 Strategic and Corporate Goals

This asset management plan is prepared under the direction of the Adelaide Hills Council vision, mission, goals and objectives.

Our vision is:

Nurturing our unique place and people

Our mission is:

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

Strategic goals have been set by the Adelaide Hills Council. The relevant goals and objectives and how these are addressed in this asset management plan are summarised in Table 3.2.

Table 3.2: Goals and how these are addressed in this Plan

Goal	Objective	How Goal and Objectives are addressed in the AM Plan
1B1.5	Provide accessibility for the full range of users by ensuring Council's road, footpath and trails network is adequately maintained and service levels for all users are developed and considered	Providing funding and fit for purpose assets that are well serviced and responsive to the changing needs of the community.
1B3.2	Aim to achieve 100% renewable energy use for our corporate operations and strive towards carbon neutrality	Continue to investigate carbon reducing initiatives in usage of Recycled Asphalt surfacing
1B3.3	Investigate and source recyclable materials for asset renewal projects wherever practical and in doing so promote the circular economy.	Reuse of materials in capital works projects in conjunction with the Circular Economy Investment

3.3 Legislative Requirements

There are many legislative requirements relating to the management of assets. Legislative requirements that impact the delivery of the Roads, Footpath and Kerb service are outlined in Table 3.3.

Table 3.3: Legislative Requirements

Legislation	Requirement
Local Government Act (1999)	Sets out the role, responsibilities and powers of local governments including the preparation of long term financial plan supported by infrastructure and asset management plans for sustainable service delivery
Road Traffic Act (1961)	The act provides legislative requirements on the use of roads by vehicles and other road users.
Australian Road Rules	Requirements for users of the roads to obey
Australian Standards	Various standards that provide guidance and specifications for the management of transport assets
Native Vegetation Act (1991)	Management of the roadside will require an understanding of this act.
Australian Accounting Standards	Sets out the requirements to sustainably protect the environment during both the construction and life of the asset.

3.4 Customer Values

Service levels are defined in three ways, customer values, customer levels of service and technical levels of service.

Customer Values indicate:

- what aspects of the service is important to the customer,
- whether they see value in what is currently provided and
- the likely trend over time based on the current budget provision

Table 3.4: Customer Values

Service Objective:			
Customer Values	**Customer Satisfaction Measure**	**Current Feedback**	**Expected Trend Based on Planned Budget**
Safe & traversable footpaths	Customer Surveys & Complaints	Average of 146 requests per year via CRM's	Increase as footpath renewals are pushed out and network increased through new or upgrades
Seal ride quality	Customer Surveys & Complaints	Moderate number of complaints relating to failures and potholing	With the current budget and deterioration in pavement there is likely to be an increase in complaints
Kerb & Water Table functionality	Customer Complaints	Moderate requests for asphalt kerbing to mitigate water damage into property	Likely to increase due to removal of service moving forward
Unsealed Roads Surface and Ride	Customer Complaints	Moderate number of requests for grading	Likely to reduce the number of complaints if increase in patrol grading undertaken as recommended. Less capital and re-sheeting may result in greater deterioration in the outer years as corrugations etc develop more readily on an older network

3.5 Customer Levels of Service

The Customer Levels of Service are considered in terms of:

Quality How good is the service … what is the condition or quality of the service?

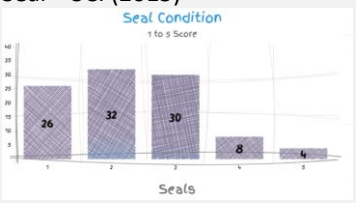
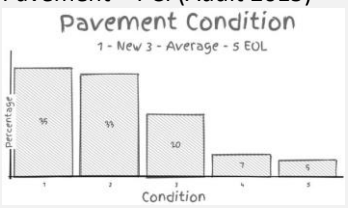
Function Is it suitable for its intended purpose …. Is it the right service?

Capacity/Use Is the service over or under used … do we need more or less of these assets?

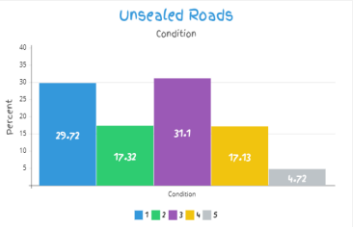
In Table 3.5 under each of the service measures types (Quality, Function, Capacity/Use) there is a summary of the performance measure being used, the current performance, and the expected performance based on the current funding level.

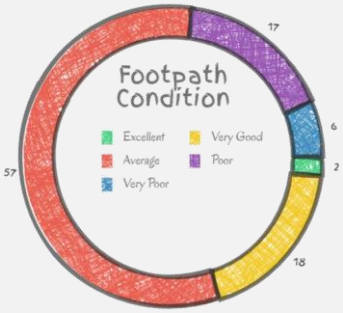
These are measures of fact related to the service delivery outcome e.g. number of occasions when service is not available, condition %'s of Very Poor, Poor/Average/Good, Very Good and provide a balance in comparison to the customer perception that may be more subjective.

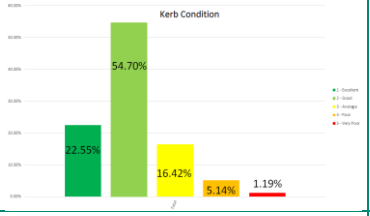
Table 3.5: Customer Level of Service Measures

Asset Class	Type of Measure	Level of Service	Performance Measure	Current Performance	Expected Trend Based on Planned Budget
Seal & Pavement	**Condition**	Condition of Seal & Pavement Provides a smooth ride.	Undertake High Speed Data Assessment Utilising SCI & PCI	Seal – SCI (2015)  Pavement – PCI (Audit 2015)  Condition 5 consists of approximately 33km of the network.	Seal – In the short term the seal requires additional funding to mitigate deterioration the aged spray seal network Pavement – Appropriate levels of funding have been forecast through the planned budget including targeted patching programs and selective treatments of failed sections to prolong the life of the overall asset base.

		Confidence levels		High-Medium High (Professional Judgement supported by extensive data) Medium (Professional judgement supported by data sampling and field testing) Data set is getting towards end of life and is planned to be recollected in 21/22	Medium Medium (Professional judgement supported by data sampling and field testing)
	Function	Measure of the asset is appropriate for its intended use.	Road Hierarchy	Breakdown of current hierarchy Distributor –19% Collector – 7% Local – 73% Other-1%	Seal – Trend may see an increase in asphalt for ride quality, economic value and sustainability outcomes. Pavement – Minimal impact on heavy vehicle movements increasing or expected volumes due to population increase.
		Confidence levels		Medium Medium (Professional judgement supported by data sampling)	Medium Medium (Professional judgement and an industry push towards sustainable practices)
	Capacity	Whether the capacity of the assets are sufficient	Traffic Count averages for vehicle types reflect the capacity designated for that road type – Distributor, Collector or Local	Traffic Counts across network averages for each road class	Minimal impact on capacity, and likely planned budget will not be effected until additional road data sampling undertaken in 21/22
		Confidence levels		Medium Medium (Professional judgement supported by data sampling) Council has reasonably good data for traffic counts across its network.	Medium Medium (Professional judgement supported by data sampling

Asset Class	Type of Measure	Level of Service	Performance Measure	Current Performance	Expected Trend Based on Planned Budget
Unsealed Roads	**Condition**	Condition of unsealed network	Condition rating of asset class Patrol Grading	Unsealed roads are currently performing well across the network  Audit 2015 Current maintenance for patrol grading is around 55% of the network	Transition from reduction in Renewal to Maintenance will increase asset lifecycle. Increase in patrol grading to 75% of the network per year is envisaged. Increase in budget maintenance expected, reduction in capital re-sheeting for the next 10 years
		Confidence levels		Medium Medium (Professional judgement supported by field supervisor input and annual inspections)	Medium Medium (Professional judgement supported by field supervisor input and annual inspections)
	Function	Measure of the asset is appropriate for its intended use.	Road Hierarchy	Majority of assets are fit for purpose.	Existing budget will reduce over time and stabilise based on new hierarchy
		Confidence levels		Medium (Professional judgement supported by field supervisor input and annual inspections)	Medium (Professional judgement supported by field supervisor input and annual inspections)
	Capacity	Whether the capacity of the assets are sufficient	Traffic volumes	Unsealed network is in good condition and is well funded.	No changes or impact on budget in relation to capacity. No major industries identified that will impact network capacity.
		Confidence levels		Medium Medium (Professional judgement supported by data sampling) Council has reasonably good data for traffic counts across its network, indicating the types of vehicles access its unsealed network.	Medium Medium (Professional judgement and existing growth)

Asset Class	Type of Measure	Level of Service	Performance Measure	Current Performance	Expected Trend Based on Planned Budget
Footpaths	**Condition**	Condition of Footpath Network	Condition rating of asset class	Nearly 25% of the network is heading towards end of life  Audit 2015	The footpath network is expanding at roughly 2% per year, and the existing renewal level has been reduced due to the extended life of the asphalt treatments within the Council network. This planned amount may change once a condition assessment is undertaken in 22/23
		Confidence levels		Medium Medium (Professional judgement supported by data sampling and field inspections) Data set is due for recollection	Medium Medium (Professional judgement supported by data sampling and field inspections) Existing budget is supporting new assets
	Function	Measure of the asset is appropriate for its intended use.	Footpath Priority Zoning	Majority of assets are fit for purpose, however there is an increasing proportion not meeting expectations	The pressure to install additional footpaths is recognised and a system is being reviewed to reprioritise the network. There is an increase in requests for dual usage cycle/walkway/footpaths so the intended use will need to be linked to existing strategies and trail studies.
		Confidence levels		Medium Medium (Professional judgement)	Medium Medium (Professional judgement)
	Capacity	Whether the capacity of the assets are sufficient	Footpath widths measured against priority zones	No analysis has been undertaken across capacity, where possible assets are delivered to standard or to suit location	Slight impact on budget as capacity is likely to be increased to meet community expectations.
		Confidence levels		Medium Medium (Professional judgement supported by data sampling) Council has reasonably good data for traffic counts across its network.	Medium Medium (Professional judgement supported by data sampling)

Asset Class	Type of Measure	Level of Service	Performance Measure	Current Performance	Expected Trend Based on Planned Budget
Kerb & Water table	**Condition**	Condition of Kerb & Water Table Network	Condition rating of asset class	Small section of network is in poor or end of life scenario 	Slight increase as asset delivered to higher standard as a reduction in treatment type, and allowance may be required if the asphalt assets are to be renewed through renewal budgets.
		Confidence levels		Low Low (Professional judgement with no data evidence) Data set is due for recollection	Low Low (Professional judgement with no data evidence) Data set is due for recollection
	Function	Measure of the asset is appropriate for its intended use.	Condition rating of the asset class	Majority of assets are fit for purpose.	Increase in budget to deliver longer lasting assets based in change of treatment type.
		Confidence levels		Medium Medium (Professional judgement supported by data sampling)	Medium Medium (Professional judgement supported by data sampling)
	Capacity	Whether the capacity of the assets are sufficient	Footpath widths measured against priority zones	No analysis has been undertaken across capacity, where possible assets are delivered to standard or to suit location	No capacity assessment undertaken
		Confidence levels		Medium Medium (Professional judgement supported by data sampling)	Medium Medium (Professional judgement supported by data sampling)

3.6 Technical Levels of Service

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

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

- **Acquisition** – the activities to provide a higher level of service (e.g. widening a road, sealing an unsealed road, replacing a pipeline with a larger size) or a new service that did not exist previously (e.g. a new library).

- **Operation** – the regular activities to provide services (e.g. opening hours, cleansing, mowing grass, energy, inspections, etc.
- **Maintenance** – the activities necessary to retain an asset as near as practicable to an appropriate service condition. Maintenance activities enable an asset to provide service for its planned life (e.g. road patching, unsealed road grading, building and structure repairs),
- **Renewal** – the activities that return the service capability of an asset up to that which it had originally provided (e.g. road resurfacing and pavement reconstruction, pipeline replacement and building component replacement),

Service and asset managers plan, implement and control technical service levels to influence the service outcomes.[3]

Table 3.6 shows the activities expected to be provided under the current Planned Budget allocation, and the Forecast activity requirements being recommended in this AM Plan.

Technical Note

Adelaide Hills Council recognises that the following areas of improvement are suggested across the following asset classes:

- **Unsealed Road Network** – The current technical level of service delivers approximately 240kms of unsealed patrol grading per year and the recommended performance suggest an increase to 340kms per year to improve the existing re-sheeted surface as is best practice and extend the life of the existing material improve its lifecycle.

  In order to achieve this recommendation the challenge lies in the current high level of service delivery for re-sheeting, and whilst this level can be reduced the transition to increased patrol grading, constraints are recognised with existing resource levels, fire restrictions, and optimum grading times. It is suggested that a review is undertaken to improve the linkages for optimising re-sheeting renewals, patrol grading and shoulder maintenance.

- **Road Pavement (Base and Sub-base) –** Utilising the existing high speed dataset collected by the Australian Road Research Board the Pavement Condition Index (Condition Score) has indicated a significant amount of pavement that needs renewal. The suggested treatment across the network is a targeted approach to maximise the integrity of the pavement by undertaking heavy patching at intervals to extend the pavements life, as opposed to targeting entire segments for reconstruction.

  Significant work has been undertaken to identify these areas and the above approach is being implemented into the rolling capital works programs, utilising data, professional judgement and hierarchy as the key drivers to maximise budget and lifecycle.

  Suggested with in the technical service levels is the increase in operational support for pavement investigation to mitigate and proactively target pavement failures and design.

- **Road Seal (Asphalt/Hotmix & Spray Seal)** – The current level of service is impacted by the large volume of spray seal surface that has exceeded its design life of 20 years, many spray seals are pushing 25 years or plus, and approx. 40% of the network requires resealing over the next 10 years. Whilst the seal exhibits a perceived visual quality, high speed data and onsite inspections have revealed environmental cracking and dead binder to portion of the network that is estimated at around $3.1 million worth of renewals that has been factored into the renewals and long term. The suggested performance is to target this over the next 4 to 5 years to restore the network and increase the life of the pavement which is at risk due to these identified factors.

  The asphalt network based on the age of various sections of seal has been identified to be beyond its

[3] IPWEA, 2015, IIMM, p 2|28.

useful life, and where possible rejuvenation has been undertaken and will be implemented along with other cost effective treatments to improve the lifecycle. Approximately $1.25m million dollars' worth of age based expenditure is recommended to improve the performance of the network, as increase the life of the underlying pavement surface for the life of this plan. These numbers for spray seal and asphalt will change over time with new audit cycles and the increase of data to provide proactive targeted renewal and maintenance strategies.

The implementation of a crack sealing program equating to $25k per year has been suggested to improve performance across the sealed network and to improve pavement life.

- **Shoulders -** The shoulder network is a complex asset in its entirety as it is intrinsically linked to the pavement and the role is to support the seal. Minimal maintenance across the shoulder network is currently being undertaken due to resource issues and environmental factors. It is suggested to improve the network additional maintenance is undertaken to provide additional drainage, minimise edgebreaks (Edge Break Extent @ 5.3% of total network of 608kms, equates to 30kms of edge breaks) and provide support to existing seal. The improved maintenance and targeted approach will be reviewed through the suggested improvement planning process within section 8 of this AMP.

- **Kerb & Water Table -** The kerb and watertable network require significant review of their technical level of service to maximise its lifecycle, this would be framed around reducing the current 11,000 assets within the asset system to around 2,500 (partly undertaken) to reduce the overhead of managing the assets. A condition assessment to recalibrate the assets condition and estimated construction date would provide a sound process to define the technical level of service to suit Adelaide Hills Council. An indicative technical level has been provided based on industry standards, existing data and professional judgement.

- **Footpath Network –** The majority of the Adelaide Hills footpath network is asphalt and will require a condition assessment to identify key renewals as the network is aging through initial inspections using the useful life assessment process. The improvement plan identifies a condition assessment is required to identify the overall condition, defects and where the asset is in its lifecycle. The customer levels of service are also driving increasing demand for trails and increased capacity across, with the current priority process the highest priority zones have been delivered and the filtering process is underway across the remaining priority zones for approval and construction.

Table 3.6: Technical Levels of Service

Lifecycle Activity	Purpose of Activity	Activity Measure	Current Performance*	Recommended Performance **
TECHNICAL LEVELS OF SERVICE -Pavement, Sealed & Unsealed Roads				
Acquisition	New or Gifted assets fit for purpose (sealed subdivisions)	Condition assessed at time of acquisition	No planned maintenance for early life cycle	Ensure appropriate resources are supported operationally to derive asset condition at acquisition. Various assets gifted for The Crest at Inverbrackie & Woodforde Estates
		Acquisition Budget	*$0.00*	*$860,000 increase to asset base*
Operation	Project Management Support in	Pavement, Seal and Unsealed renewed at	Internal Project Management Cost – Linked to Seal, Pavement	Detailed Support in Project Delivery – Intervention, Treatment

Lifecycle Activity	Purpose of Activity	Activity Measure	Current Performance*	Recommended Performance **
	Delivering Seal Renewals, Pavement & Unsealed Roads	optimum time Pavement Investigation	& Unsealed delivery PM Costs - $607k per annum on average across the 10 year period Pavement Investigation $30k per annum	Types & ROI. PM Costs - $607k per annum on average across the 10 year period Pavement Investigation $30k per annum
		Operations Budget	*$637,000k per annum*	*$637,000 per annum* *No change to budget as recommended change is linked to a % of delivery*
Maintenance	Maintain Unsealed Road Surfaces	Length of network Patrol Graded (km)	240kms Annually	Increase to 340 km's due to minimising re-sheeting practices and reduction in capital program over 10 year program.
	Maintain Sealed Surfaces (Seal & Pavement)	Patching(Pavement) Crack Sealing(Seal)	*$45,000 Per Year* *$0.00*	*Suggest removal due to increase in patching across network through Capital Pavement Budget* *$25,000 Crack Sealing Per annum proposed (potentially funded from above Patching budget)*
		Maintenance Budget	***Unsealed*** *- $10,800,000 for the Total 10 Years* ***Sealed*** *- $10,300,000 for the Total 10 Years* *Pavement - $2,100,000 for the Total 10 Years*	*Unsealed - $10,800,000 Total for the 10 Years – (An increase is suggested and should be undertaken after maintenance review)* *Sealed - $10,300,000 for the Total 10 Years* *Pavement - $2,150,000 for the Total 10 Years*
Renewal	Sealed Surfaces	Condition Assessment Based	Numerous seals are beyond their useful life across asphalt and spray seal network.	Increased spending required to address aging assets and spray seal binder condition
	Pavement	Condition	Currently identified	Increased funding

Lifecycle Activity	Purpose of Activity	Activity Measure	Current Performance*	Recommended Performance **
		Assessment Based	33,000 square metres of pavement that is in poor condition.	required to address targeted pavement failures
	Unsealed Surfaces	Re-sheeting	Currently re-sheeting 5-6% per year of the network	Reduced budget to transfer to increase maintenance practices
		Budget	*Unsealed - $13,100,000 for the Total 10 Years* *Sealed - $17,800,000 for the Total 10 Years* *Pavement - $8,541,000 for the Total 10 Years*	*Unsealed - $12,000,000 Total for the 10 Years (A suggested reduction should be undertaken after maintenance review)* *Sealed - $20,872,000 for the Total 10 Years* *Pavement - $12,011,000 for the Total 10 Years*
Disposal	Unsealed & Sealed Roads	Nil	No disposals planned	No disposals planned
	Sealed Roads	Boundary Realignment	608kms	Potential Removal of 26kms of seal from network
		Budget	Nil	Reduced seal network & budget

Lifecycle Activity	Purpose of Activity	Activity Measure	Current Performance*	Recommended Performance **
TECHNICAL LEVELS OF SERVICE - Shoulders, Footpaths & Kerb/Water Table				
Acquisition	New or Gifted assets fit for purpose (sealed subdivisions)	Condition assessed at time of acquisition	No planned maintenance for early life cycle	Ensure appropriate resources are supported operationally to derive asset condition at acquisition. Various assets gifted for The Crest at Inverbrackie & Woodforde Estates
		Acquisition Budget	*$0.00*	*$1,900,000 increase to asset base*
Operation	Project Management Support in Delivering Shoulders, Kerb &	Footpaths, Shoulders & Kerb renewed at optimum time	Internal Project Management Cost – Linked to Footpath, Kerb & Shoulder delivery PM Costs - $153k per	Support for various audits and proactive programs to maximise renewal and linked maintenance strategies

Lifecycle Activity	Purpose of Activity	Activity Measure	Current Performance*	Recommended Performance **
	Footpaths Renewals		annum on average across the 10 year period Condition Assessment (21/22) - $0	PM Costs - $153k per annum on average across the 10 year period Approx $50k for Condition Assessment
		Operations Budget	*$153,000*	*$1,583,000 Total for the 10 Years*
Maintenance	Maintain Footpath Network	Maintenance activity requests undertaken	150 request (CRMS) per year	Performance Review after 21/22 Condition Assessment undertaken – No changes proposed
	Maintain Kerb & Water Table Network	Maintenance Activities	No performance measures available	Performance Review after 20/21 Condition Assessment undertaken – No changes proposed
	Maintain Shoulder Network	Maintenance Activities	No performance measures available	Increase in maintenance practices to improve overall shoulder maintenance strategy to minimise edge breaks and planned maintenance across the network
		Maintenance Budget	*Footpaths - $810,000 for the Total 10 Years* *Kerb & Water Table - $620,000 for the Total 10 Years* *Shoulders - $2,100,000 for the Total 10 Years*	*Footpaths - $810,000 for the Total 10 Years* *Kerb & Water Table - $620,000 for the Total 10 Years (To be realigned after Condition Assessment)* *Shoulders - $$2,100,000 for the Total 10 Years (increase based on capital reduction)*
Renewal	Footpaths	Condition Assessment Based	Based on age, condition and priority	Renewal strategy to be developed to link renewal and maintenance planning to improve lifecycle.
	Kerb & Water Table	Condition Assessment	Currently undertake visual and professional	Renewal strategy to be developed once condition

Lifecycle Activity	Purpose of Activity	Activity Measure	Current Performance*	Recommended Performance **
		Based	judgement across network to define renewals Existing renewal works general undertaken in conjunction with seal and footpath program renewals.	assessment undertaken.
	Shoulders	Condition Assessment Based	ARRB (2015) 5-7% Network Edgebreaks 10% Grading Required 3% Network Breakthrough > 20%	Capital expenditure and increase operational effort into Shoulder Maintenance
		Renewal Budget	*Footpaths - $4,180,000 for the Total 10 Years* *Kerb & WT - $3,000,000 for the Total 10 Years* *Shoulders - $4,000,000 for the Total 10 Years*	*Footpaths - $4,405,000 Total for the 10 Years* *Kerb & WT - $3,000,000 for the Total 10 Years (Condition Assessment may change renewal targets)* *Shoulders - $3,300,000 for the Total 10 Years*
Disposal	Footpaths	Nil	No disposals planned	No disposals planned
	Kerb & Water Table	Nil	No disposals planned	No disposals planned
	Shoulders	Nil	No disposals planned	No disposals planned
		Budget	Nil	Nil

Note: * Current activities related to planned budget.

** Forecast required performance related to forecast lifecycle costs.

It is important to monitor the service levels provided regularly as these will change. The current performance is influenced by work efficiencies and technology, and customer priorities will change over time.

4.0 FUTURE DEMAND

4.1 Demand Drivers

Drivers affecting demand include things such as population change, regulations, changes in demographics, seasonal factors, vehicle ownership rates, consumer preferences and expectations, technological changes, economic factors, agricultural practices, environmental awareness, etc.

4.2 Demand Forecasts

The present position and projections for demand drivers that may impact future service delivery and use of assets have been identified and documented.

4.3 Demand Impact and Demand Management Plan

The impact of demand drivers that may affect future service delivery and use of assets are shown in Table 4.3.

Demand for new services will be managed through a combination of managing existing assets, upgrading of existing assets and providing new assets to meet demand and demand management. Demand management practices can include non-asset solutions, insuring against risks and managing failures.

Opportunities identified to date for demand management are shown in Table 4.3. Further opportunities will be developed in future revisions of this asset management plan.

Table 4.3: Demand Management Plan

Demand driver	Current position	Projection	Impact on services	Demand Management Plan
Increased Heavy Vehicle Movements	Monitor via Traffic Count and Hierarchy of Network	Increased load on the transport network testing capacity	Reduced life of seal and pavement, thus increased cost	- Continually assess network capacity and traffic flows. Address network capacity issues with improved capacity - Improve design standards to provide longer lasting pavements to cope with increased capacity and provide longevity
Provision of Footpaths	Priority Based System based on Key Drivers	Increases in request for footpaths across the network to improve linkages to key facilities	Construction of new footpaths increases pressure on renewals of existing network.	- Continue to provide new footpaths in keeping with the current policy and expenditure levels
Boundary Realignment	Council has a known position on its asset network, income and renewal budgets	Potential for LGA Boundary Realignment imposed by the State Government, decreasing rate revenue.	Impact on numerous asset classes and reduction of service to compensate for loss of income	- Scenarios developed to provide scoping around impacted areas.
Sealing Unsealed Roads	Clear Policy defining criteria for sealing	Increased community requests or policy changes to seal township or freight routes	Increase in seal asset base, but reduced maintenance for unsealed	- Analysis across potential routes or upgrades to determine benefit from upgrade. - Review of existing policy to focus on increased service for residential and hard to maintain areas. Cost benefit

4.4 Asset Programs to meet Demand

The new assets required to meet demand may be acquired, donated or constructed. Additional assets are discussed in Section 5.4.

Acquiring new assets will commit the Adelaide Hills Council to ongoing operations, maintenance and renewal costs for the period that the service provided from the assets is required. These future costs are identified and considered in developing forecasts of future operations, maintenance and renewal costs for inclusion in the long term financial plan (Refer to Section 5).

4.5 Climate Change and Adaption

The impacts of climate change can have a significant impact on the assets we manage and the services they provide. In the context of the Asset Management Planning process climate change can be considered as both a future demand and a risk.

How climate change will impact on assets can vary significantly depending on the location and the type of services provided, as will the way in which we respond and manage those impacts.

As a minimum we should consider both how to manage our existing assets given the potential climate change impacts, and then also how to create resilience to climate change in any new works or acquisitions.

Opportunities identified to date for management of climate change impacts on existing assets are shown in Table 4.4.Table 4.4 Managing the Impact of Climate Change on Assets

Climate Change Description	Projected Change	Potential Impact on Assets and Services	Management
Storm Intensity	More extreme weather events	Potentially more localised flooding Unsealed road side drain impacted	Ensure table drains are well maintenance for the sealed and unsealed network Kerb & Water table audits drive maintenance to reduce premature pavement failure
Rainfall	A drier climate is anticipated	Cost of water will increase Seal life reduced due to drier climate and impact from sun & temperature rise	Budget for increased cost of water supply. Plan for reduction in useful lives of asset base and increased cost of delivery

Additionally, the way in which we construct new assets should recognise that there is opportunity to build in resilience to climate change impacts. Buildings resilience will have benefits:

- Assets will withstand the impacts of climate change
- Services can be sustained
- Assets that can endure may potentially lower the lifecycle cost and reduce their carbon footprint

Table 4.5 summarises some asset climate change resilience opportunities.

Table 4.5 Building Asset Resilience to Climate Change

New Asset Description	Climate Change impact These assets?	Build Resilience in New Works
Sealed Network	Increased heat – cracking, and reduced life	Activating circular economy and investigation into suitable materials
All water usage	By nature treatments are water intensive	Use water reuse where available, or reduction at site to minimise cartage.
Asset Design	Fit for purpose	Building resilience into assets at design will increase the asset life based on climate impacts, and also lower the carbon impact due to longer lasting assets if built with resilience in mind.

The impact of climate change on assets is a new and complex discussion and further opportunities will be developed in future revisions of this asset management plan.

5.0 LIFECYCLE MANAGEMENT PLAN

The lifecycle management plan details how the Adelaide Hills Council plans to manage and operate the assets at the agreed levels of service (Refer to Section 3) while managing life cycle costs.

5.1 Background Data

5.1.1 Physical parameters

The assets covered by this asset management plan are shown in Table 5.1.1.

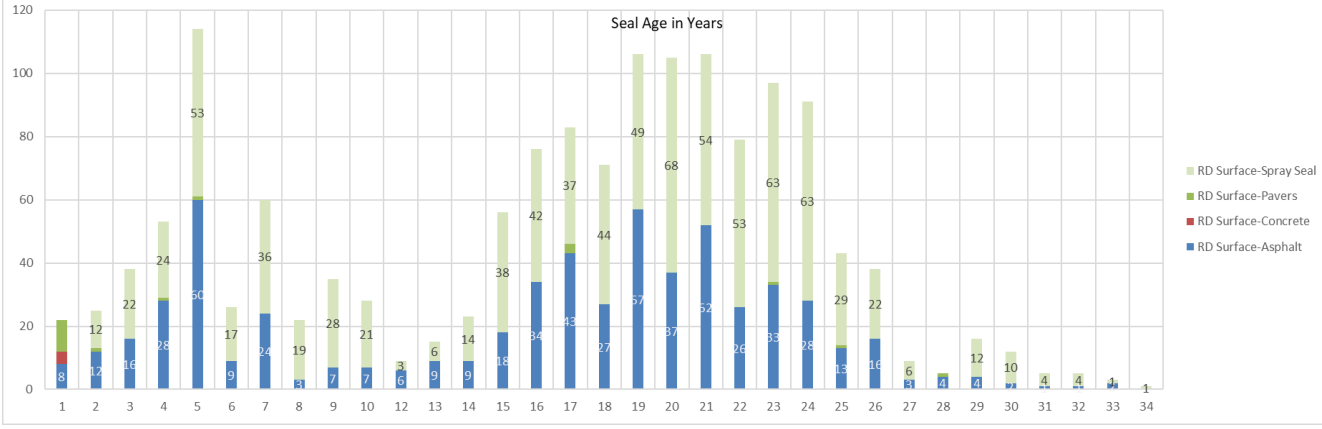
These assets include sealed, pavement, unsealed, footpath, kerb & water table and shoulders

The age profile of the assets included in this AM Plan are shown in Figure 5.1.1.

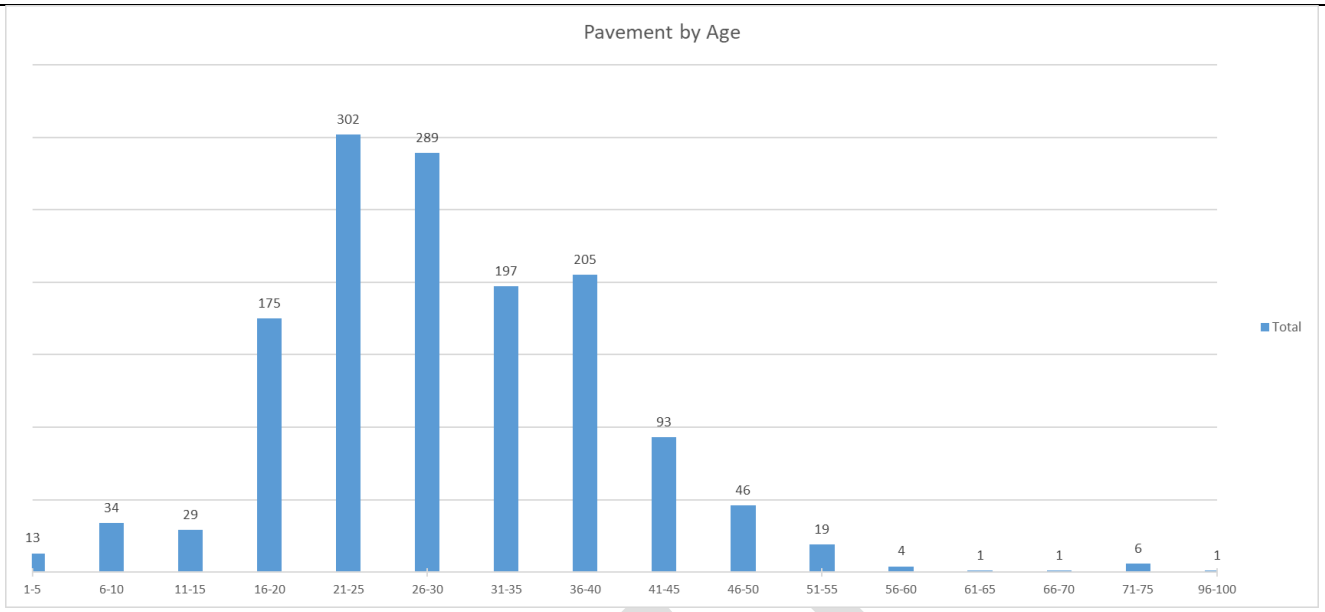
Table 5.1.1: Assets covered by this Plan

Asset Category	Dimensions	Replacement Value
Sealed Road Network	608 kilometres network length	$36,866,799 Valued – 30/6/2020
Pavement Road Network	608 kilometres network length	$158,758,870 Valued – 30/6/2020
Unsealed Road Network	401 kilometres network length	$24,692,043 Valued – 30/6/2020
Footpath Network	115 kilometres network length	$14,334,842 Valued – 30/6/2020
Kerb and Water Table	253.4 kilometres network length	$33,110,766 Valued – 2015/16
Shoulders	561,161 m2	$19,424,817 Valued – 30/6/2020
Totals		**$287,188,128.**

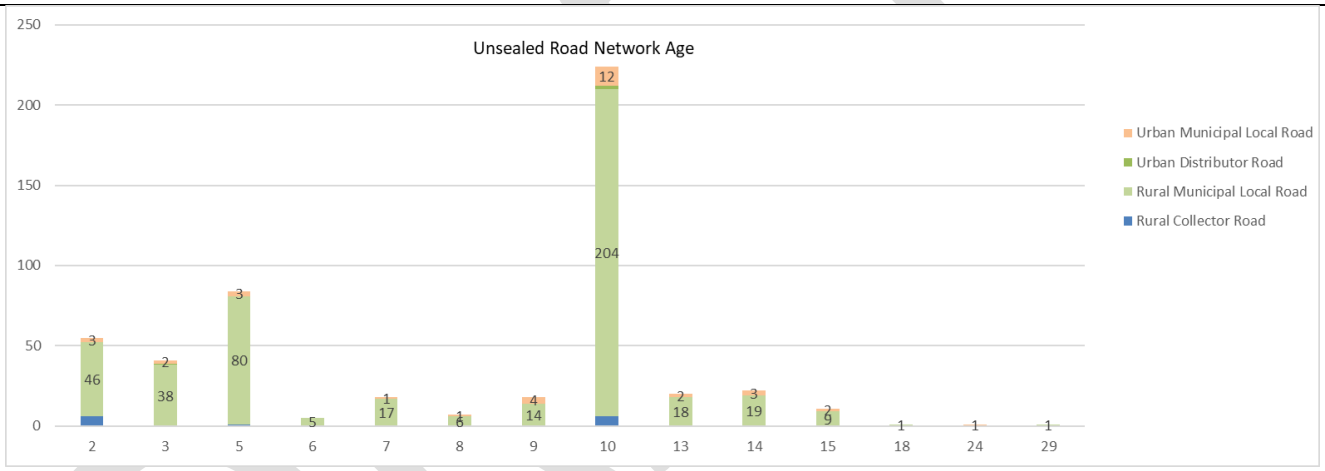
Figure 5.1.1: Asset Age Profile



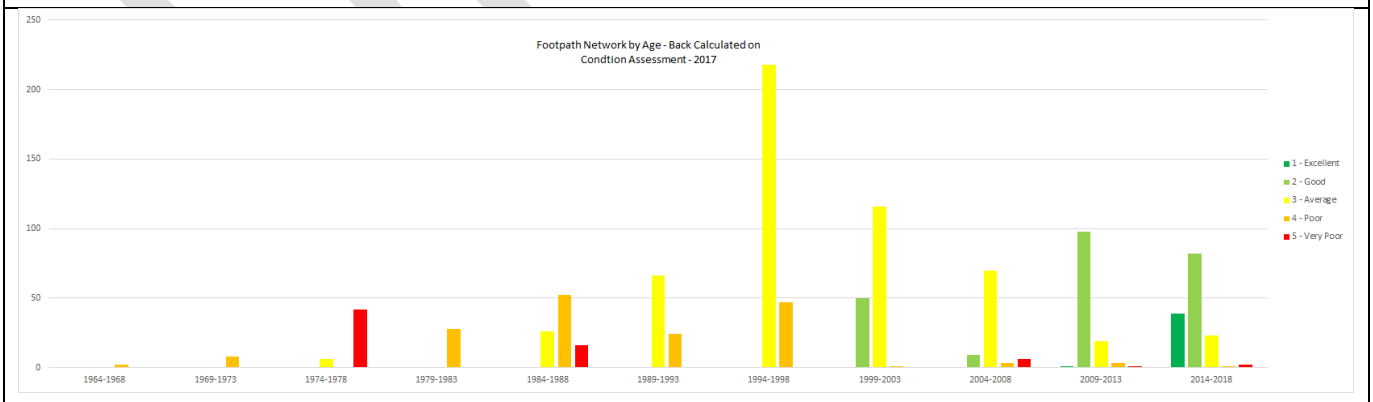
Seal Age Profile



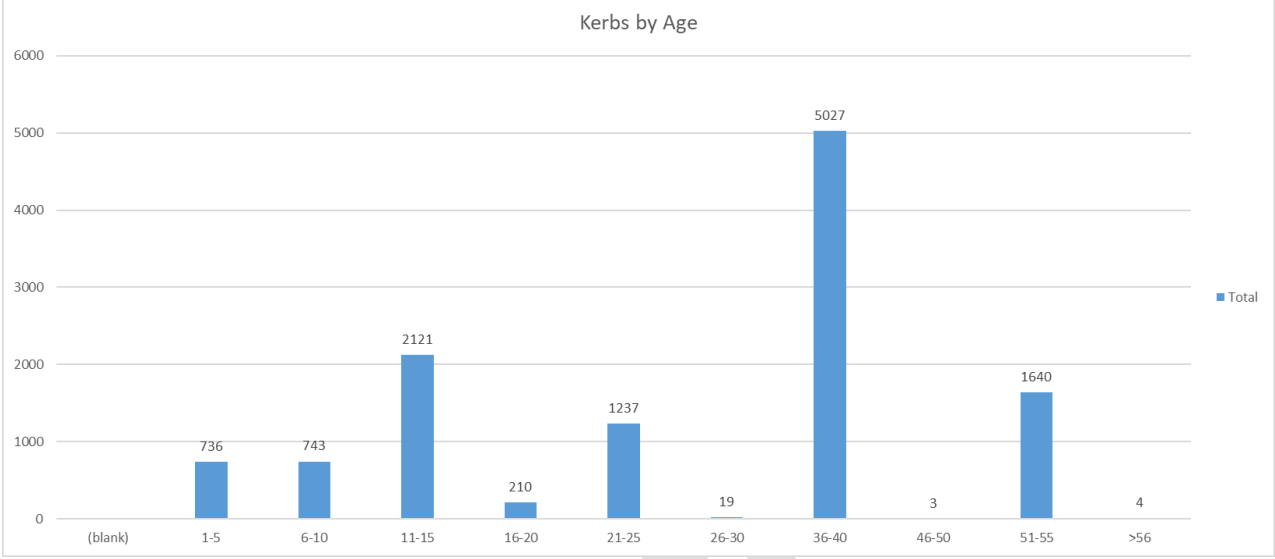
Pavement Age Profile/Shoulders (Tied to Pavement Profile)



Unsealed Age Profile



Footpath Age Profile



Kerb & Water Table Age Profile

All figure values are shown in current (real) dollars.

Adelaide Hills Council has an aging asset profile across its Sealed Roads and Footpath network, and useful lives are relatively realistic to what is on the ground, and assets have outperformed their useful lives or previous construction dates have been re-aligned to fit the condition of the asset base. Having an aging asset base and continuing to construct new infrastructure or extend useful lives leads to major peaks in the future and require careful management and intervention to avoid impacts on the future.

It is important to recognise that robust condition assessments drive key intervention points where early intervention with maintenance can reduce significant investment in the future. Understanding the age profile is a key driver for planning over the long term and the impacts on new investment over renewal are a challenge that is to be considered to remain sustainable.

5.1.2 Asset capacity and performance

Assets are generally provided to meet design standards where these are available. However, there is insufficient resources to address all known deficiencies. Locations where deficiencies in service performance are known are detailed in Table 5.1.2.

Table 5.1.2: Known Service Performance Deficiencies

Location	Service Deficiency
Seal	Known portion of network has dead binder identified
Seal	Identified segments of edge break not being maintained
Pavement	Identified segments of failure
Kerb & Water Table	Existing asphalt rollup kerb not performing
Maintenance Recording	Numerous asset classes within this plan do not have maintenance information this reduces the confidence in planning and maintenance forecasting and reliably understanding how, when & where maintenance is undertaken.

The above service deficiencies were identified from ARRB Condition Assessment 2015 (Seal & Pavement), Kerb & Water Table – Internal Decision to minimise asphalt kerb renewals/maintenance.

5.1.3 Asset condition

Condition is currently monitored through a combination of external and internal condition assessments. The list below identifies where the last full condition audit of the Roads, Footpath and Kerb asset classes were undertaken.

- Seal & Pavement – *ARRB 2015 – Planned 21/22*
- Unsealed – 2014 – *Yearly inspections being undertaken*
- Footpath Network – 2014 – *Planned 21/22*
- Kerb & Water Table – 2009 – *Planned 20/21*
- Shoulders – ARRB 2015 – *Planned 21/22*

Condition is measured using a 1 – 5 grading system[4] as detailed in Table 5.1.3. It is important that consistent condition grades be used in reporting various assets across an organisation. This supports effective communication. At the detailed level assets may be measured utilising different condition scales, however, for reporting in the AM plan they are all translated to the 1 – 5 grading scale.

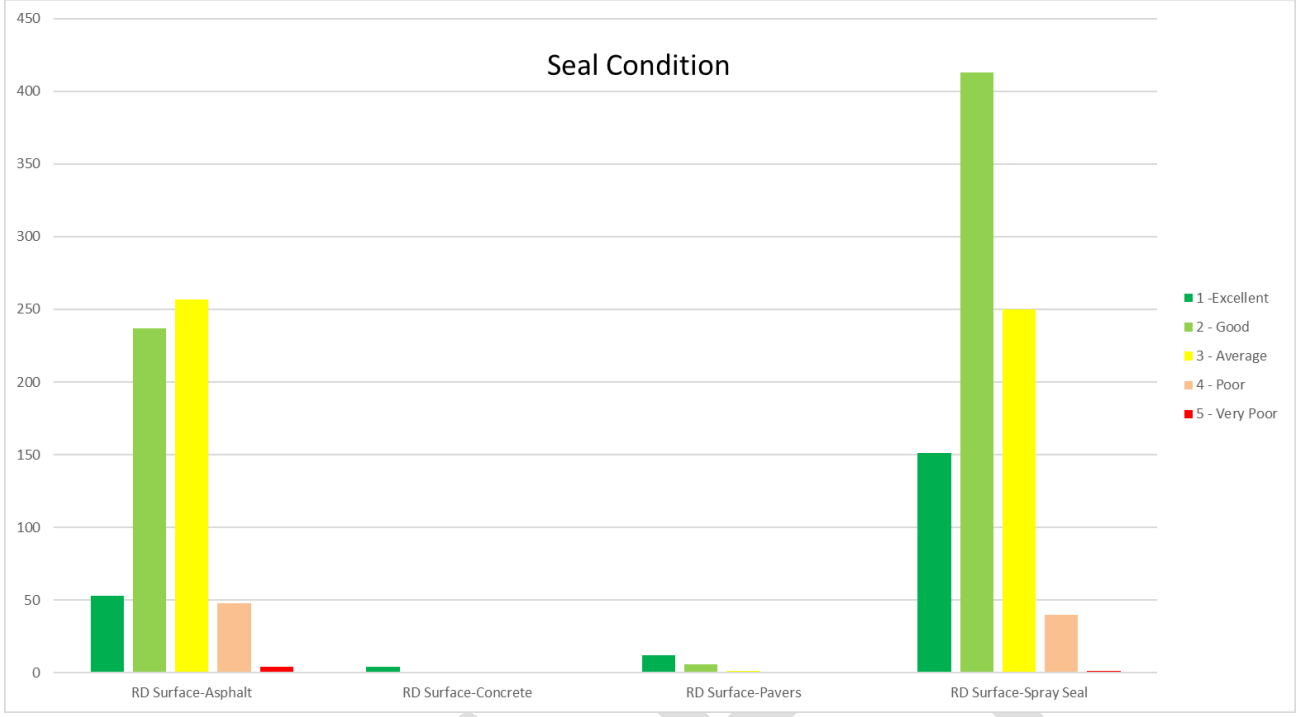
Table 5.1.3: Simple Condition Grading Model

Condition Grading	Description of Condition
1	**Very Good**: only planned maintenance required
2	**Good**: minor maintenance required plus planned maintenance
3	**Fair**: significant maintenance required
4	**Poor**: significant renewal/rehabilitation required
5	**Very Poor**: physically unsound and/or beyond rehabilitation

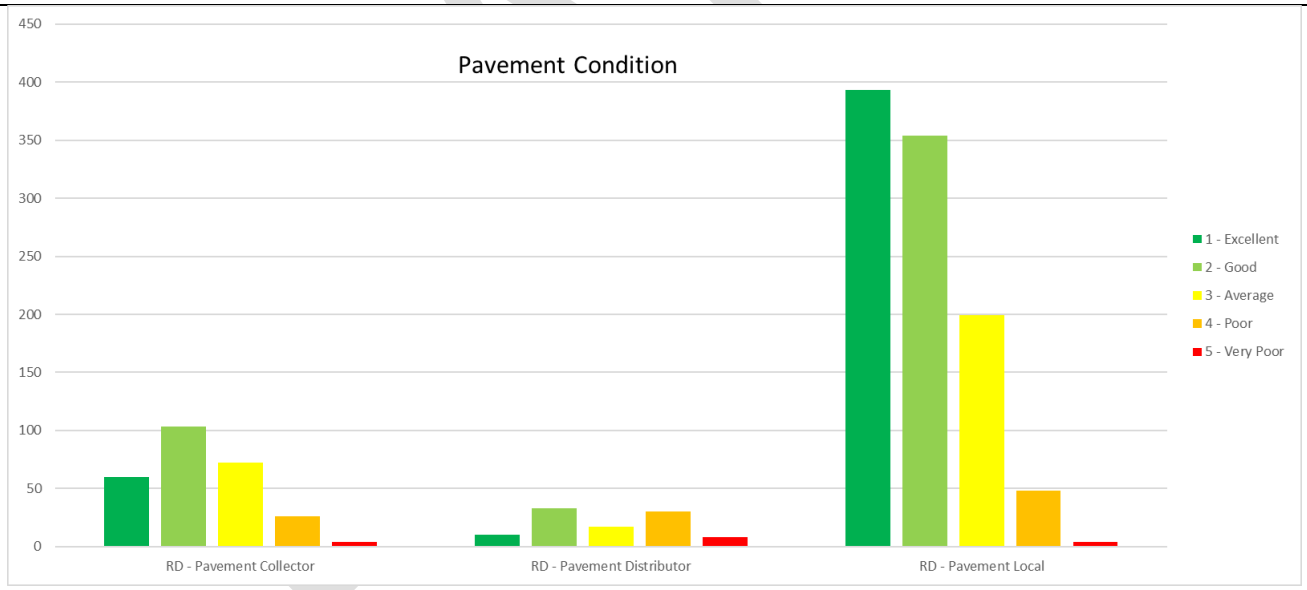
The condition profile of our assets is shown in Figure 5.1.3.

[4] IPWEA, 2015, IIMM, Sec 2.5.4, p 2|80.

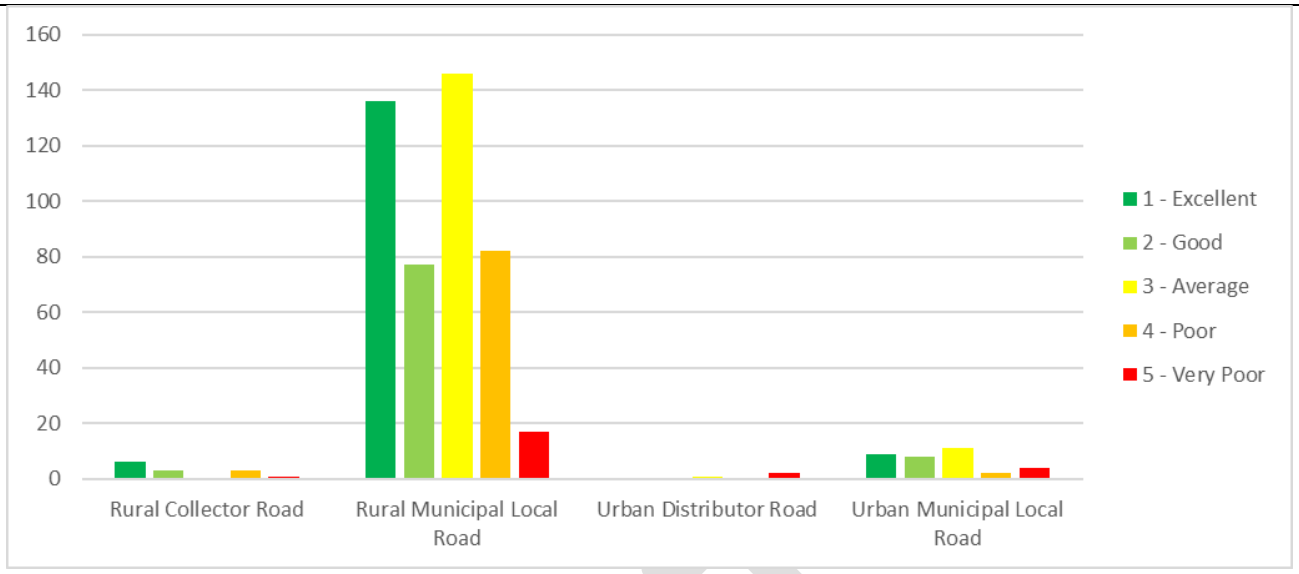
Figure 5.1.3: Asset Condition Profile



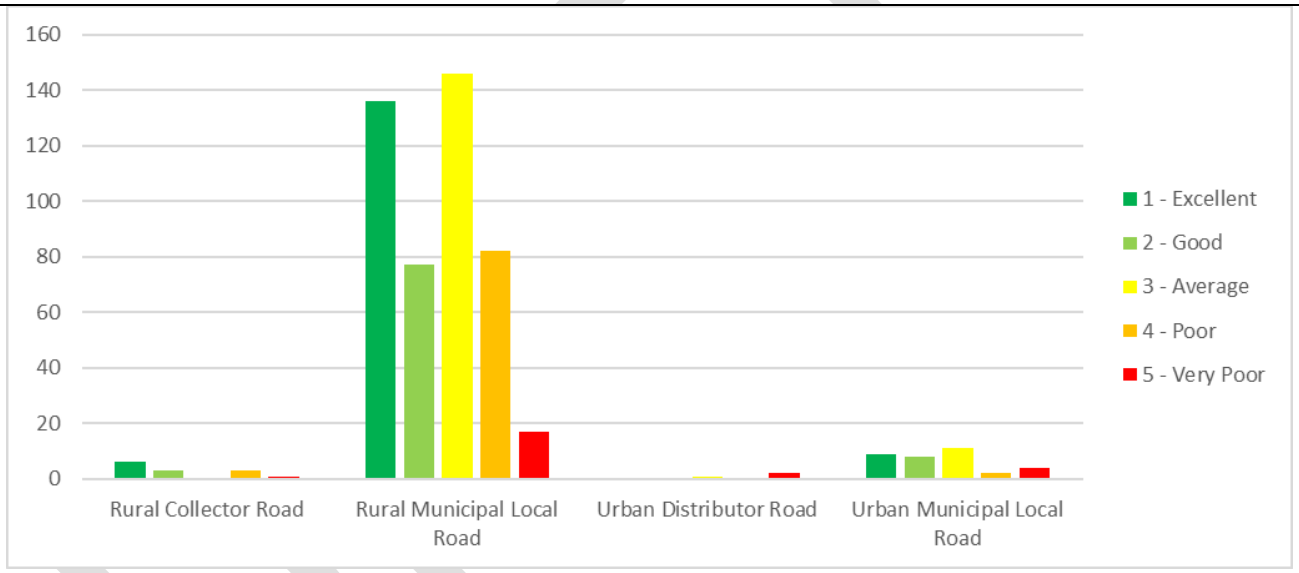
Seal Condition Profile



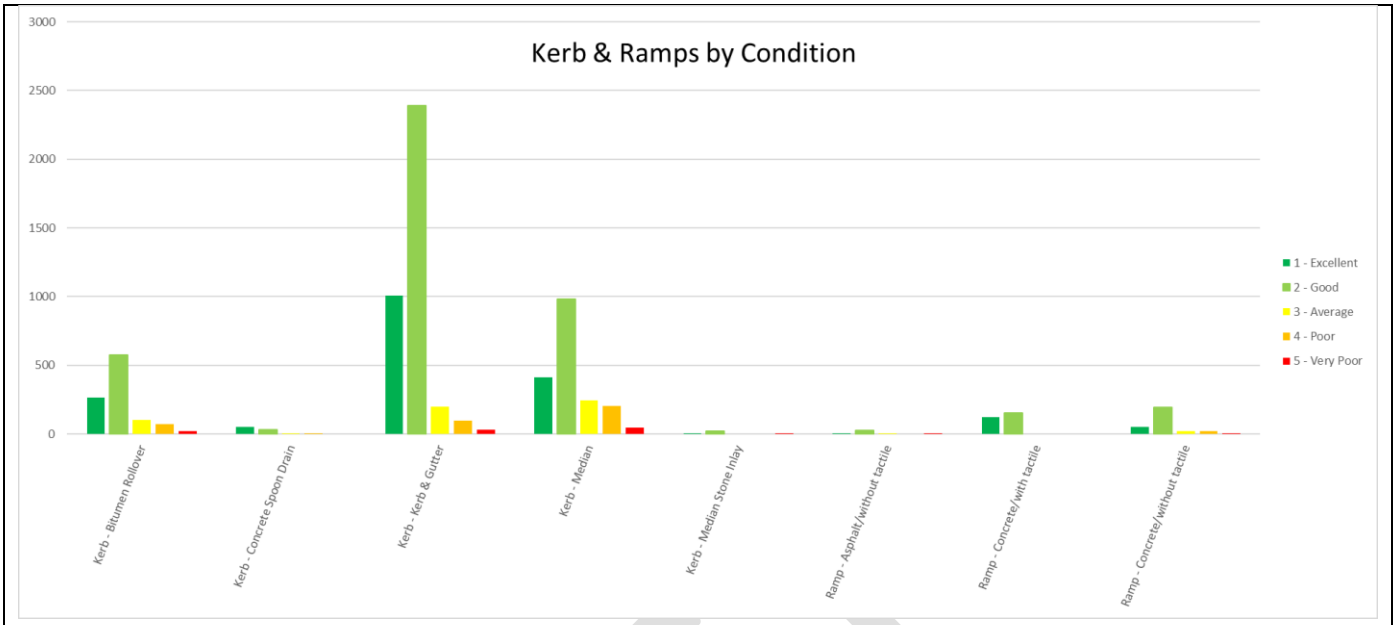
Pavement Condition Profile



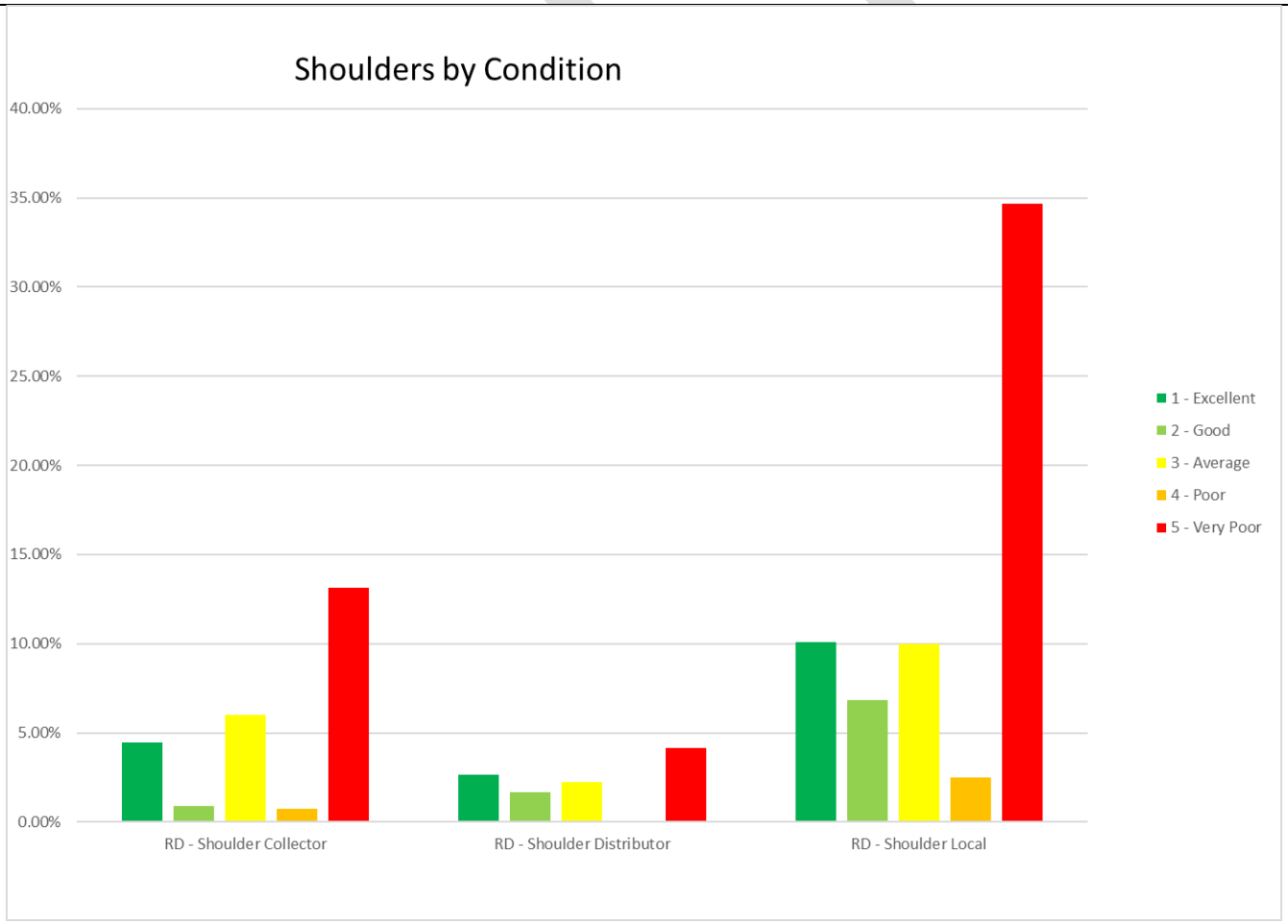
Unsealed Condition Profile



Footpath Condition Profile



Kerb & Water Table Condition Profile



Shoulders Condition Profile

The condition of Councils Roads, Footpath and Kerb assets range from a high level of confidence through to low, and where a low condition of confidence is highlighted, professional judgement is the overriding factor in determining condition.

Footpath, Kerb & Shoulder condition all require revalidating through the condition assessment process and is included in the improvement plan in section 8.

5.2 Operations and Maintenance Plan

Operations include regular activities to provide services. Examples of typical operational activities include cleaning, street sweeping, asset inspection, and utility costs.

Maintenance includes all actions necessary for retaining an asset as near as practicable to an appropriate service condition including regular ongoing day-to-day work necessary to keep assets operating. Examples of typical maintenance activities include pipe repairs, asphalt patching, and equipment repairs.

The trend in maintenance budgets are shown in Table 5.2.1.

Table 5.2.1: Maintenance Budget Trends

Year	Maintenance Budget $
19/20 Financial Year	$2,547,000
20/21 Financial Year	$2,592,460
21/22 Financial Year	$2,766,716

Maintenance budget levels are considered adequate to meet projected service levels, which may be less than or equal to current service levels. Where maintenance budget allocations are such that they will result in a lesser level of service, the service consequences and service risks have been identified and are highlighted in this AM Plan and service risks considered in the Infrastructure Risk Management Plan.

Assessment and priority of reactive maintenance is undertaken by staff using experience and judgement.

Asset hierarchy

An asset hierarchy provides a framework for structuring data in an information system to assist in collection of data, reporting information and making decisions. The hierarchy includes the asset class and component used for asset planning and financial reporting and service level hierarchy used for service planning and delivery.

The service hierarchy is shown is Table 5.2.2.

Table 5.2.2: Asset Service Hierarchy

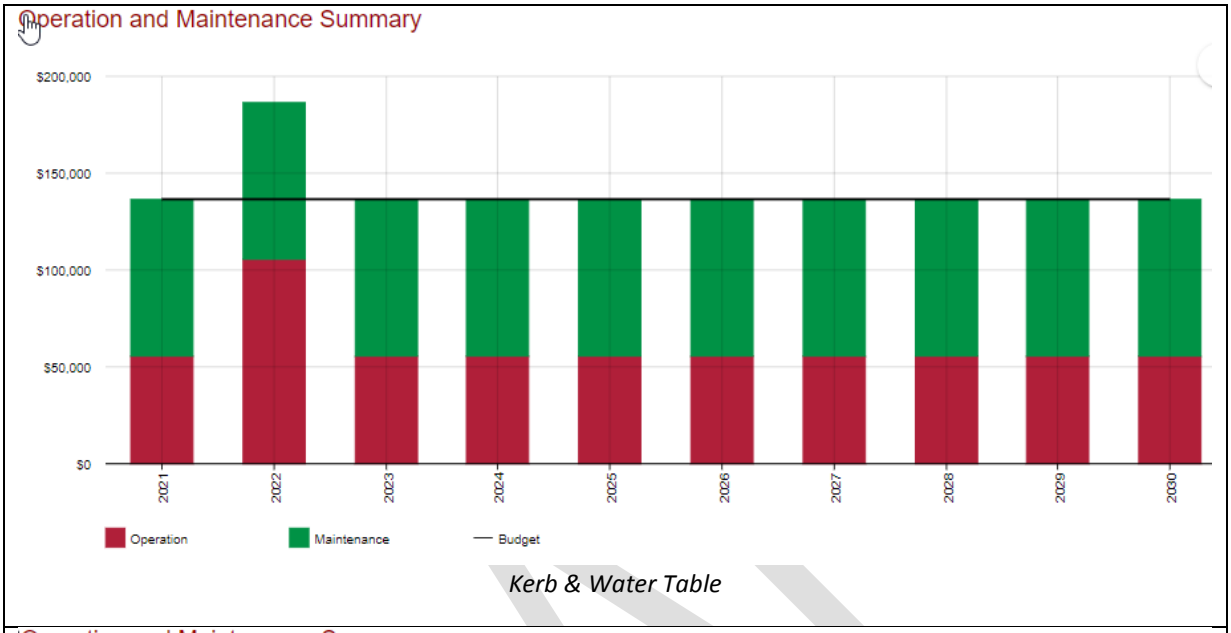
Service Hierarchy		Service Level Objective
Road Seal/Pavement/Unsealed	Urban Distributor	Urban Distributor Roads are roads that link suburbs, towns or areas that provide a direct link through a town or area or act as a bypass route around a town or urban area.
	Urban Collector	Urban Collector roads collect traffic from suburban areas and channel traffic directly to town centres or major points of activity. They may also link suburbs or towns directly to distributor roads. Urban Collector roads are appropriate

		for heavy vehicle traffic but B-Double and heavy transport movements are generally restricted.
	Urban Local	Urban Local roads carry low traffic volumes and provide access with in an urban area or town and should not be thoroughfares and should be designed with traffic calming features to discourage through traffic and high speed traffic.
	Rural Distributor	Rural Distributors are roads that directly link rural areas and/or towns. They are bitumen sealed and carry large medium to volumes of traffic and are designed as freight routes.
	Rural Collector	Rural Collector roads collect traffic from rural areas and channel traffic to rural towns or to Rural Distributor roads. Rural Collector roads are suitable for heavy vehicles and farm machinery and are generally bitumen sealed but may be unsealed.
	Rural Local	Rural Local roads have low traffic volumes and link rural properties and areas to Rural Distributor and Rural Collector roads. Rural Local roads are generally unsealed and require a regular grading or maintenance program, unsealed roads policy derives the criteria for upgrading these to seal.
Footpath	Priority Zone 1	Highly trafficked footpaths, such as the Central Business Districts
	Priority Zone 2	Footpaths with medium levels of pedestrian traffic and/or those that are located near vulnerable users, such as: • Aged care centres • Senior citizen centres • Schools • Car parks • Doctors surgeries
	Priority Zone 3	Footpaths in local access streets
	Priority Zone 4	Footpaths with low levels of pedestrian traffic in cul-de-sacs
	Priority Zone 5	Unformed, minimal access or inaccessible/unfeasible location for installation
Kerb & Watertable	Linked to Road Hierarchy	
Shoulders	Linked to Road Hierarchy	

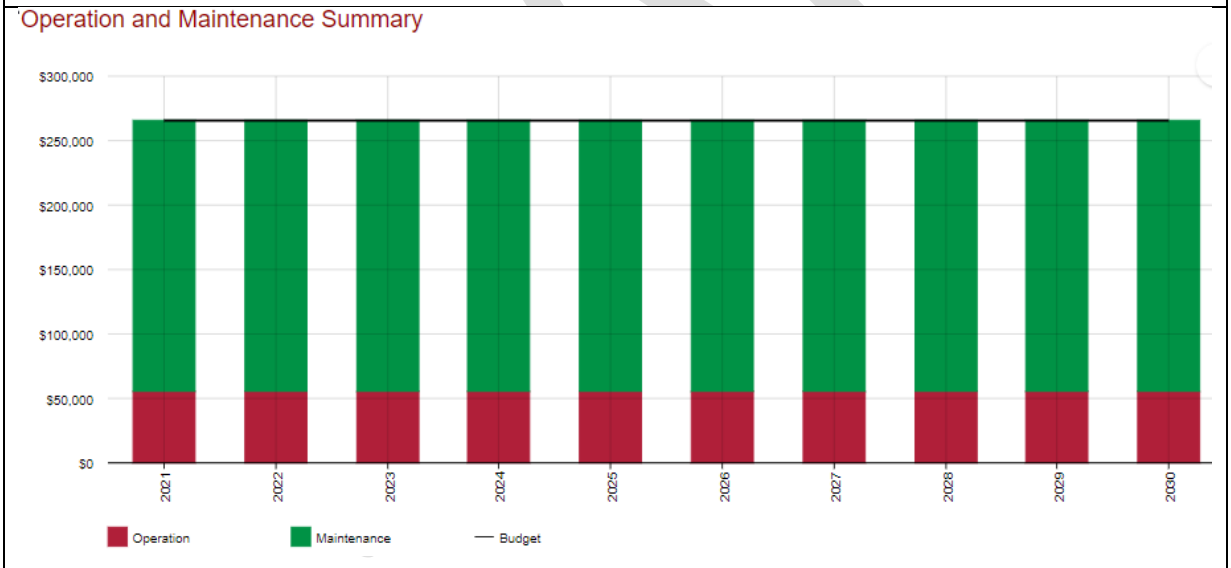
Summary of forecast operations and maintenance costs

Forecast operations and maintenance costs are expected to vary in relation to the total value of the asset stock. If additional assets are acquired, the future operations and maintenance costs are forecast to increase. If assets are disposed of the forecast operation and maintenance costs are expected to decrease. Figure 5.2 shows the forecast operations and maintenance costs relative to the proposed operations and maintenance planned budget.

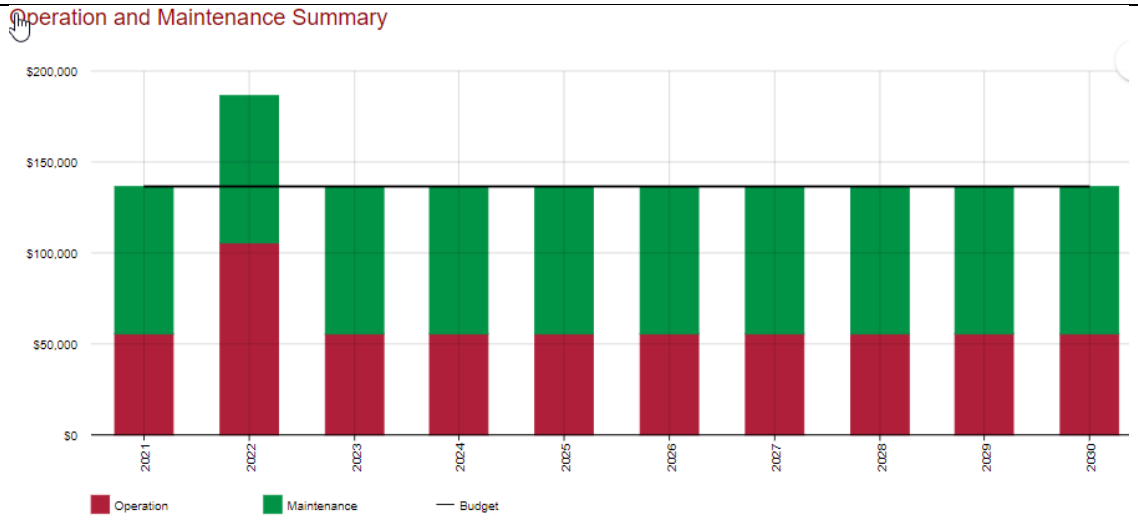
Figure 5.2: Operations and Maintenance Summary



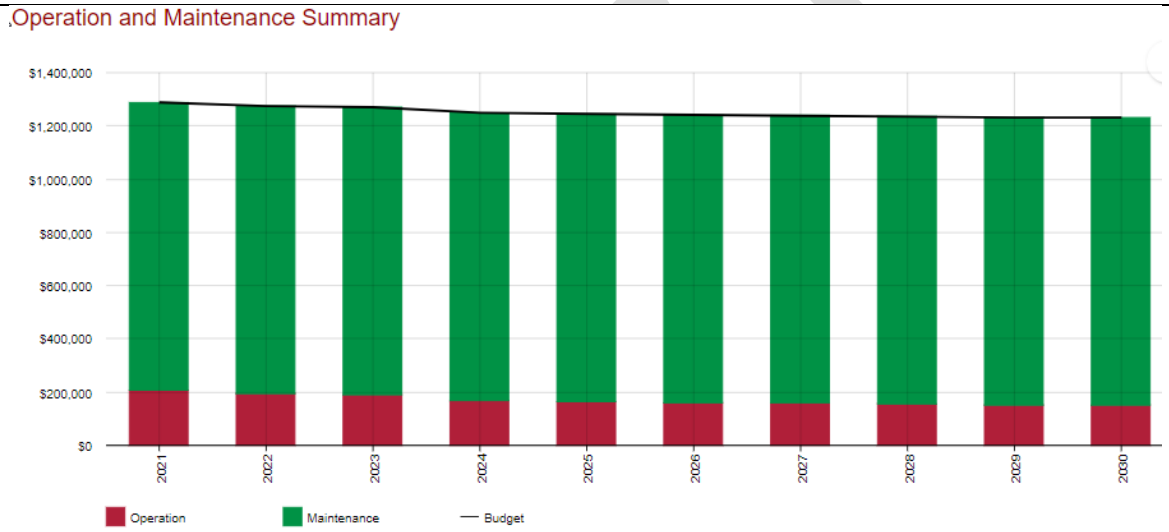
Kerb & Water Table



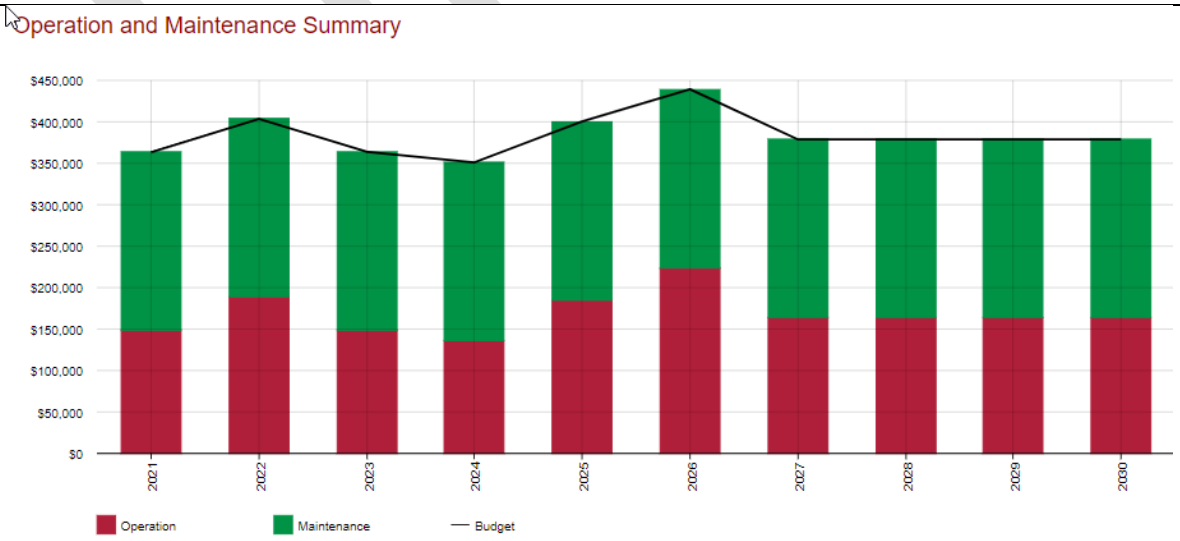
Shoulders



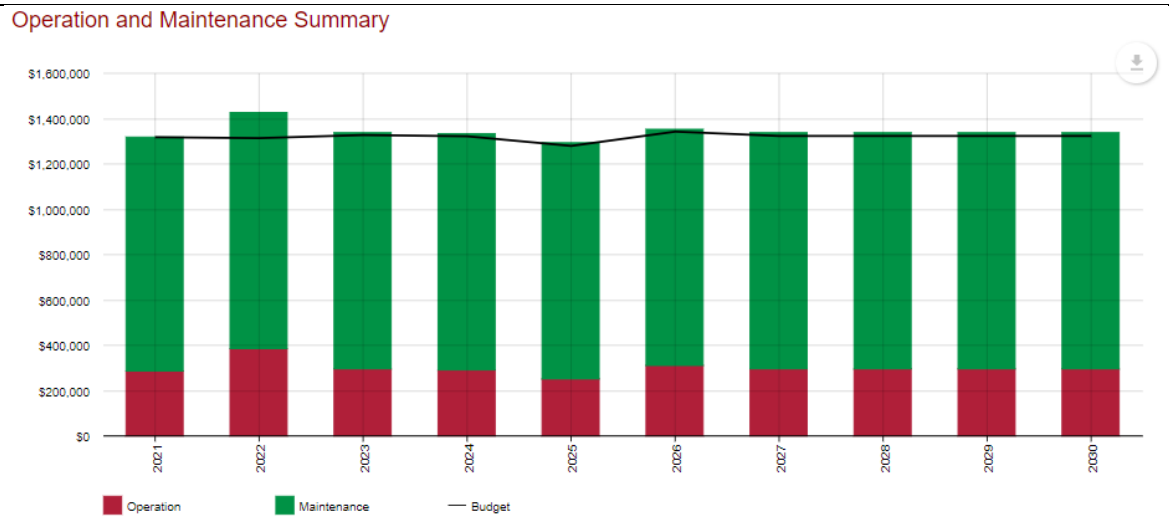
Footpaths



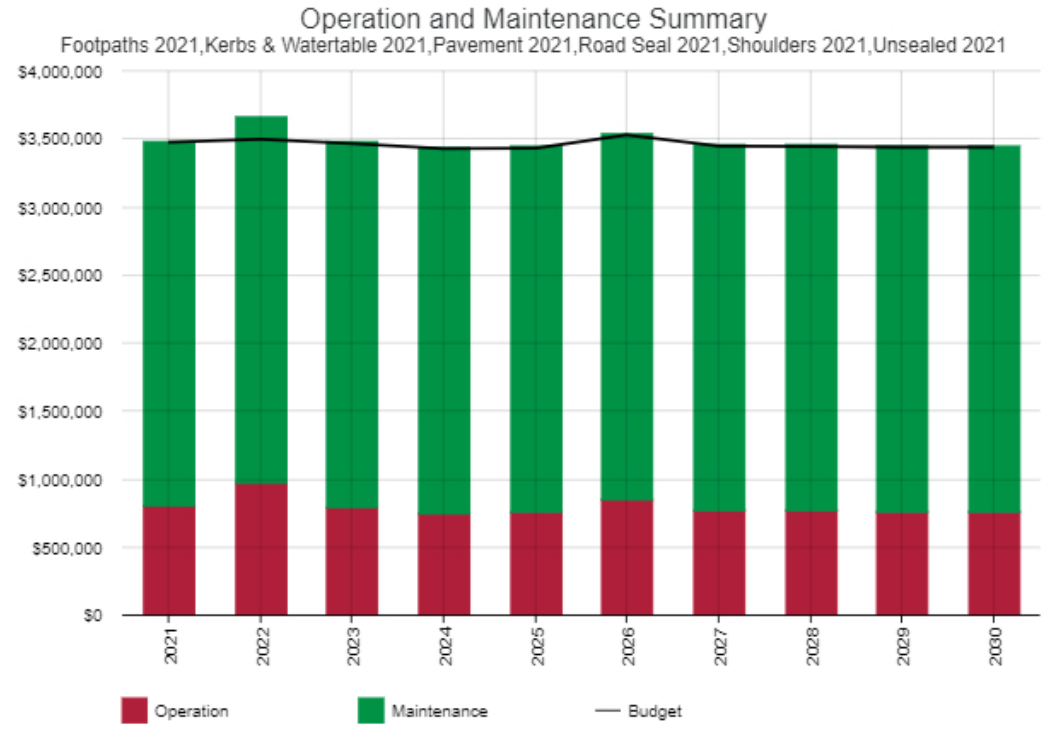
Unsealed



Pavement



Seal



All Roads, Footpath and Kerb Assets

All figure values are shown in current (real) dollars.

Increased maintenance is expected across the seal, pavement and footpath networks in areas already identified.

Unsealed road maintenance increase is expected whilst a reduction in renewal is also planned.

5.3 Renewal Plan

Renewal is major capital work which does not significantly alter the original service provided by the asset, but restores, rehabilitates, replaces or renews an existing asset to its original service potential. Work over and

above restoring an asset to original service potential is considered to be an acquisition resulting in additional future operations and maintenance costs.

Assets requiring renewal are identified from one of two approaches in the Lifecycle Model.

- The first method uses Asset Register data to project the renewal costs (current replacement cost) and renewal timing (acquisition year plus updated useful life to determine the renewal year), or
- The second method uses an alternative approach to estimate the timing and cost of forecast renewal work (i.e. condition modelling system, staff judgement, average network renewals, or other).

The typical useful lives of assets used to develop projected asset renewal forecasts are shown in Table 5.3. Asset useful lives were last reviewed on February 2019

Table 5.3: Useful Lives of Assets

Asset (Sub)Category		Useful life	
Road Seal	Distributor - Spray Seal	20	$10.36 m2
	Local Collector – Spray Seal	20	$7.03
	Distributor – Asphalt	30	$28.61
	Local Collector – Asphalt	30	$15.89 m2
	Pavers	50	$15.89 m2
	Concrete	60	$15.89 m2
Road Pavement	Pavement Base Local	95	$27.24 m2
	Pavement Base Collector	80	$27.24 m2
	Pavement Base Distributor	80	$27.90 m2
	Pavement Sub-Base Local	170	$14.01 m2
	Pavement Sub-Base Collector	160	$21.01 m2
	Pavement Sub-Base Distributor	160	$38.52 m2
Unsealed Road	Rural/Urban	20	$11.68 m2
Footpath	Brick Paved	50	$124.14 m2
	Asphalt	30	$89.40 m2
	Concrete	60	$125.21 m2
	Rubble	50	$19.84 m2
	Pram Ramps	60	$1250 each
Kerb & Water Table	Upright Kerb	80	$195.00 m2
	Semi Mountable	80	$150.10 m2
	Mountable - Stone Inlay	80	$251.38 m2
Shoulders	Distributor, Collector & Local	95	$31.00 m2

The estimates for renewals in this asset management plan were based on the asset register or an alternate Method.

5.3.1 Renewal ranking criteria

Asset renewal is typically undertaken to either:

- Ensure the reliability of the existing infrastructure to deliver the service it was constructed to facilitate (e.g. replacing a bridge that has a 5 t load limit), or
- To ensure the infrastructure is of sufficient quality to meet the service requirements (e.g. condition of a playground).[5]

It is possible to prioritise renewals by identifying assets or asset groups that:

- Have a high consequence of failure,
- Have high use and subsequent impact on users would be significant,
- Have higher than expected operational or maintenance costs, and
- Have potential to reduce life cycle costs by replacement with a modern equivalent asset that would provide the equivalent service.[6]

The ranking criteria used to determine priority of identified renewal proposals is detailed in Table 5.3.1.

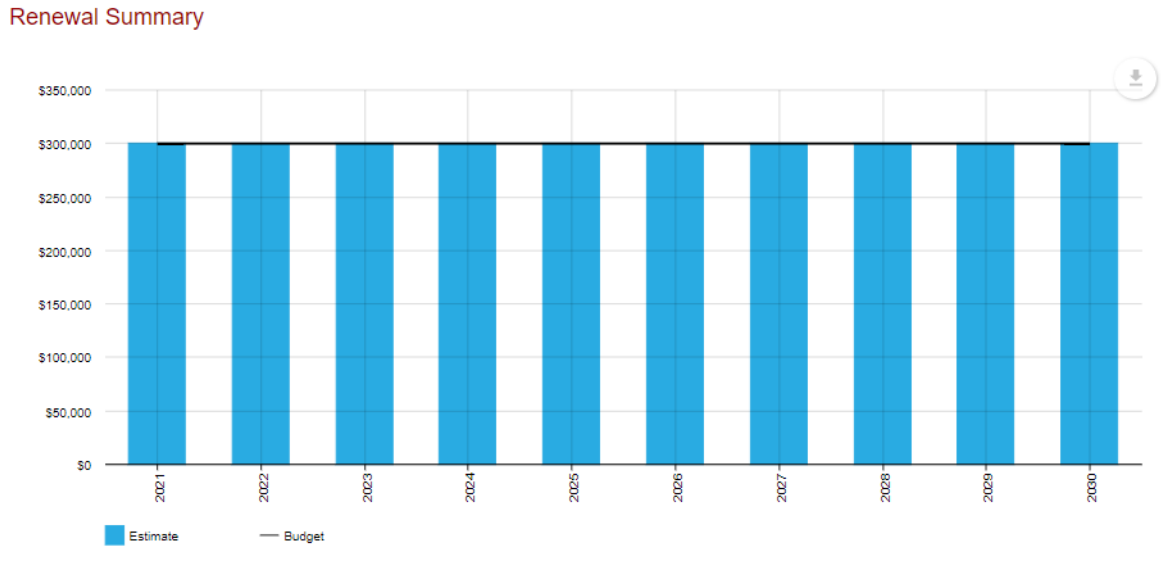
Table 5.3.1: Renewal Priority Ranking Criteria

This is to be review through the improvement plan

5.4 Summary of future renewal costs

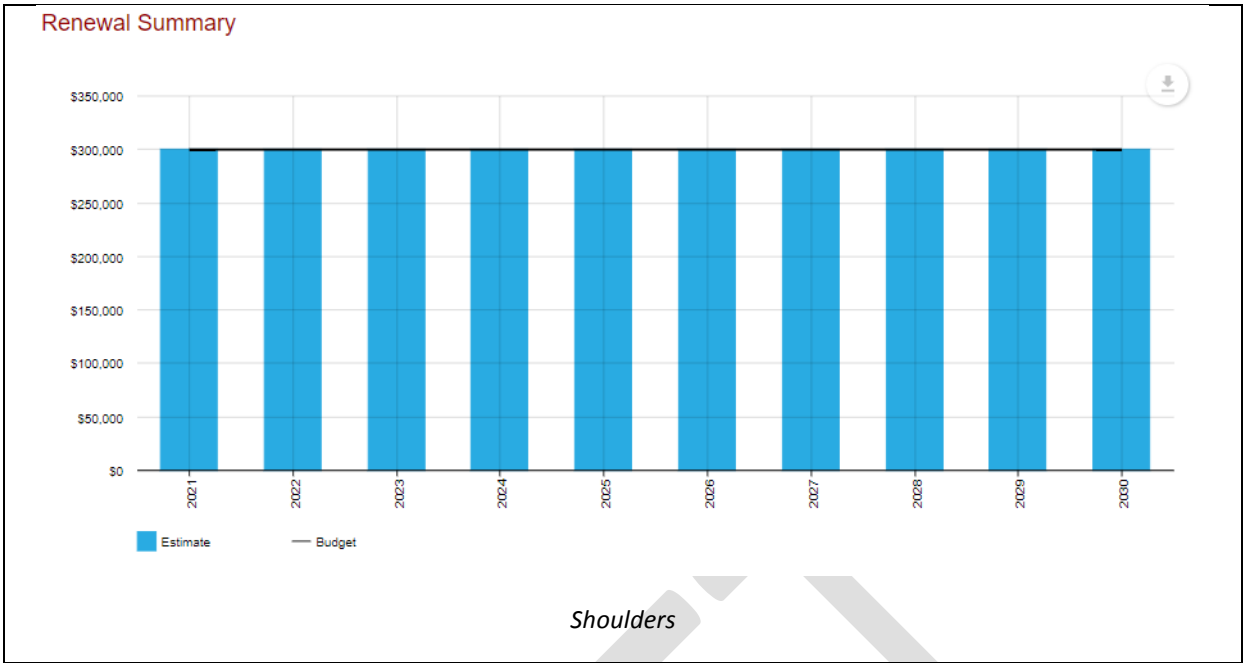
Forecast renewal costs are projected to increase over time if the asset stock increases. The forecast costs associated with renewals are shown relative to the proposed renewal budget in Figure 5.3.2. A detailed summary of the forecast renewal costs is shown in Appendix A.

Figure 5.3.2: Forecast Renewal Costs

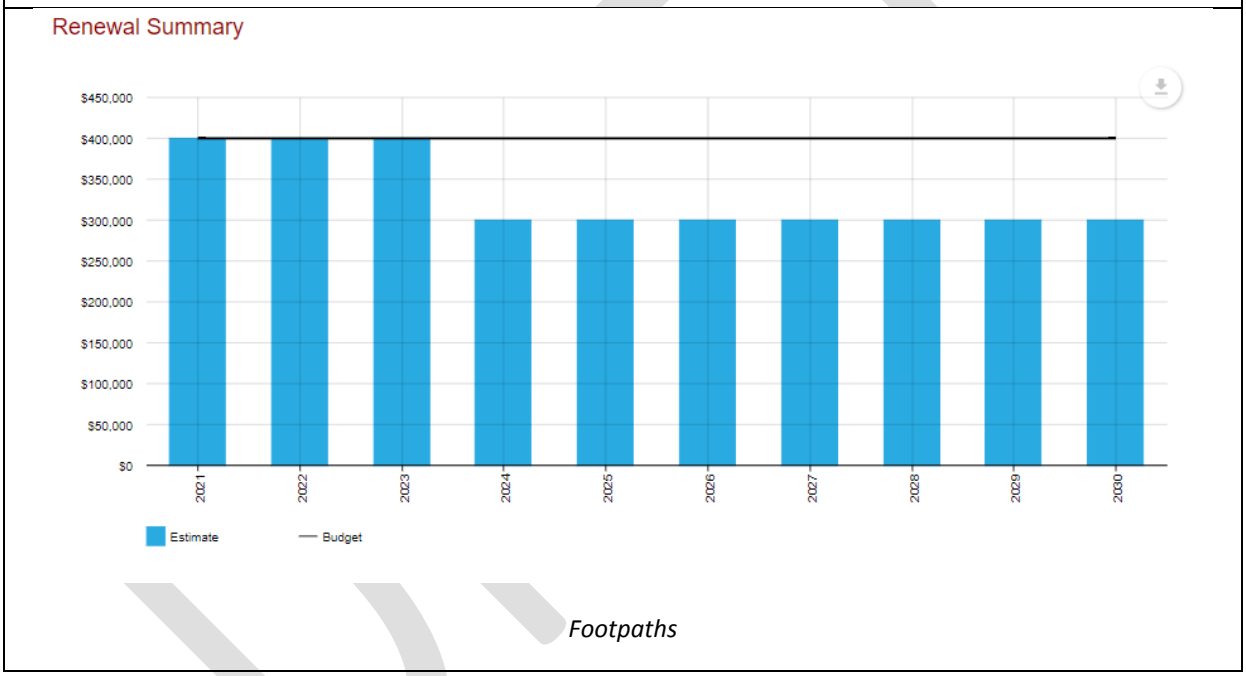


Kerb & Water Table

[5] IPWEA, 2015, IIMM, Sec 3.4.4, p 3|91.
[6] Based on IPWEA, 2015, IIMM, Sec 3.4.5, p 3|97.

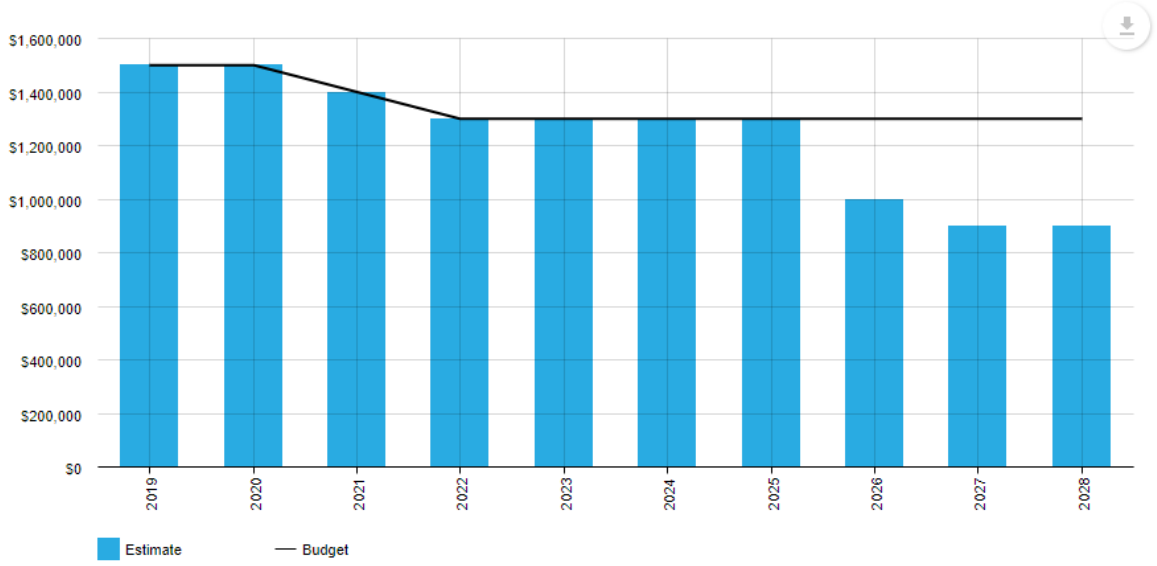


Shoulders



Footpaths

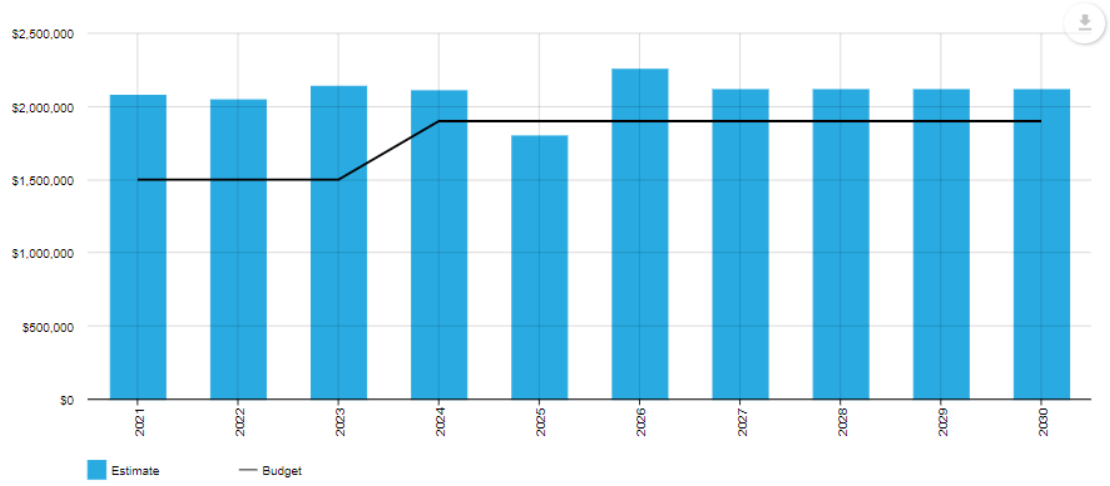
Renewal Summary



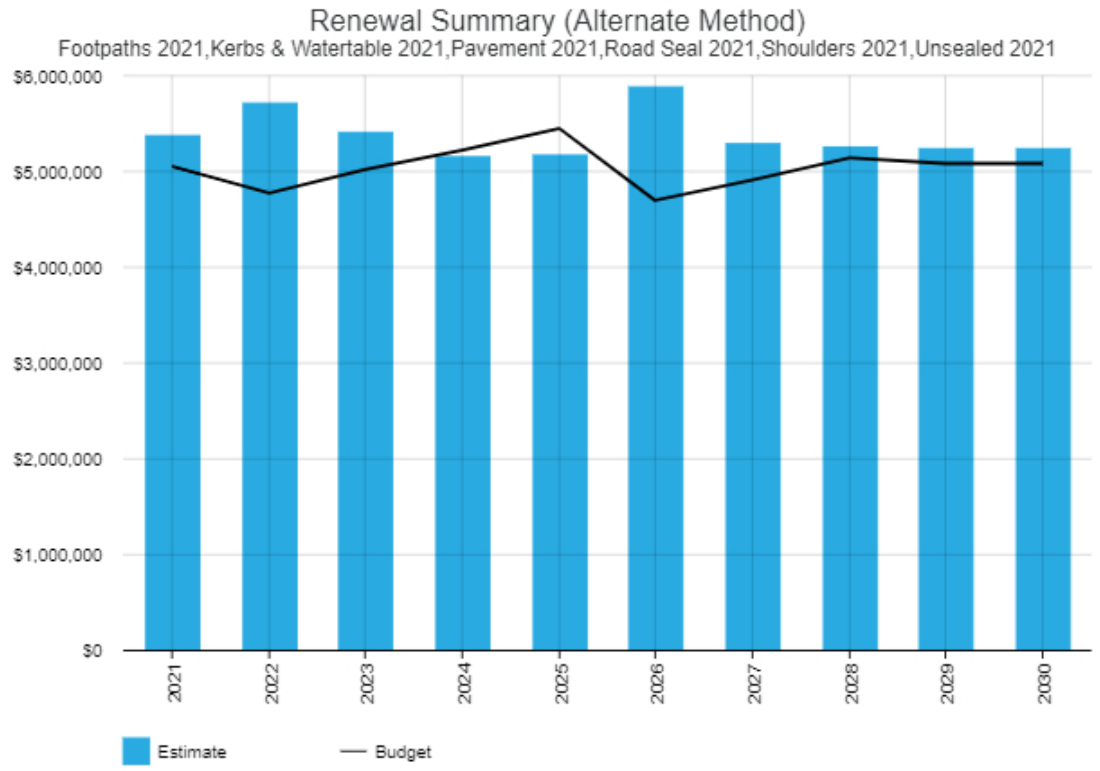
Unsealed

Pavement

Renewal Summary



Seal



All Roads, Footpath and Kerb Assets

All figure values are shown in current (real) dollars.

Notes:

Kerb & Water Table – Renewals likely to change based on condition assessment being undertaken and amalgamation of assets within existing database – new renewal model after 2020

Shoulders – Reduction in shoulder capital renewal and a move to a maintenance based approach is reviewed

Unsealed Roads – Reduction in renewals over time to increase the focus on patrol grading to extend the life of existing assets and promote best practice across network.

Seal – Forecast likely to change from 2021/22 when road condition assessment is undertaken to provide new renewal strategy. Currently shows overfunding but underfunded existing for portions of the network across spray seal and aging seal.

Add discussion about the forecast renewal costs compared to the proposed renewal budget. Comment on any apparent trends and highlight significant projects.

Pavement - Significant work has been undertaken to strengthen the parity between the pavement and seal in terms of aligning the preparation work required prior to sealing being funded from the pavement budget which in term reduces the overall cost of the unit rate of the seal work being undertaken, but also provides planning opportunities to target failed pavement prior to reseal.

There are recognised sections of pavement reconstruction across the network including Tiers Road (Lenswood), Longwood Road (Heathfield), Pfeiffer Road (Woodside), Carey Gully Road (Mt George) and Sturt Valley Road (Stirling). The approach to these sections is to deliver the work over numerous years to place minimal impact on the budget.

5.5 Acquisition Plan

Acquisition reflects are new assets that did not previously exist or works which will upgrade or improve an existing asset beyond its existing capacity. They may result from growth, demand, social or environmental needs. Assets may also be donated to the Adelaide Hills Council.

5.5.1 Selection criteria

Proposed upgrade of existing assets, and new assets, are identified from various sources such as community requests, proposals identified by strategic plans or partnerships with others. Potential upgrade and new works should be reviewed to verify that they are essential to the Entities needs. Proposed upgrade and new work analysis should also include the development of a preliminary renewal estimate to ensure that the services are sustainable over the longer term. Verified proposals can then be ranked by priority and available funds and scheduled in future works programmes. The priority ranking criteria is detailed in Table 5.4.1.

Table 5.4.1: Acquired Assets Priority Ranking Criteria

This table to be updated

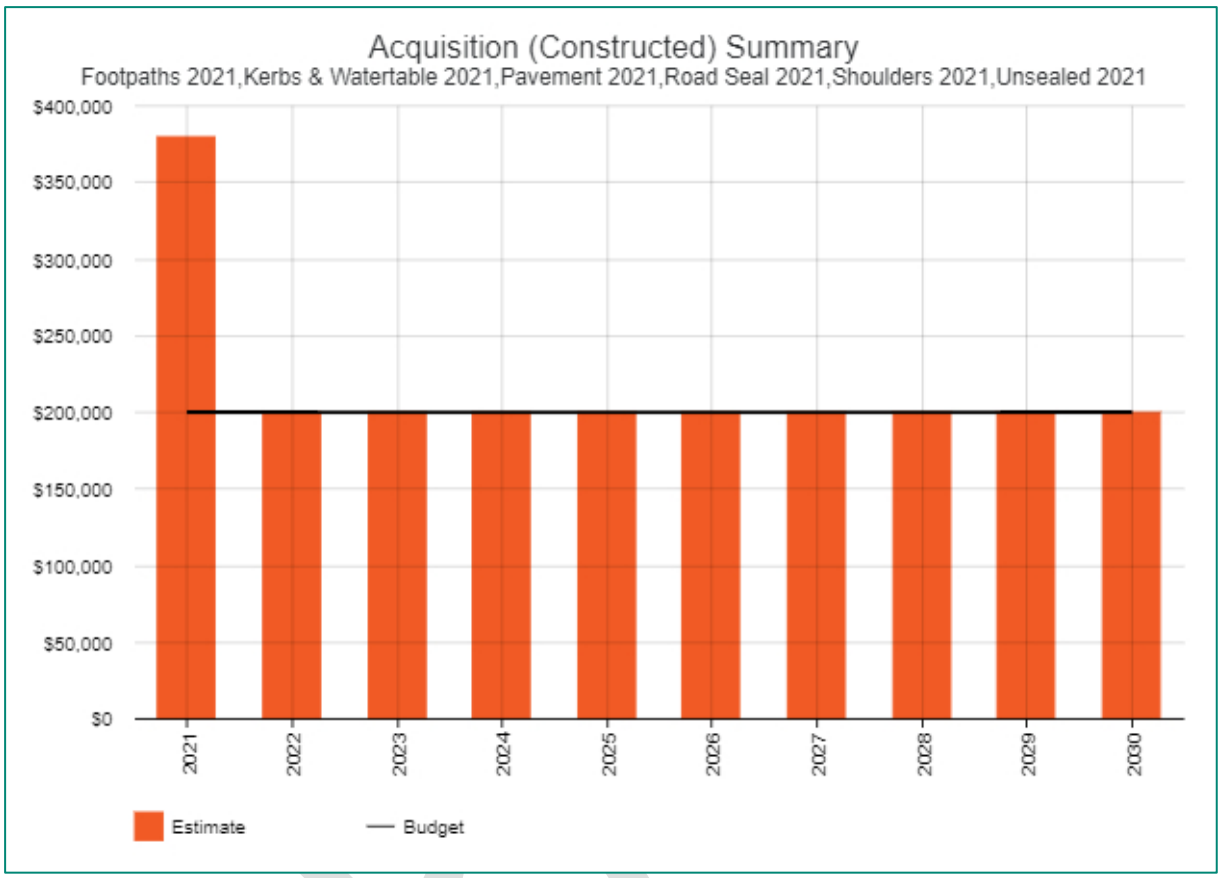
Criteria	Weighting
[Enter ranking criteria]	[Enter ranking weighting (%)]
[Enter ranking criteria]	[Enter ranking weighting (%)]
[Enter ranking criteria]	[Enter ranking weighting (%)]
[Enter ranking criteria]	[Enter ranking weighting (%)]
Total	**100%**

The Priority Ranking Criteria has been added to the improvement plan in section 8.

Summary of future asset acquisition costs

Forecast acquisition asset costs are summarised / summarised in Figure 5.4.1 and shown relative to the proposed acquisition budget. The forecast acquisition capital works program is shown in Appendix B.

Figure 5.4.1: Acquisition (Constructed) Summary



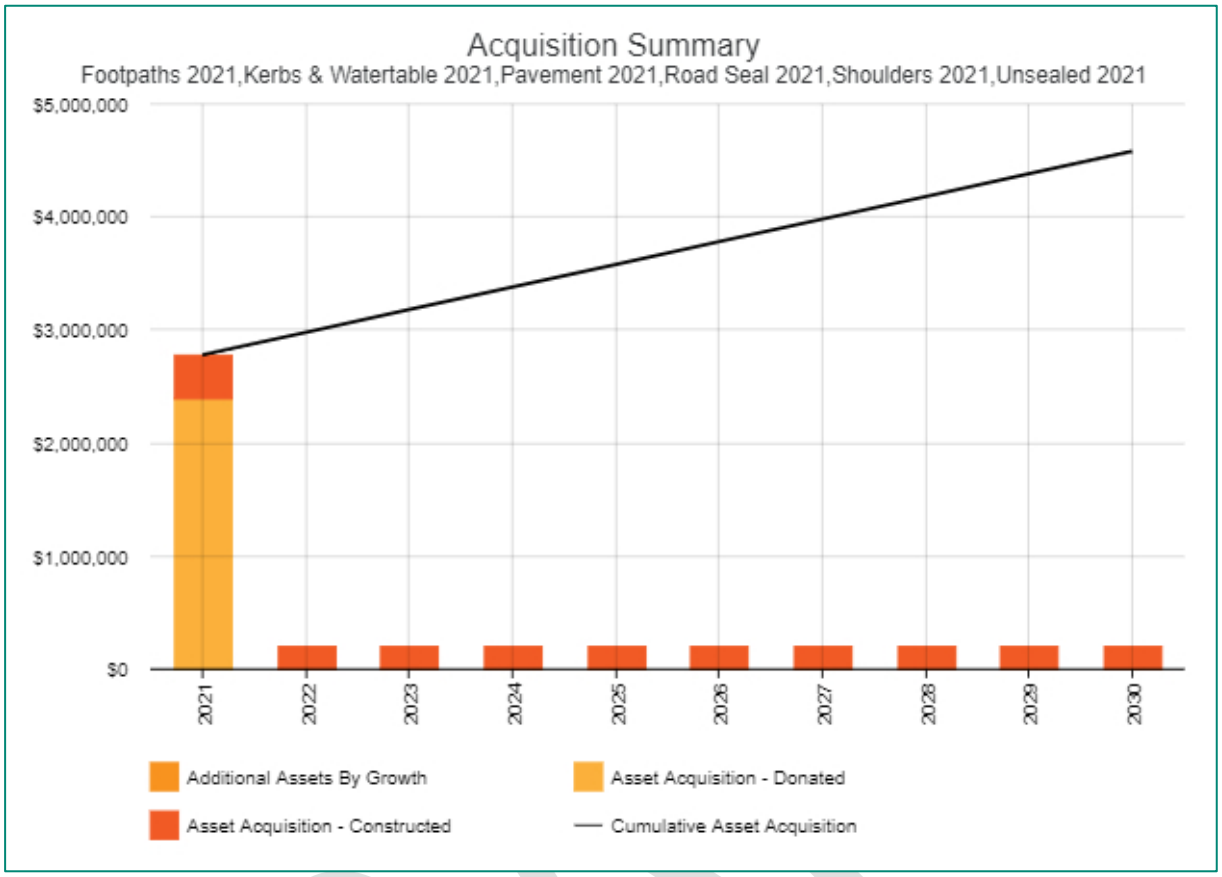
All Roads, Footpath and Kerb Assets (2020 increase – New Footpath Initiatives, Woodforde Estate and The Crest at Inverbrackie

Inverbrackie, an old army base within the Adelaide Hills Council will be gifted to the Council in 2020 and comes with a significant existing asset base consisting pavement, seal, kerb and water table, stormwater and footpath assets that will be added to the register once values are established and ownership is transferred and these assets will be included in forth coming revalations.

All figure values are shown in current (real) dollars.

When an Adelaide Hills Council commits to new assets, they must be prepared to fund future operations, maintenance and renewal costs. They must also account for future depreciation when reviewing long term sustainability. When reviewing the long-term impacts of asset acquisition, it is useful to consider the cumulative value of the acquired assets being taken on by the Entity. The cumulative value of all acquisition work, including assets that are constructed and contributed shown in Figure 5.4.2.

Figure 5.4.2: Acquisition Summary



All Roads, Footpath and Kerb Assets

All figure values are shown in current (real) dollars.

Expenditure on new assets and services in the capital works program will be accommodated in the long term financial plan, but only to the extent that there is available funding.

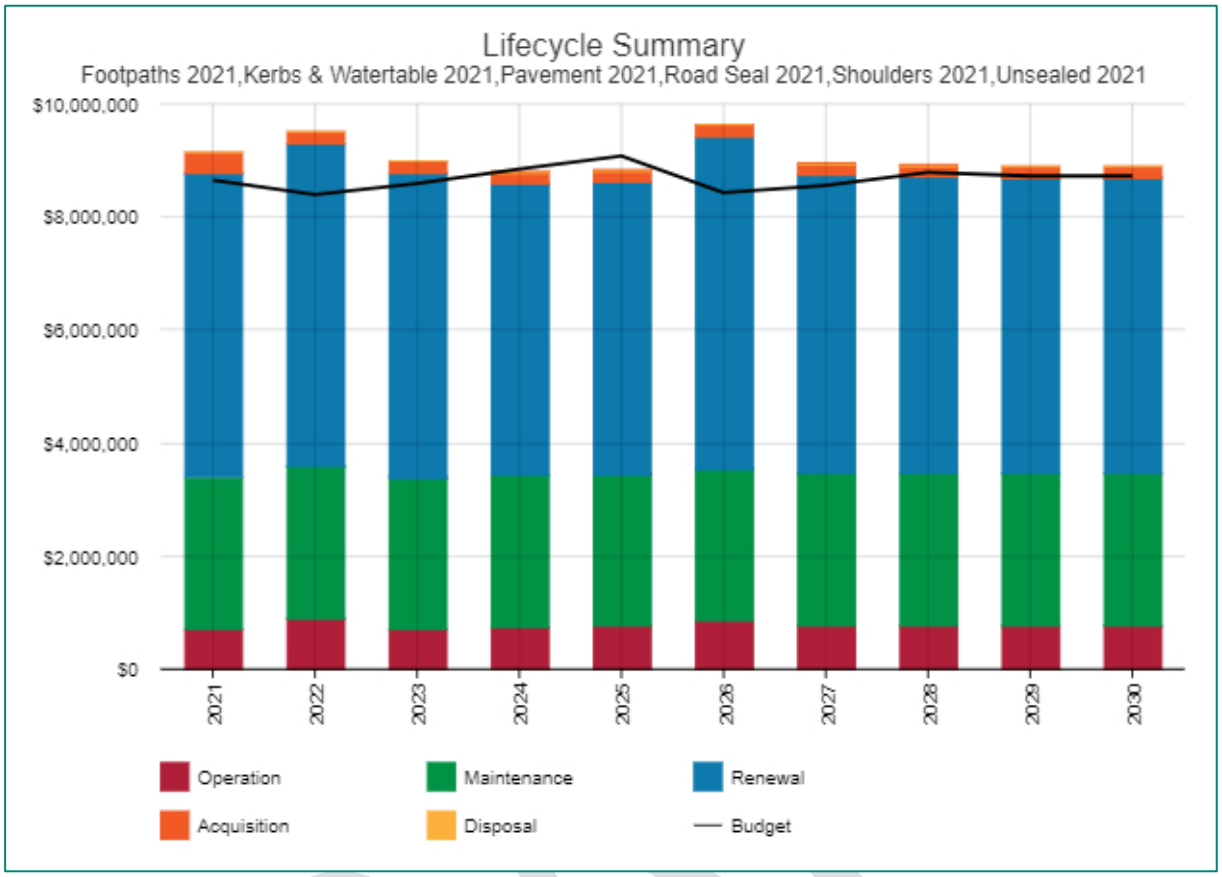
Council currently has committed to new assets in high priority areas across its footpath network. There are minimal upgrades or new assets planned across the other asset classes as its key focus is on renewal.

Summary of asset forecast costs

The financial projections from this asset plan are shown in Figure 5.4.3. These projections include forecast costs for acquisition, operation, maintenance, renewal, and disposal. These forecast costs are shown relative to the proposed budget.

The bars in the graphs represent the forecast costs needed to minimise the life cycle costs associated with the service provision. The proposed budget line indicates the estimate of available funding. The gap between the forecast work and the proposed budget is the basis of the discussion on achieving balance between costs, levels of service and risk to achieve the best value outcome.

Figure 5.4.3: Lifecycle Summary



All Roads, Footpath and Kerb Assets

5.6 Disposal Plan

Disposal includes any activity associated with the disposal of a decommissioned asset including sale, demolition or relocation. Assets identified for possible decommissioning and disposal are shown in Table 5.6. A summary of the disposal costs and estimated reductions in annual operations and maintenance of disposing of the assets are also outlined in Table 5.6. Any costs or revenue gained from asset disposals is included in the long term financial plan.

Table 5.6: Assets Identified for Disposal

Asset	Reason for Disposal	Timing	Disposal Costs	Operations & Maintenance Annual Savings
No Assets Identified				

6.0 RISK MANAGEMENT PLANNING

The purpose of infrastructure risk management is to document the findings and recommendations resulting from the periodic identification, assessment and treatment of risks associated with providing services from infrastructure, using the fundamentals of International Standard ISO 31000:2018 Risk management – Principles and guidelines.

Risk Management is defined in ISO 31000:2018 as: 'coordinated activities to direct and control with regard to risk'[7].

An assessment of risks[8] associated with service delivery will identify risks that will result in loss or reduction in service, personal injury, environmental impacts, a 'financial shock', reputational impacts, or other consequences. The risk assessment process identifies credible risks, the likelihood of the risk event occurring, and the consequences should the event occur. The risk assessment should also include the development of a risk rating, evaluation of the risks and development of a risk treatment plan for those risks that are deemed to be non-acceptable.

6.1 Critical Assets

Critical assets are defined as those which have a high consequence of failure causing significant loss or reduction of service. Critical assets have been identified and along with their typical failure mode, and the impact on service delivery, are summarised in Table 6.1. Failure modes may include physical failure, collapse or essential service interruption.

Table 6.1 Critical Assets

Critical Asset(s)	Failure Mode	Impact
Beyond useful life asphalt footpaths in high pedestrian areas or high risk areas	Degradation through age to the extent that they pose a potential danger to the walking public	Maintenance inspections to proactively identify risks and defects. Patching where required to provide a safe surface
Distributor roads	'Sudden' failure of pavement base within condition assessment periods resulting in unplanned budget allocation/and/or reduce access to locations within the hills with lengthy detours	Regular inspection of distributor roads within condition assessment periods.

By identifying critical assets and failure modes an organisation can ensure that investigative activities, condition inspection programs, maintenance and capital expenditure plans are targeted at critical assets.

6.2 Risk Assessment

The risk management process used is shown in Figure 6.2 below.

It is an analysis and problem-solving technique designed to provide a logical process for the selection of treatment plans and management actions to protect the community against unacceptable risks.

The process is based on the fundamentals of International Standard ISO 31000:2018.

[7] ISO 31000:2009, p 2
[8] REPLACE with Reference to the Corporate or Infrastructure Risk Management Plan as the footnote

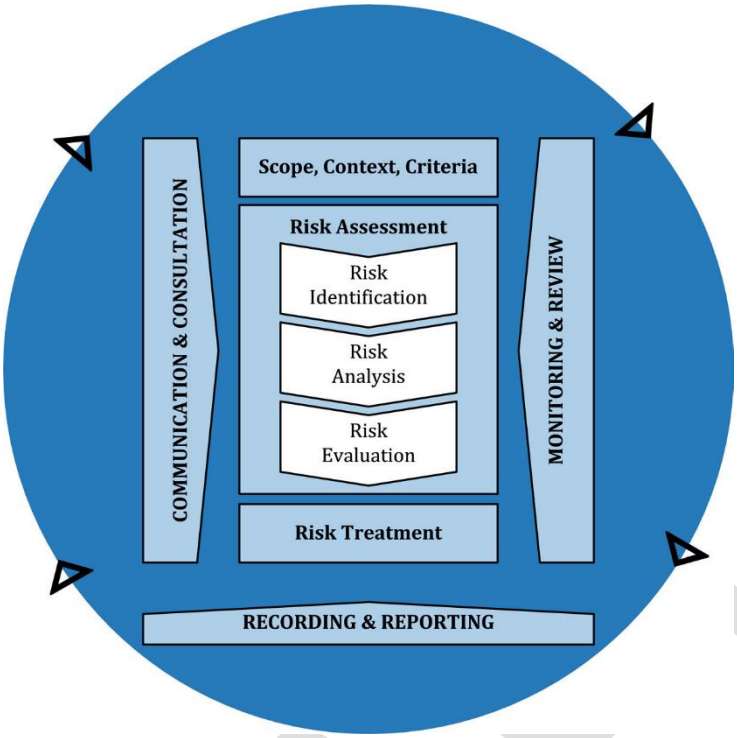


Fig 6.2 Risk Management Process – Abridged
Source: ISO 31000:2018, Figure 1, p9

The risk assessment process identifies credible risks, the likelihood of the risk event occurring, the consequences should the event occur, development of a risk rating, evaluation of the risk and development of a risk treatment plan for non-acceptable risks.

An assessment of risks[9] associated with service delivery will identify risks that will result in loss or reduction in service, personal injury, environmental impacts, a 'financial shock', reputational impacts, or other consequences.

Critical risks are those assessed with 'Very High' (requiring immediate corrective action) and 'High' (requiring corrective action) risk ratings identified in the Infrastructure Risk Management Plan. The residual risk and treatment costs of implementing the selected treatment plan is shown in Table 6.2. It is essential that these critical risks and costs are reported to management and the Elected Members

[9] REPLACE with Reference to the Corporate or Infrastructure Risk Management Plan as the footnote

Table 6.2: Risks and Treatment Plans

Note * The residual risk is the risk remaining after the selected risk treatment plan is implemented.

Service or Asset at Risk	What can Happen	Risk Rating (VH, H)	Risk Treatment Plan	Residual Risk *	Treatment Costs
Sealed Network	Defect or Failures not identified before intervention	High	Undertake Planned Audits or High Speed Data Acquisition	Medium	$100,000
Transportation	Major Bushfire	High	Bushfire Action Plan	Medium	$50,000
Shoulders/Unsealed	Significant Storm Event	High	System Config. to capture defects, cost and claim	Low	$20,000
Climate Change Impacts	Asset Lives Reduced	Medium	Produce plan on predicted impacts on Transport Assets	Medium	$20,000

6.3 Infrastructure Resilience Approach

The resilience of our critical infrastructure is vital to the ongoing provision of services to customers. To adapt to changing conditions we need to understand our capacity to 'withstand a given level of stress or demand', 1 and to respond to possible disruptions to ensure continuity of service.

Resilience is built on aspects such as response and recovery planning, financial capacity, climate change and crisis leadership.

Our current measure of resilience is shown in Table 6.3 which includes the type of threats and hazards and the current measures that the organisation takes to ensure service delivery resilience.

Table 6.3: Resilience

We do not currently measure our resilience in service delivery. This will be included in future iterations of the asset management plan.

6.4 Service and Risk Trade-Offs

The decisions made in adopting this AM Plan are based on the objective to achieve the optimum benefits from the available resources.

6.4.1 What we cannot do

There are some operations and maintenance activities and capital projects that are unable to be undertaken within the next 10 years. These include:

- Provide sealed footpaths to all areas of the network – increase in spending to deliver service to a minimum of Priority 3 upgrades exceeds $3.2 million.
- Current budget does not meet renewal requirements for footpath renewals

- Fund all pavement renewals at the current funding level, so a targeted approach at known defect locations will be employed.

6.4.2 Service trade-off

If there is forecast work (operations, maintenance, renewal, acquisition or disposal) that cannot be undertaken due to available resources, then this will result in service consequences for users. These service consequences include:

- Perceived reduction in service for footpaths where Council has not funded new or upgraded footpath service
- Reduced service across footpath network
- Underfunded pavement renewals will reduce service, rideability, ponding and increased cost to the business in the long term.

6.4.3 Risk trade-off

The operations and maintenance activities and capital projects that cannot be undertaken may sustain or create risk consequences. These risk consequences include:

- Increase in footpath complaints and or injury
- Pavement failures increase to public safety

These actions and expenditures are considered and included in the forecast costs, and where developed, the Risk Management Plan.

7.0 FINANCIAL SUMMARY

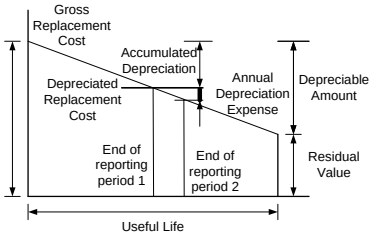
This section contains the financial requirements resulting from the information presented in the previous sections of this asset management plan. The financial projections will be improved as the discussion on desired levels of service and asset performance matures.

7.1 Financial Statements and Projections

7.1.1 Asset valuations

The best available estimate of the value of assets included in this Asset Management Plan are shown below. The assets are valued at fair value.

Current (Gross) Replacement Cost	$ 287,188,128
Depreciable Amount	$ 287,188,128
Depreciated Replacement Cost[10]	$ 173,105,312
Depreciation	$ 4,836,729



7.1.2 Sustainability of service delivery

There are two key indicators of sustainable service delivery that are considered in the asset management plan for this service area. The two indicators are the:

- asset renewal funding ratio (proposed renewal budget for the next 10 years / forecast renewal costs for next 10 years), and
- medium term forecast costs/proposed budget (over 10 years of the planning period).

Asset Renewal Funding Ratio

Asset Renewal Funding Ratio[11] 105.78%

The Asset Renewal Funding Ratio is an important indicator and illustrates that over the next 10 years we expect to have 105.78% of the funds required for the optimal renewal of assets.

The forecast renewal work along with the proposed renewal budget, and the cumulative shortfall, is illustrated in Appendix D.

Medium term – 10 year financial planning period

This asset management plan identifies the forecast operations, maintenance and renewal costs required to provide an agreed level of service to the community over a 10 year period. This provides input into 10 year financial and funding plans aimed at providing the required services in a sustainable manner.

This forecast work can be compared to the proposed budget over the 10 year period to identify any funding shortfall.

The forecast operations, maintenance and renewal costs over the 10 year planning period is $8,691,740 on average per year.

The proposed (budget) operations, maintenance and renewal funding is $8,497,524 on average per year giving a 10 year funding excess of $194,216per year. This indicates that 0% (to be updated) of the forecast costs needed to provide the services documented in this asset management plan are accommodated in the proposed budget. This excludes acquired assets.

Providing sustainable services from infrastructure requires the management of service levels, risks, forecast costs and financing to achieve a financial indicator of approximately 1.0 for the first years of the asset management plan and ideally over the 10-year life of the Long Term Financial Plan.

[10] Also reported as Written Down Value, Carrying or Net Book Value.
[11] AIFMM, 2015, Version 1.0, Financial Sustainability Indicator 3, Sec 2.6, p 9.

7.1.3 Forecast costs for long term financial plan

Table 7.1.3 shows the forecast costs for the 10 year long term financial plan.

Forecast costs are shown in 2019 real values.

Table 7.1.3: Forecast Costs for Long Term Financial Plan

Year	Forecast Acquisition	Forecast Operation	Forecast Maintenance	Forecast Renewal	Forecast Disposal
2021	$ 380,000	$ 717,942	$ 2,678,000	$ 5,376,000	$ -
2022	$ 200,000	$ 894,084	$ 2,688,239	$ 5,718,193	$ -
2023	$ 200,000	$ 695,808	$ 2,688,239	$ 5,403,417	$ -
2024	$ 200,000	$ 751,595	$ 2,688,239	$ 5,146,056	$ -
2025	$ 200,000	$ 754,361	$ 2,688,239	$ 5,171,296	$ -
2026	$ 200,000	$ 853,631	$ 2,688,239	$ 5,877,126	$ -
2027	$ 200,000	$ 770,481	$ 2,688,239	$ 5,280,532	$ -
2028	$ 200,000	$ 767,004	$ 2,688,239	$ 5,255,500	$ -
2029	$ 200,000	$ 763,604	$ 2,688,239	$ 5,231,020	$ -
2030	$ 200,000	$ 763,604	$ 2,688,239	$ 5,231,020	$ -

7.2 Funding Strategy

The proposed funding for assets is outlined in the Entity's budget and long term financial plan.

The financial strategy of the entity determines how funding will be provided, whereas the asset management plan communicates how and when this will be spent, along with the service and risk consequences of various service alternatives.

7.3 Valuation Forecasts

Asset values are forecast to increase as additional assets are added to the network

Additional assets will generally add to the operations and maintenance needs in the longer term. Additional assets will also require additional costs due to future renewals. Any additional assets will also add to future depreciation forecasts.

Increase in valuations will be due to acquisition for Woodforde Estate and potentially Inverbrackie. Further increase in valuations will be incurred as the footpath and kerb networks are condition assessed and revalued.

7.4 Key Assumptions Made in Financial Forecasts

In compiling this asset management plan, it was necessary to make some assumptions. This section details the key assumptions made in the development of this AM plan and should provide readers with an understanding of the level of confidence in the data behind the financial forecasts.

Key assumptions made in this asset management plan are:

- Renewal forecasts have been made by professional judgement, condition assessments & existing datasets
- No % uplift has been included for maintenance, operations or renewal over the long term forecast.
- Current day dollars

7.5 Forecast Reliability and Confidence

The forecast costs, proposed budgets, and valuation projections in this AM Plan are based on the best available data. For effective asset and financial management, it is critical that the information is current and accurate. Data confidence is classified on a A - E level scale[12] in accordance with Table 7.5.1.

Table 7.5.1: Data Confidence Grading System

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

The estimated confidence level for and reliability of data used in this AM Plan is shown in Table 6.5.1.

Table 7.5.1: Data Confidence Assessment for Data used in AM Plan

Data	Confidence Assessment	Comment
Demand drivers	C	Professional Judgement
Growth projections	B	Strategic Plan
Acquisition forecast	B	Minimal assets recognised as being acquired (known subdivisions, excluded DPTI targets)
Operation forecast	B	Included in the long term financial plan
Maintenance forecast	C	Included in the long term financial plan, targeted approach to capturing maintenance information
Renewal forecast - Asset values	B-C	Professional Judgement
- Asset useful lives	B	Professional Judgement
- Condition modelling	C	Professional Judgement
Disposal forecast	B	Included in the long term financial plan

The estimated confidence level for and reliability of data used in this AM Plan is considered to be Medium-Low

[12] IPWEA, 2015, IIMM, Table 2.4.6, p 2|71.

8.0 PLAN IMPROVEMENT AND MONITORING

8.1 Status of Asset Management Practices[13]

8.1.1 Accounting and financial data sources

This asset management plan utilises accounting and financial data. The source of the data is Finesse Financial Suite

8.1.2 Asset management data sources

This asset management plan also utilises asset management data. The source of the data is Confirm Asset Management System

8.2 Improvement Plan

It is important that an entity recognise areas of their asset management plan and planning process that require future improvements to ensure effective asset management and informed decision making. The improvement plan generated from this asset management plan is shown in Table 8.2.

Table 8.2: Improvement Plan

Task	Task	Responsibility	Resources Required	Timeline
1	Redevelop footpath hierarchy model to include new drivers within existing network	Sustainable Assets	Sustainable Assets/Infrastructure Operations	2020/21
2	Seal – Review Hierarchy	Sustainable Assets/Infrastructure Operations		2021/22
3	Unsealed – Review Hierarchy	Sustainable Assets/Infrastructure Operations	Sustainable Assets/Infrastructure Operations	2020/21
4	Undertake Customer Satisfaction Surveys across asset classes	Sustainable Assets/Communications	Internal	2020/21
5	Undertake Condition Assessments – Seal & Pavement	Sustainable Assets	External	2021/22
7	Undertake Condition Assessments - Kerb & Footpath – Migrate Ramps from Kerbs to Footpaths	Sustainable Assets	Internal	2020/21
8	Maintenance Guidelines – Roads, Kerb & Footpath	Sustainable Assets/Infrastructure Operations	Internal	2021/22
9	New Assets Priority Ranking Criteria	Sustainable Assets	Internal	2022/23
10	Shoulder and Pavement Data Cleanse and Migrate Shoulders into Pavement and revalue	Sustainable Assets	Internal	2022/23
11	Intervention Analysis & Predictive Modelling	Sustainable Assets	Internal/External	2023/24
12	Undertake review of re-sheeting, patrol grading and shoulder strategies across the network to improve efficiencies within the existing constraints.	Sustainable Assets/Infrastructure Operations	Internal	2022/23

[13] ISO 55000 Refers to this the Asset Management System

13	Capture relevant maintenance data across asset classes to understand where, when, how and how much we spend on assets	Sustainable Assets/Infrastructure Operations	Internal	2022/23

8.3 Monitoring and Review Procedures

This asset management plan will be reviewed during the annual budget planning process and revised to show any material changes in service levels, risks, forecast costs and proposed budgets as a result of budget decisions.

The AM Plan will be reviewed and updated annually to ensure it represents the current service level, asset values, forecast operations, maintenance, renewals, upgrade/new and asset disposal costs and proposed budgets. These forecast costs and proposed budget are incorporated into the long-term financial plan or will be incorporated into the long-term financial plan once completed.

The AM Plan has a maximum life of 4 years and is due for complete revision and updating 1 year within a Council Election.

The effectiveness of this asset management plan can be measured in the following ways:

- The degree to which the required forecast costs identified in this asset management plan are incorporated into the long term financial plan,
- The degree to which the 1-5 year detailed works programs, budgets, business plans and corporate structures take into account the 'global' works program trends provided by the asset management plan,
- The degree to which the existing and projected service levels and service consequences, risks and residual risks are incorporated into the Strategic Plan and associated plans,
- The Asset Renewal Funding Ratio achieving the Organisational target (this target is often 1.0).

9.0 REFERENCES

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- IPWEA, 2008, 'NAMS.PLUS Asset Management', Institute of Public Works Engineering Australasia, Sydney, www.ipwea.org/namsplus.
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- Adelaide Hills Annual Business Plan – 2019 & 2020
- Adelaide Hills District Master Plan – 2015
- Albert Street Gumeracha Main Street Masterplan 2019

10.0 APPENDICES

Appendix A Acquisition Forecast

Acquisition forecast includes contributed assets from Woodforde estate and newly constructed footpath program.

Table A1 - Acquisition Forecast Summary

Year	Constructed	Contributed	Growth
2021	$ 380,000	$ 2,400,185	$ -
2022	$ 200,000	$ -	$ -
2023	$ 200,000	$ -	$ -
2024	$ 200,000	$ -	$ -
2025	$ 200,000	$ -	$ -
2026	$ 200,000	$ -	$ -
2027	$ 200,000	$ -	$ -
2028	$ 200,000	$ -	$ -
2029	$ 200,000	$ -	$ -
2030	$ 200,000	$ -	$ -

Appendix B Operation Forecast

Planned audits including road seal/pavement, kerb & water table and footpaths

Table B1 - Operation Forecast Summary

Year	Operation Forecast	Additional Operation Forecast	Total Operation Forecast
2021	$ 797,393	$ -	$ 797,393
2022	$ 969,507	$ -	$ 969,507
2023	$ 789,054	$ -	$ 789,054
2024	$ 749,702	$ -	$ 749,702
2025	$ 753,242	$ -	$ 753,242
2026	$ 851,295	$ -	$ 851,295
2027	$ 768,393	$ -	$ 768,393
2028	$ 764,916	$ -	$ 764,916
2029	$ 761,516	$ -	$ 761,516
2030	$ 761,516	$ -	$ 761,516

Appendix C Maintenance Forecast

Table C1 - Maintenance Forecast Summary

Year	Maintenance Forecast	Additional Maintenance Forecast	Total Maintenance Forecast
2021	$ 2,678,000	$ 10,239	$ 2,678,000
2022	$ 2,688,239	$ -	$ 2,688,239
2023	$ 2,688,239	$ -	$ 2,688,239
2024	$ 2,688,239	$ -	$ 2,688,239
2025	$ 2,688,239	$ -	$ 2,688,239
2026	$ 2,688,239	$ -	$ 2,688,239
2027	$ 2,688,239	$ -	$ 2,688,239
2028	$ 2,688,239	$ -	$ 2,688,239
2029	$ 2,688,239	$ -	$ 2,688,239
2030	$ 2,688,239	$ -	$ 2,688,239

Appendix D Renewal Forecast Summary

Table D1 - Renewal Forecast Summary

Year	Renewal Forecast	Renewal Budget
2021	$ 5,376,000	$ 5,054,000
2022	$ 5,718,193	$ 4,775,000
2023	$ 5,403,417	$ 5,022,000
2024	$ 5,146,056	$ 5,221,000
2025	$ 5,171,296	$ 5,449,000
2026	$ 5,877,126	$ 4,698,000
2027	$ 5,280,532	$ 4,913,000
2028	$ 5,255,500	$ 5,141,000
2029	$ 5,231,020	$ 5,084,000
2030	$ 5,231,020	$ 5,084,000

Appendix E Disposal Summary

Table E1 – Disposal Activity Summary

Year	Disposal Forecast	Disposal Budget
2021	$ -	$ -
2022	$ -	$ -
2023	$ -	$ -
2024	$ -	$ -
2025	$ -	$ -
2026	$ -	$ -
2027	$ -	$ -
2028	$ -	$ -
2029	$ -	$ -
2030	$ -	$ -

Appendix F Budget Summary by Lifecycle Activity

Table F1 – Budget Summary by Lifecycle Activity

Year	Acquisition	Operation	Maintenance	Renewal	Disposal	Total
2021	$ 200,000	$ 797,393	$ 2,678,000	$ 5,054,000		$ 8,729,393
2022	$ 200,000	$ 819,507	$ 2,678,000	$ 4,775,000		$ 8,472,507
2023	$ 200,000	$ 789,054	$ 2,678,000	$ 5,022,000		$ 8,689,054
2024	$ 200,000	$ 749,702	$ 2,678,000	$ 5,221,000		$ 8,848,702
2025	$ 200,000	$ 753,242	$ 2,678,000	$ 5,449,000		$ 9,080,242
2026	$ 200,000	$ 851,295	$ 2,678,000	$ 4,698,000		$ 8,427,295
2027	$ 200,000	$ 768,393	$ 2,678,000	$ 4,913,000		$ 8,559,393
2028	$ 200,000	$ 764,916	$ 2,678,000	$ 5,141,000		$ 8,783,916
2029	$ 200,000	$ 761,516	$ 2,678,000	$ 5,084,000		$ 8,723,516
2030	$ 200,000	$ 761,516	$ 2,678,000	$ 5,084,000		$ 8,723,516

Appendix 2

Asset Management Policy

Adelaide Hills
COUNCIL

Council Policy

Asset Management

COUNCIL POLICY

Adelaide Hills COUNCIL	**ASSET MANAGEMENT**

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

ASSET MANAGEMENT POLICY

1. INTRODUCTION

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

2. OBJECTIVES

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

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

3. DEFINITIONS

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

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

4. POLICY STATEMENT

Background

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

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

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

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

A strategic approach to asset management will ensure that the Council delivers the highest appropriate level of service through its assets. This will provide positive impact on;

- Members of the public and staff;
- Council's financial position;
- The ability of Council to deliver the expected level of service and infrastructure;
- The political environment in which Council operates; and
- The legal liabilities of Council.

Principles

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

Responsibility

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

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

5. DELEGATION

The Chief Executive Officer has the delegation to:

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

6. AVAILABILITY OF THE POLICY

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

Appendix 3

AHC Infrastructure Valuation Review Report (TechnologyOne)

ASSET MANAGEMENT AND VALUATION REVIEW

technologyone
Transforming business, making life simple

Prepared by Jeff Roorda BE (Hons) CPEng.

January 2019

Table of Contents

List of Figures

List of Tables

1. Recommendations

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

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

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

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

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

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

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

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

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

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

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

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

- Low risk assets such as kerb can have very long lives and renewal can then align with pavement renewal. Footpaths can be managed by partial renewal until a complete block renewal of road, kerb, stormwater and path is warranted. The increasing cost of disposal of old infrastructure makes it essential to explore a combination of partial renewal strategies and lower overall levels of service, resulting in substantially longer lives for infrastructure.
- Depreciation for long life building asset are likely to be materially overstated and this is shown in section 6 of the report.

4. Data Alignment

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

5. Communication Strategy

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

2. Introduction

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

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

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

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

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

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

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

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

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

3. Review of Key Input Assumptions

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

Roads

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

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

Table 1: Road Hierarchy and Assumed Pavement Depth

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

Source: Unit Rates AHC First Principles Rates July 2018_V5

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

Table 2: Road Hierarchy Proportions

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

Source: Confirm Prod Revaluation 2019

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

Table 3: Road Hierarchy Unit Cost

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

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

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

Stormwater

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

Table 4: Stormwater Conduit Unit Cost

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

Source: Confirm Prod Revaluation 2019

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

Kerb and Paths

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

4. Aligning Depreciation Inputs with Actual Current Practice

Roads

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

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

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

- pavement be separated into the base and sub base and sub base is not depreciable for lightly trafficked pavements.
- If no sub base exists, then there should be no value or depreciation.
- Kerb and path should align with a base renewal generation to reduce the unit cost and duplication of work associated with renewing base, kerb and path independently. Risk can be managed by partial renewal to extend life of kerb and path where needed.

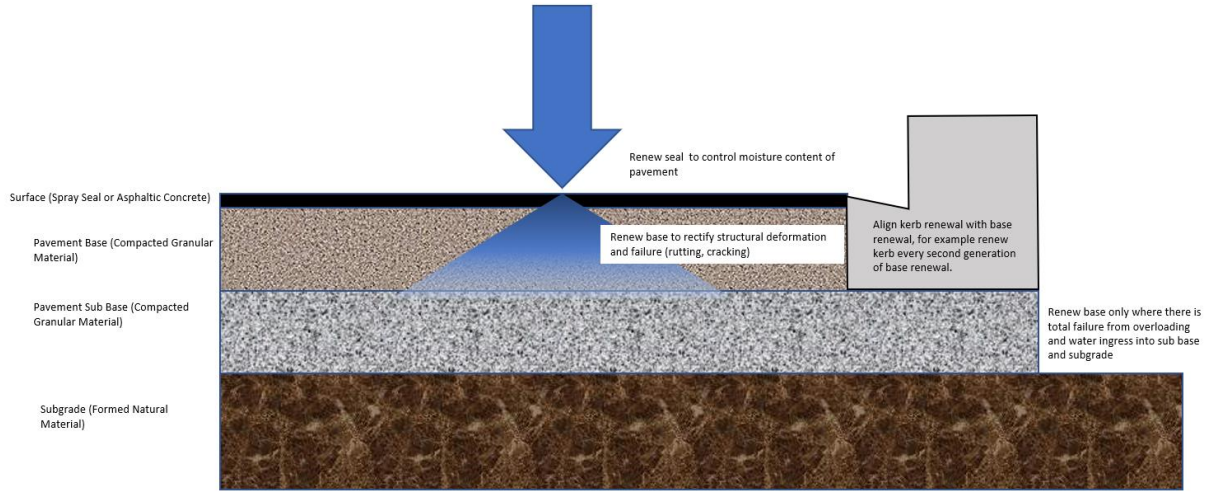

Figure 1: Road Pavement Renewal for Light Traffic Pavements (sub base is never renewed)

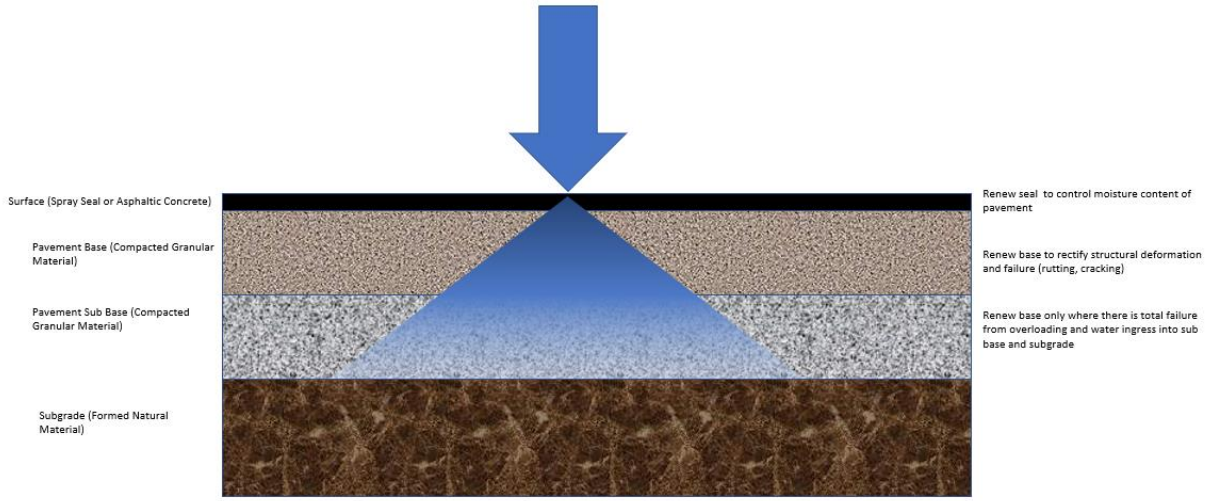

Figure 2: Road Pavement Renewal for Heavy Traffic

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

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

Buildings

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

Kerb, Paths and Stormwater

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

5. Aligning Renewal Strategy with Optimised Life Cycle Cost

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

Road Pavement and Shoulders

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

Paths

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

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

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

Table 5: Path Life Cycle Cost (Capital)

AC Footpath - Useful Life = 30 years

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

Source: Unit Rates AHC First Principles Rates July 2018_V5

Table 6: Road Hierarchy Unit Cost

Concrete Footpath - Useful Life = 100 years with partial renewal

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

Source: Unit Rates AHC First Principles Rates July 2018_V5

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

Kerb

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

6. An Evidence Based Approach to Useful Life

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

Roads

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

Buildings

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

Figure 3 shows that the evidence based useful life for sub structure and structure ranges from 80- 240 years.

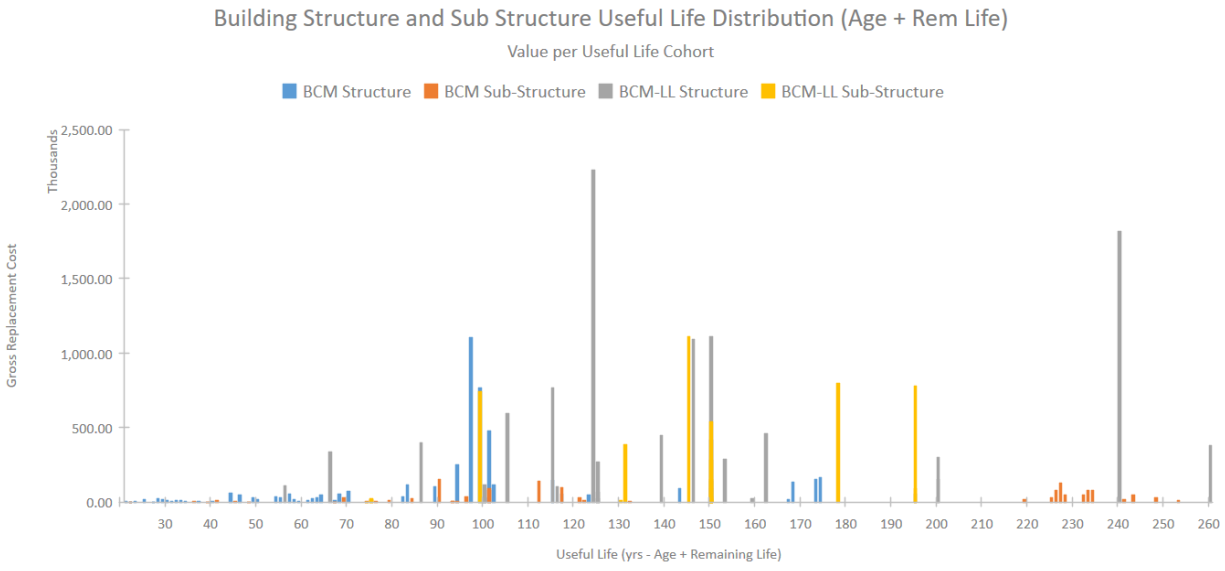

Figure 3: Review Useful Lives based on Age + Actual Remaining Life

Source: Confirm Prod Revaluation 2019

Stormwater Drainage

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

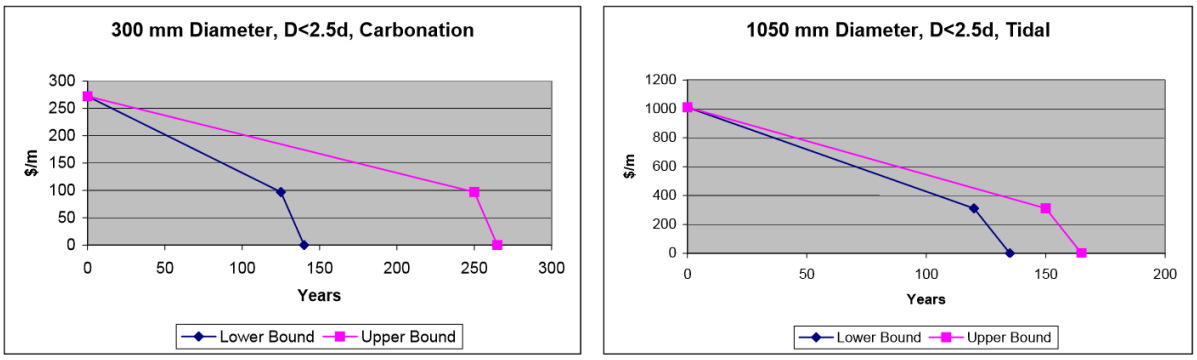

Figure 4: Study Showing Life of Concrete Stormwater Pipes

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

7. Confidence Levels of Inputs

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

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

[5]

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

8. Asset Management System

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

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

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

- Continue to strengthen its strategic asset management capacity;
- Identifies infrastructure future scenarios and report on a consistent basis the condition, function, and capacity of such assets;
- Maintain and implement life cycle asset management plans tied to an affordable service delivery model;
- Effectively engage with its customers on affordable levels of service and optimum treatment strategies such as reseal roads before any failure is evident; and
- Provide adequate funding to plan for, maintain and renew what are in effect the community's greatest financial assets with highest potential risk.

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

Single asset register

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

Predict lifecycle costs

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

Maintain and Predict level of service

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

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

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

Asset network level analysis

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

9. Opportunities for Improvement

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

Section 1 shows the recommendations.

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

Appendix 2 shows a draft improvement plan and indicative resources.

10. Appendix 1 – High Level Review of Revaluation Inputs

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

11. Appendix 2 – Improvement Plan

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

12. References

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

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

Appendix 4

Summary of Road Sealed Surface and Pavement Review Process

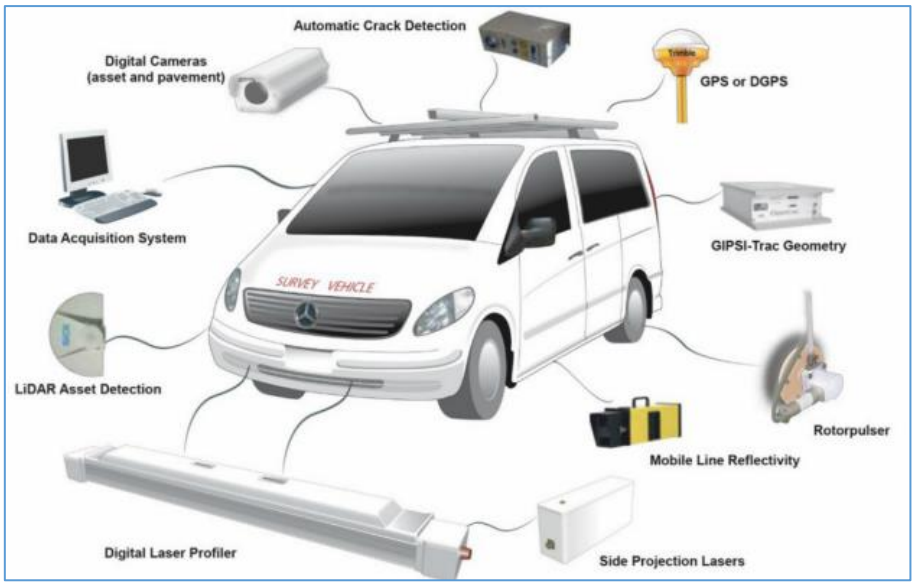
Pavement and Seal Review Process

Introduction

The Adelaide Hills Council has approximately 608 kms of sealed road network within the district that is valued in total at about $ 196m. The sealed surface component is about $ 36m and the road pavement the remaining $ 160m. The pavement component provides the structure for the seal or surface (bitumen, hotmix, sprayseal, the black stuff). The seal surface protects the road pavement, it is a water proof membrane that has a key function no to allow water to get into the road pavement.

In 2015 the Australian Road Research Board (ARRB) undertook an audit of councils seal and pavement network utilising the a specialised vehicle that captures over 30 metrics of information on the condition of the road seal every 10metres to help derive the condition of the road and pavement at that point on the ground and at that point in time. This information is weighted, scaled and scored to provide an overall picture of the section of road that is used for maintenance, planning and renewal forecasts.

Whilst the data is a number of years old this information has been tested and used for the pavement modelling as the deterioration rate of pavement is relatively slow as a very long lived asset. This data can still provide staff with indicators and targeting of areas for intersection. Certainly most of the sections from the 2015 audit that showed the most significant distress have been part of the full pavement renewal and reconstruction program in recent years. Examples of this has included Churunga Road, Heathfield Road and Frick Street.



High Speed Data Vehicle – Provides detailed information about the seal condition

Process for the Determination of Projected Pavement works going forward

There are several factors that are looked at in order to establish where the pavement is within its lifecycle and utilising these factors allows us to determine or predict pavement failures and model the forecasted level of pavement renewal. Council has adopted a targeted approach to renew

hotspots for treatment to prolong the overall asset life but still deliver an appropriate level of service to the community.

The following factors are included in the decision making process:

ARRB High Speed Data

The ARRB data consists of over 65,000 points of information and as the information is over 5 years old there is still key criteria that is available for analysis, and includes major deterioration triggers that after 5 years generally increase in scale.

The key triggers for measuring the pavement scoring include the following defects:

- Environmental Cracking
- Crocodile Cracking
- Deformation
- Disintegration
- Additional Data Provided as well includes types of cracking (transverse, longitudinal), roughness, texture depth (amount of binder holding the stone in place), rutting, stripping and flushing though some of this information is used to establish the seal rating, not pavement.

Seal Age and Link to Pavement Planning

Council within its Asset Management System has a reasonably level of confidence in the construction date for seal and pavement and utilising an age profile for the spray seal and asphalt can calculate and review the asset to see if it is end of life.

Using the age provides an opportunity to target failed areas along the seal to rejuvenate the pavement and prolong the life of the underlying overall pavement when the new sealed surface is applied. Even though the actual life of the seal may be greater than its expected life an ageing seal ultimately cracks and begins to let water into the pavement below reducing its useful life. Using the age based approach along with the ARRB data to predict when to renew the seal thus increasing the pavements longevity.

Councils Senior Asset Planning Engineer in 2019 reviewed around 100 sites identified as old spray seal and whilst some of the seal was showing signs off minimal cracking or deterioration the binder that seals the bitumen to the pavement had lost its elasticity, and become brittle, therefore not providing integrity to the pavement that it serves to protect. Water ingress would be happening at a rate that ultimately begins to reduce the life of the underlying asset.

Council currently has an economic useful lives of 17 years for spray seal and 25 for asphalt.

Surface Type	Total No of KMS	No Beyond Useful Life	Number already planned or on the radar	Useful Life
Spray Seal	463kms	41% Beyond 20yrs	5% In Renewal Plan 10% on Monitor List (1 to 5 years)	17 Years
Asphalt	146kms	11% (Beyond 25 yrs)	24% In Renewal Plan	25 Years

The extent of road sealed surface that is at or past its expected useful life is of concern as whilst much of the network may look like it is performing well the increased risk of rapid deterioration and ultimate increasing pavement failures requiring greater costs is of concern over the longer term for the performance of the road network.

Council currently applies very long life to the road pavement components of the sealed roads. This very long life prediction for the road pavement is based on an asset strategy that maintains the road surface in a good condition to ensure waterproofing and protection of the underlying road pavement by the sealed road surface.

Field Testing and Validation

Using a combination of the ARRB data, local knowledge and the aged based approach the network is broken down into candidates of known failures for not only key targeting areas but also whole segments that whilst the seal is at the end of its life an estimate of the amount of failed pavement is gathered at the same time.

In order to calculate the amount of failed pavement that is linked to the seal renewals there is data available from previous years resealing that detail the level of pavement work that is undertaken whilst resealing.

Last financial year and the 20/21 works program for resealing identified between 5-10% of all renewals required heavy pavement patching works. This is driving the Major Patching allocation in the pavement budget per below:

Proposed Project Name	Project Description	Suburb	2020-21 Proposed ('000)
Major Patching for Reseal in 21/22			$357
Ayers Hill Road	Waverly Ridge Road (after Roundabout) to Rostrevor	STIRLING	
Ayers Hill Road	Rostrevor Road to Birch Road	STIRLING	
Emery Road	Devonshire Road to Forbes Road	ALDGATE	
Erica Road	Longwood Road to Heathfield Road	HEATHFIELD	

Utilising the information garnered from the ARRB and age profiles an extract and map is generated and is GPS tested in the field per below:

Spray Seal and Asphalt Sites reviewed. Dots & Diamonds delineate failure points graduated by colour.

The in the field process undertook a review of 45 sites (additional reviewed where failures triggered on-route) and the following information was collected to determine level of pavement renewal required. (worth noting that this process does not include the *Full Pavement or the Partial Pavement Renewal* segments that Council is already planning to renew in future years, this includes – Tiers Road, Woodside or Longwood Road, Stirling/Heathfield that require planning and a separate strategy mentioned later in this document)

Site visits undertaken by David Collins (Manager Strategic Assets) and Craig Marshall (Senior Asset Planning Engineer) across the network were undertaken with GPS technology that pinpoints individual failures, stresses within the seal that identify failures in the pavement and the following results were recorded:

All sites visited showed signs of deterioration and this should be evident based on the selection criteria and the following information was collected for each site:

Overall Pavement Condition – based on the segment length what is the overall condition of the pavement based on the defects, age, shape, roughness and underlying failures with a score from 1 to 5. 1 - being the road in excellent shape or a new asset, through to a 5 which indicates that the asset has completely failed, not functional and at end of life.

Overall Seal Condition – similar to the pavement condition but for the seal, utilising the same 1 to 5 scoring methodology.

P & R Amount – Purpose is to record the estimated amount of patching and repairs, so the area where a section of the pavement is removed, generally to 100mm in depth (the base course layer) and then reinstated with a technically compliant material to reinvigorate the base/pavement to allow the seal to be renewed and extend the life of the total road asset.

Time to Reseal - Provide an estimation and grouping of when the seal should be potentially resealed to protect the pavement. This will provide guidance when producing future resealing programs and longer term renewal strategies.

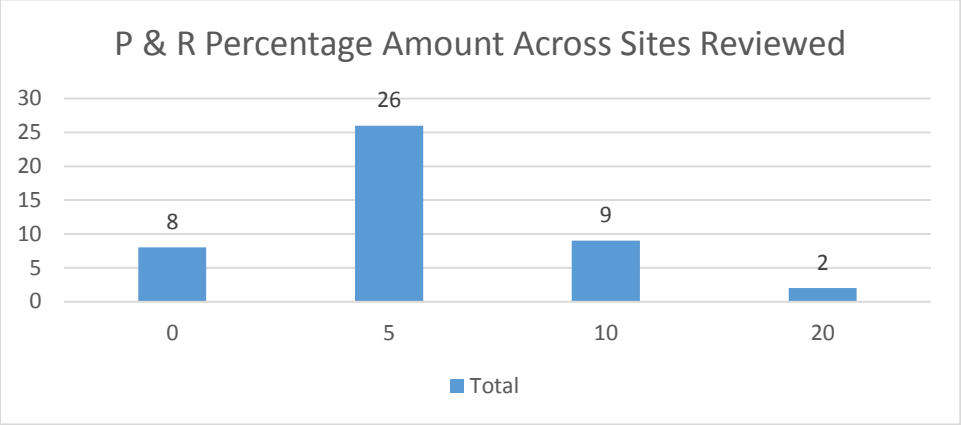
Dominant Defect – Guidance into how the road is failing. Provides detail on potential treatment types. Eg; a heavily ravelled asphalt road may be suitable for a rejuvenation treatment to prolong its life an economical rate.

What were the results?

Pavement Condition – Nearly all the full segments were a condition 3, so in average condition or over half way through their life. But all had minor failures requiring targeted treatment prior to resealing.

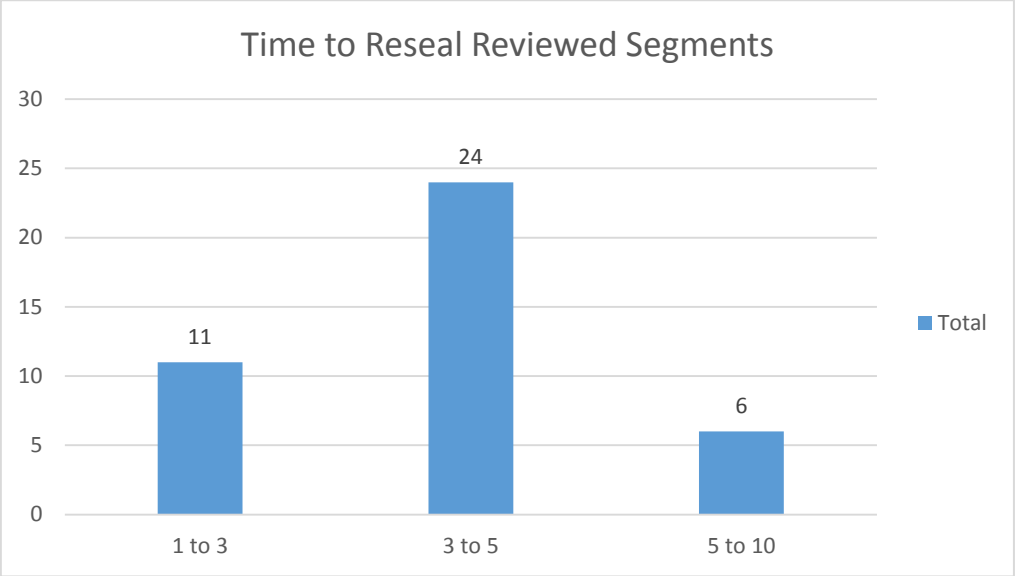
Seal Condition – Predominately a condition score of 4, so at end of life and if not treated in the near future would continue to leak moisture into the road pavements below and lead to increased and expanding pavement failures.

P & R Amount – Overall, the majority of the reviewed segments required a minimum of 5% area to be patched. See below



Breakdown of Percentage of Patching Required Across Review Segment

Time to Reseal – The review highlighted a large number of segment that will need to be renewed within the next 3-5 years to preserve the pavement. See below



Breakdown of time to reseal segments

Dominant Defects – Variety of issues depending on the type of seal, but aggregated score based on available data was reflected on the ground. As the data is 5 years old the failures were more prevalent on the ground where maintenance or renewal had not been undertaken.

What does it cost for major patching each year?

Using the above process to identify targeted segments for reseal and working on an average of 5% of the area of each segment requiring pavement patching the older or dead seal is approximately $578k,000 per year over the projected 10 years, and this may vary depending on the number of segments that are renewed in each cycle.

The patching amount can be reduced by early intervention or increased maintenance which may be reviewed through the Asset Management Plan Process.

Full Pavement Renewals (and or Heavy Patch?)

Based on local knowledge, ARRB data review and operational feedback a list of roads that are beyond minor pavement patching and resealing have been identified.

Council has identified numerous roads and or segments where the pavement has failed to a level that requires a partial, full pavement renewal or reconstruction of the road.

Over the next ten years the following roads have been identified for more significant pavement treatment:

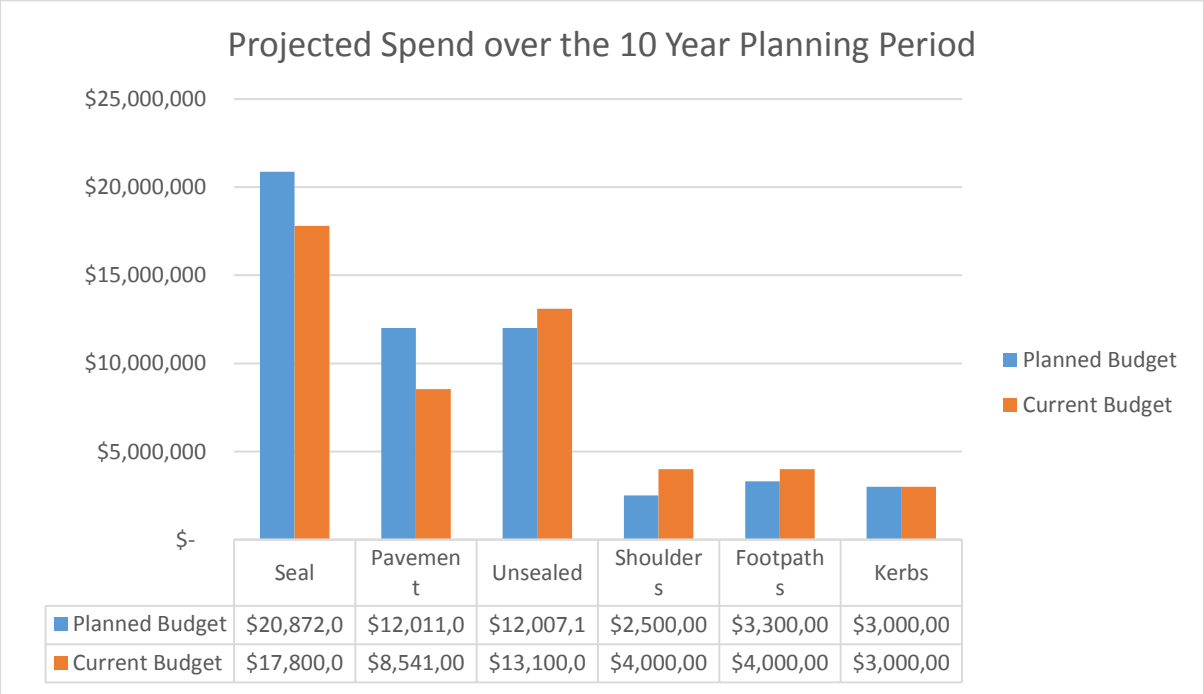
Road	Location
Sturt Valley Road	Stirling
Carey Gully Road	Mount George
Coldstore Road (scheduled for 20/21)	Lenswood
Checker Hill Road(scheduled for 20/21)	Kersbrook
Copeland Avenue	Lobethal
Deviation Road	Carey Gully
Ironbank Road	Ironbank
Jacaranda Drive	Woodside
Longwood Road	Stirling
Longwood Road	Heathfield
Miller Road	Lobethal
Newman Road (under construction)	Charleston
Pfeiffer Road	Woodside
Tiers Road	Lenswood

Summary & Key Findings

- Undertaking full reconstructions have been minimised to sections, segments or individual lanes to optimise the investment, and provide support for targeted patching across the network.
- Targeted patching works across the network within the resealing cycle maximises the road assets life and minimises the investment to around 5-10% of the road area.
- Where optimal economic intervention has been missed on the resurfacing program, the increase in higher cost full pavement renewal is required.
- Field testing is proving that Council's spray seal and asphalt network is potentially lasting up to 3 - 5 years longer in its life cycle recommended useful life, but intervention is critical in preserving the pavement.
- Modelling with the available data is an indication or prediction of where the pavement is within its lifecycle and factors and weighting cannot always predict real on the ground conditions, traffic volume movements or change in surface or environmental factors.
- Over the life of the plan sees an increase of approximately $3.2million (2012 dollars) over the ten year period or $320k a year. There is an increased spend in seal & pavement and a reduction in spending across footpaths, shoulders and unsealed roads, and kerbs are flat lined, but may change after a condition audit in 20/21.

Summary across all asset types

The table below provides an overview of the expenditure changes over the next 10 year period within the Road, Footpath and kerb asset management plan. These dollars shown are in current $ 2012.



	Seal	Pavement	Unsealed	Shoulders	Footpaths	Kerbs
Planned Budget	$20,872,0	$12,011,0	$12,007,1	$2,500,00	$3,300,00	$3,000,00
Current Budget	$17,800,0	$8,541,00	$13,100,0	$4,000,00	$4,000,00	$3,000,00

Breakdown of spending overall across the 10 year period.

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 19 October 2020
AGENDA BUSINESS ITEM

Item:	**6.3**
Responsible Officer:	**Sharon Leith** **Acting Manager Sustainability, Waste and Emergency Management** **Directorate Infrastructure and Operations**
Subject:	**Climate Change Adaptation Governance Assessment Update**
For:	**Information**

SUMMARY

The purpose of this report is to provide an update on the *Climate Risk Governance Assessment* (the Assessment) that was presented at an Audit Committee meeting on Monday 17 February 2020. At that meeting it was resolved that a biannual status report be provided to the Audit Committee on the implementation of the assessment.

RECOMMENDATION

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

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1. GOVERNANCE

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

Strategic Plan 2020-24 – A brighter future

Goal	A functional Built Environment
Objective B3	Consider external influences in our long term asset management and adaptation planning
Priority B3.4	Proactively adapt our built environment to changes in social and environmental factors to minimise the impact from natural hazards such and fire and flood
Goal	A valued natural environment
Objective N3	Nurture valuable partnerships and collaborations and engage the local community in the management of our natural environment

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

Within the Trends and Considerations section of the Strategic Plan there is also a paragraph on climate change as follows:

> *In March 2019, we declared a climate emergency and made a commitment to provide leadership to our community in addressing climate change. With an increase in average temperature, reduction in annual rainfall and increasing extreme weather events, changes to services and infrastructure will need to be considered for new and renewal projects.*

The Assessment and the ongoing actions are in alignment with the Strategic Plan for climate change mitigation and adaptation to be integrated across Council.

In addition, Council is also a partner of Resilient Hills and Coasts (RH&C). This project is a partnership between local government, NRM Boards and State and Federal governments to develop and implement a Regional Climate Change Adaptation Plan for the Adelaide Hills, Fleurieu Peninsula and Kangaroo Island region (the Adaptation Plan). The Adaptation Plan was completed in in February 2016 and a number of actions have been undertaken including the Assessment.

- **Legal Implications**

Climate Change and Greenhouse Emissions Reduction Act 2007

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

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

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

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

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

Resilient Hills and Coasts signed a Sector Agreement along with all the other project partners on the 5th June 2017. A renewal of this Agreement will go to Council on Tuesday 27 October 2020 for endorsement.

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

- **Risk Management Implications**

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

The Assessment, associated actions and updates will assist in mitigating the risk of:

> *Lack of acknowledgement and understanding about climate risk implications and exposure leading to increased legal and financial liabilities.*

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

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

- **Financial and Resource Implications**

There are no financial implications associated with the key actions of the Assessment or this update other than those budget items that have already been assigned and/or spent. An example is the Fleet Transition Plan.

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

Not applicable

- **Sustainability Implications**

Not applicable

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

Consultation on the development of this report was as follows:

Council Committees:	Not Applicable
Council Workshops:	Not Applicable
Advisory Groups:	Not Applicable
Administration:	Acting Director Infrastructure and Operations
External Agencies:	Not Applicable
Community:	Not Applicable

2. BACKGROUND

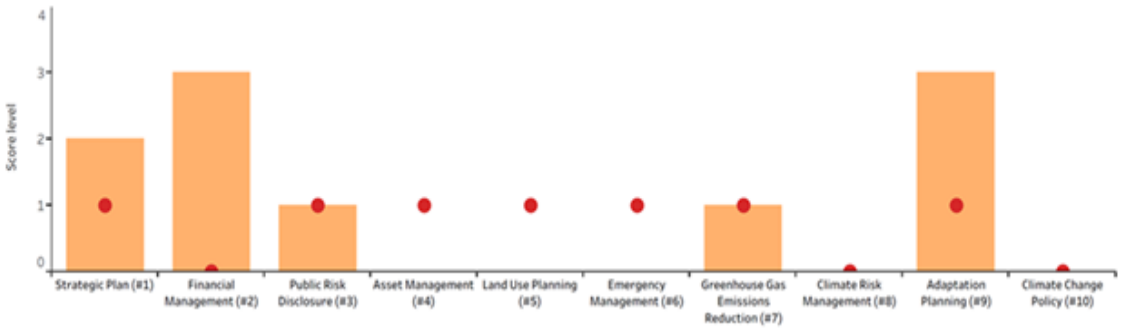
There is growing recognition of the need for councils to manage their exposure to climate related legal and financial risks. In response, four partner councils from Resilient South and Resilient Hills & Coasts – Adelaide Hills, Mt Barker, Marion and Onkaparinga – participated in the first South Australian pilot of Climate Planning's Informed.City™ climate risk governance assessment process.

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

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

Council was above average of the assessed councils for Strategic Planning, Financial Management and Adaptation Planning and on-par with the average for Public Risk Disclosure and Greenhouse Gas Emissions Reduction. Refer Figure 1 below.

Figure 1 Quantitative indicators and AHC score against benchmark across Australia



Orange bars are Council score, red dots are the average for all Informed.City Councils (200+)
0 = None, 1 = Basic, 2 = Intermediate, 3 = High, 4 = Advanced

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

The Assessment was presented at an Audit Committee meeting on Monday 17 February 2020. At that meeting it was resolved that a biannual status report be provided to the Audit Committee on the progress of the Assessment outcomes.

7.2 Climate Change Adaptation Governance & Risk Assessment

Moved Cr Leith Mudge
S/- Paula Davies **3/AC20**

The Audit Committee resolves:

1. **That the report be received and noted**
2. **That the Audit Committee recommends this report is presented to Council for information.**
3. **That the Audit Committee Work Plan be amended to provide for a biannual status report on the implementation of the Climate Change Adaptation Governance Assessment Report - July 2019.**

Carried Unanimously

The next step in the process was to present at a Council Workshop but with the start of COVID-19 and associated implications this did not happen and instead a summary was provided to Council Members via an email. However, the Assessment was presented as part of a broader climate adaptation and mitigation update at a Council Workshop on Tuesday 13 October 2020.

3. ANALYSIS

The Assessment results indicate some key opportunities for Council to improve their climate risk governance. The following table provides an update of the progress against the quantitative and qualitative indicators within the Assessment.

Assessment themes	Update
Quantitative indicators	
Strategic Plan/Corporate Plan	Climate change priorities incorporated within Strategic Plan (as per Section 1 Governance in this update report)
Financial Management	Ongoing – incorporated within the Long Term Financial Plan and within the 2020/2021 budget
Public Risk Register and Disclosure	No progress
Asset Management	Ongoing-incorporated within the new template for Asset Management Plans
Land Use Planning	No progress-Reliant on State Government Planning changes
Disaster Management	Incorporated and included within the initial Council Ready Emergency Management Plan (EMP) workshops-Draft EMP in progress which will include climate change implications and references
Greenhouse Gas Emissions	Ongoing program of reducing emissions with targets of 100% renewable energy and striving for carbon neutrality. Key recent outcomes are a further 20kw solar PV panels and air-conditioning audit to determine energy in-efficiencies.
Climate Risk Management	Ongoing-incorporate climate risk into the new Risk Management Framework
Adaptation Planning	Ongoing- continue to be part of the Resilient Hills and Coasts regional climate adaptation group. A recommitment to a regional Sector Agreement will be presented to Council on 27 October 2020.
Climate Change Policy	No progress-could be undertaken by the Local Government Association of SA for all councils
Qualitative indicators	
Climate risk assessments	No progress- However a recent funding application to Local Government Association SA Research & Development scheme by others will undertake a Climate Risk & Asset Management Pilot Project including the preparation of a suitable template for climate risk assessments. The intent is to wait on this outcome and use the same approach and template.
Climate legal risk	No progress
Staff capacity and resource allocation	Recent grant application for a Community Resilience Officer
Community/stakeholder engagement	No progress
Institutional /Intergovernmental relationships	Ongoing-through recommitting to a Sector Agreement this will confirm regional collaboration.
Climate Change information	Ongoing-State Government through numerous initiatives is investigating a state wide information portal
Information systems	No progress

Council will continue to progress actions against the indicators to improve the climate risk governance of the organisation. Further updates will be provided to the Audit Committee biannually.

4. OPTIONS

The Committee has the following options:

I. Receiving the report **(Recommended)**
II. Not receiving the report (Not Recommended)

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 19 October 2020
AGENDA BUSINESS ITEM

Item:	**6.4**
Responsible Officer:	**Steven Watson** **Acting Executive Manager Governance & Performance** **Office of the Chief Executive**
Subject:	**Action Report & Work Plan Update**
For:	**Information**

SUMMARY

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

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

The Audit Committee 2020 WorkPlan has Nil (0) suggested amendments for this meeting.

RECOMMENDATION

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

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1. GOVERNANCE

- **Strategic Management Plan/Council Policy**

Strategic Plan 2020-24 – A brighter future

Goal 5	A Progressive Organisation
Objective 05	We are accountable, informed, and make decisions in the best interests of the whole community
Priority 05.1	Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations

➢ **Legal Implications**

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

➢ **Risk Management Implications**

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

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

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

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

➢ **Financial and Resource Implications**

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

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

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

With the current COVID-19 social distancing requirements, Audit Committee meetings are continuing to be held in the advertised venue however most (if not all) Committee Members are choosing to participate remotely and the meeting proceedings are being projected on the whiteboard for the attending gallery.

➢ **Sustainability Implications**

There are no direct sustainability implications arising from this report.

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

Consultation on the development of this report was as follows:

Council Committees: Not Applicable

Advisory Groups: Not Applicable

Administration: Chief Executive Officer
Director Community Capacity
Executive Manager Governance & Performance
Manager Financial Services
Manager Strategic Assets
Sustainability Coordinator
Executive Assistant Corporate Services

Community: Not Applicable

2. BACKGROUND

Action Report

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

WorkPlan

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

WorkPlan Amendment

A Work Plan has been developed to assist the Committee members and staff in scheduling discussion and reports to ensure appropriate coverage of the functions over the 12 month period. The Audit Committee adopted an Updated Work Plan at its 17 August 2020 meeting.

3. ANALYSIS

Action Report

There is one (1) completed item and one (1) outstanding item on the Audit Committee Action Report (***Appendix 1***) arising from the August 2019 Committee meeting. Commentary against the item is provided for the Committee's information.

Work Plan and Reporting Schedule

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

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

Internal Control and Risk Management		
Placement of Council's insurance portfolio (for noting)		August
Internal Financial Controls update		May
Risk Management Plan update		February/May/ August/November
Results of LGRS Risk Management Review		February
LGRS Risk Evaluation - Action Plan Review		May/November
Internal Audit		
Internal Audit quarterly update		February/May/ August/November
Internal audit reports	Included in this meeting	As Required
Implementation of internal audit actions progress report		February/August
Internal Audit Plan review		May
External Audit		
External audit interim letter		April
Implementation of external audit actions progress report		February/August
External Audit Plan review		February
Meeting attendance by external auditors	Included in this meeting	February/October
Review of auditor independence and legislative compliance	Included in this meeting	October
Audit Committee Completion Report		October/Novembe r
Public Interest Disclosure		
Public Interest Disclosure Policy review (replaces Whistleblowers)		April 2021
Other Business		
Audit Committee self-assessment review		November
Presiding Member's Report		November
Work Plan and Reporting Schedule		November
Audit Committee Meeting Dates		November
Debtors Report		February/August
Annual Report		November
Audit Committee Terms of Reference		February
Directors Presentation	Included in this meeting	February/April/ May/August
Other Reports	Included in this meeting	As Required

4. OPTIONS

The Committee has the following options:

I. To note the status of the Action Report at ***Appendix 1*** (recommended).

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

5. APPENDICES

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

Appendix 1

Audit Committee Action Report

AUDIT COMMITTEE ACTION REPORT
OCTOBER 2020

Meeting Date	Meeting	Res No.	Item Name	Previously Declared CC	Action Required (Council Resolution)	Responsible Director	Responsible Officer	Status	Date of Update	Due Date	Status (for Council reporting)
12/08/2019	Audit Committee	30/AC19	Placement of Council's Insurance Port	None Declared	A further report be provided to the Committee on the items not covered in its insurance portfolio	Andrew Aitken	Lachlan Miller	In Progress	12/10/2020	30/11/2020	The 2020-21 Placement has been finalised based on indexed 2019-20 data with incremental asset acquisitons and disposals. Discussions with insurers are continuing in relation to other categories of coverage (i.e. business interuption)
17/08/2020	Audit Committee	40/AC20	Internal Audit Quarterly Update	None Declared	The Audit Committee resolves:That the report be received and notedTo recommend to Council to adopt the revised Strategic Internal Audit Plan v1.5a as contained in Appendix 1 with minor timing amendments as suggested.	Andrew Aitken	Lachlan Miller	Completed	12/10/2020	22/09/2020	Council adopted the revised SIAP (v1.5a) at its 22 September 2020 meeting.

Appendix 2

2020 Audit Committee Work Plan (v1.2)

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE

2020 Work Plan and Reporting Schedule

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

Version Control:	V1.2 - Adopted 17 August 2020

ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 19 October 2020
CONFIDENTIAL AGENDA BUSINESS ITEM

Item:	**7.1**
Responsible Officer:	**Lachlan Miller** **Executive Manager Governance & Performance** **Office of the Chief Executive**
Subject:	**Cyber Security Audit**
For:	**Decision**

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1. Cyber Security Audit – Exclusion of the Public

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

- **CEO, Andrew Aitken**
- **Director Corporate Services, Terry Crackett**
- **Director Community Capacity, David Waters**
- **Executive Manager Governance & Performance, Lachlan Miller**
- **Manager Financial Services, Mike Carey**
- **Manager Information Services, James Sinden**
- **Team Leader ICT, Daniel Souter**
- **Governance & Risk Coordinator, Steven Watson**

be excluded from attendance at the meeting for Agenda Item 8.1: Cyber Security Audit in confidence.

The Committee is satisfied that it is necessary that the public, with the exception of Council staff in attendance as specified in (a) 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, members or employees of the council, or council property, or the safety of any person, the disclosure of which could reasonably be expected to create an awareness of Council's cyber security vulnerabilities and potentially lead to exploitation of those vulnerabilities resulting in loss/damage to information, breach of confidentiality and service continuity disruption.

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.

3. Cyber Security Audit – Period of Confidentiality

Subject to the CEO, or his delegate, disclosing information or any document (in whole or in part) for the purpose of implementing Council's decision(s) in this matter in the performance of the duties and responsibilities of office, Council, having considered Agenda Item 8.1 in confidence under sections 90(2) and 90(3)(e) of the *Local Government Act 1999*, resolves 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 Council and the discussion and considerations of the subject matter be retained in confidence until the control deficiencies are mitigated.

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