



AUDIT COMMITTEE

NOTICE OF MEETING

To: **Presiding Member** Cr Malcolm Herrmann

Members

David Moffatt
Peter Brass
Natalie Johnston
Cr Melanie Selwood

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

**Monday 17 April 2023
6.30pm
63 Mt Barker Road, Stirling**

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

Committee meetings are open to the public and members of the community are welcome to attend. Meetings will be conducted in accordance with the applicable COVID-19 social distancing guidelines and may result in Members participating electronically in accordance with the provisions of the Committee's Terms of Reference.

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

**David Waters
Chief Executive Officer**



AUDIT COMMITTEE

AGENDA FOR MEETING
Monday 17 April 2023
6.30pm
63 Mt Barker Road, Stirling

ORDER OF BUSINESS

1. COMMENCEMENT

1.1. Acknowledgement of Country

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

2. APOLOGIES/LEAVE OF ABSENCE

2.1. Apology

2.2. Leave of Absence

2.3. Absent

3. MINUTES OF PREVIOUS MEETINGS

3.1. Audit Committee Minutes – 20 February 2023

That the minutes of the Audit Committee meeting held on 20 February 2023, as supplied, be confirmed as an accurate record of the proceedings of that meeting.

3.2. Special Audit Committee Minutes – 20 February 2023

That the minutes of the Special Audit Committee meeting held on 20 February 2023, as supplied, be confirmed as an accurate record of the proceedings of that meeting.

4. PRESIDING MEMBER'S OPENING REMARKS

5. DELEGATION OF AUTHORITY

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

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

7. PRESENTATIONS, ACTION REPORT & WORKPLAN

7.1. Risk Presentation

Nil

7.2. Action Report and Work Plan Update

1. *That the report be received and noted.*
2. *That the status of the Action Report and Work Plan be noted.*
3. *To approve the proposed changes to the Audit Committee Work Plan 2023 as contained in Appendix 2.*

8. OFFICER REPORTS

8.1. 2022-23 External Audit Plan

1. *That the report be received and noted.*
2. *To recommend to Council the approval of the 2022-23 External Audit Plan by BDO Audit Pty Ltd as contained in Appendix 1.*
3. *To note the 2022-23 Financial Statement Audit – Engagement Letter as contained in Appendix 2 and the 2022-23 Internal Financial Control Audit – Engagement Letter as contained in Appendix 3.*

8.2. Q3 2022-23 Performance Report

The Audit Committee resolves the Quarterly Council Performance Report – Q3 2022-23 be received and noted.

8.3. Service Review Biannual Report – Civil Services

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

8.4. Draft Annual Business Plan for Consultation

1. *That the report be received and noted.*
2. *To advise Council that the Committee has reviewed the draft Annual Business Plan 2022-23 (ABP), as contained in Appendix 1, in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability.*
3. *That, on the basis of the Committee's review, to recommend the draft ABP to Council for community consultation.*

9. QUESTIONS WITHOUT NOTICE

10. CONFIDENTIAL ITEMS

Nil

11. NEXT MEETING

The next Audit Committee meeting will be held at 6.30pm on Monday 15 May 2023 at 63 Mount Barker Road, Stirling.

12. CLOSE MEETING

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

In Attendance

Members:

| | |
|---------------------|--------------------|
| Cr Malcolm Herrmann | Presiding Member |
| Peter Brass | Independent Member |
| David Moffatt | Independent Member |
| Natalie Johnston | Independent Member |
| Cr Melanie Selwood | Council Member |

In Attendance:

| | |
|--------------------|--|
| David Waters | Acting Chief Executive Officer |
| Terry Crackett | Director Corporate Services |
| Lachlan Miller | Executive Manager Governance & Performance |
| Mike Carey | Manager Financial Services |
| Kira-marie Laverty | Corporate Planning & Performance Coordinator |
| Steven Watson | Governance and Risk Coordinator |

Guests in Attendance:

| | |
|-----|--|
| Nil | |
|-----|--|

1. COMMENCEMENT

The meeting commenced at 6.00pm.

1.1. Acknowledgement of Country

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

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

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 – 12 December 2022

Moved Natalie Johnston
S/- Cr Melanie Selwood

AC1/23

That the minutes of the Audit Committee meeting held on 12 December 2022 as supplied, be confirmed as an accurate record of the proceedings of that meeting.

| |
|----------------------------|
| Carried Unanimously |
|----------------------------|

4. PRESIDING MEMBER'S OPENING REMARKS

- Council accepted recommendation of new External Auditor, BDO.
- BR1 adopted by Council.
- Recruitment for Audit Committee Membership to commence.

5. DELEGATION OF AUTHORITY

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

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

Nil

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

7. PRESENTATIONS, ACTION REPORT & WORKPLAN

7.1. Development & Regulatory Services Risk Presentation was postponed.

7.2. Action Report and Work Plan Update

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

AC2/23

The Audit Committee resolves:

- 1. That the report be received and noted.**
- 2. That the status of the *2022 Action Report and Work Plan* be noted.**
- 3. That the Adopted Audit Committee Work Plan 2023 remain unchanged at this time.**

| |
|----------------------------|
| Carried Unanimously |
|----------------------------|

8. OFFICER REPORTS – DECISION ITEMS

8.1. Quarterly Performance Report

**Moved Natalie Johnston
S/- David Moffatt**

AC3/23

The Audit Committee resolves the Quarterly Council Performance Report – Q2 2022-23 be received and noted.

| |
|----------------------------|
| Carried Unanimously |
|----------------------------|

8.2. Risk Management Update

**Moved Peter Brass
S/- Natalie Johnston**

AC4/23

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

| |
|----------------------------|
| Carried Unanimously |
|----------------------------|

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

8.3. Internal Audit Quarterly Update

Moved Cr Melanie Selwood
S/- Natalie Johnston

AC5/23

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 v1.12a as contained in Appendix 1.

| |
|----------------------------|
| Carried Unanimously |
|----------------------------|

8.4. Audit Action Status Report

Moved Natalie Johnston
S/- David Moffatt

AC6/23

The Audit Committee resolves:

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

| |
|----------------------------|
| Carried Unanimously |
|----------------------------|

8.5. Debtors Report as at 31 December 2022

Moved Peter Brass
S/- Natalie Johnston

AC7/23

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

| |
|----------------------------|
| Carried Unanimously |
|----------------------------|

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

8.6. Adjournment

Moved Peter Brass
S/- Natalie Johnston

AC8/23

The Audit Committee resolves to adjourn the meeting until the conclusion of the 20 February 2023 Special Audit Committee Meeting.

| |
|----------------------------|
| Carried Unanimously |
|----------------------------|

The meeting adjourned at 7.07pm

The meeting resumed at 7.29pm

8.7. Long Term Financial Plan Review

Moved Peter Brass
S/- David Moffatt

AC9/23

The Audit Committee resolves:

1. That the report be received and noted.
2. That the Draft Long Term Financial Plan (2023 revision) including the adherence to adopted financial sustainability ratios relating to Operating Surplus Ratio, Net Financial Liabilities Ratio and Asset Renewal Funding Ratio be noted.
3. To recommend that Council approve the *Draft Long Term Financial Plan (2023 revision)*, as contained in Appendix 1 for community consultation in accordance with Section 122 of the *Local Government Act 1999*.
4. That the Chief Executive Officer be authorised to make minor changes to the *Draft Long Term Financial Plan (2023 revision)* arising from the Committee's consideration of the matter prior to it being provided to Council.

| |
|----------------------------|
| Carried Unanimously |
|----------------------------|

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

9. QUESTIONS WITHOUT NOTICE

- Peter Brass – Requested progress update of the CEO Recruitment.
- Presiding Member Herrmann – Requested an update on staff leave balances.

10. CONFIDENTIAL ITEMS

Nil

11. NEXT MEETING

The next ordinary meeting of the Audit Committee will be held on Monday 17 April 2023 from 6.00pm at 63 Mt Barker Road, Stirling.

12. CLOSE MEETING

The meeting closed at 7.56pm.

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

In Attendance

Members:

| | |
|---------------------|--------------------|
| Cr Malcolm Herrmann | Presiding Member |
| Peter Brass | Independent Member |
| David Moffatt | Independent Member |
| Natalie Johnston | Independent Member |
| Cr Melanie Selwood | Council Member |

In Attendance:

| | |
|----------------|---|
| David Waters | Acting Chief Executive Officer |
| Terry Crackett | Director Corporate Services |
| Lachlan Miller | Executive Manager Governance & Performance |
| Mike Carey | Manager Financial Services |
| Steven Watson | Governance and Risk Coordinator Minute Taker |

Guests in Attendance:

| | |
|-----|--|
| Nil | |
|-----|--|

1. COMMENCEMENT

The special meeting commenced at 7.08pm.

1.1. Acknowledgement of Country

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

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

2. APOLOGIES/LEAVE OF ABSENCE

2.1. Apology

Nil

2.2. Leave of Absence

Nil

2.3. Absent

Nil

3. MINUTES OF PREVIOUS MEETINGS

Nil

4. PRESIDING MEMBER'S OPENING REMARKS

Nil

5. DELEGATION OF AUTHORITY

In accordance with the Audit Committee Terms of Reference, the Committee has no delegated decision-making powers. The Recommendations in Item(s) 7.1 are to be submitted to Council for consideration.

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

Nil

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

7. OFFICER REPORTS – DECISION ITEMS

7.1. Budget Review 2

Moved Peter Brass
S/- Natalie Johnston

AC10/23

The Audit Committee resolves:

1. That the report be received and noted
2. To recommend to Council the proposed budget adjustments presented in Budget Review 2 which result in:
 - a. No change to the Operating Surplus of \$830k for the 2022-23 financial year.
 - b. A reduction of \$8m in capital expenditure for the 2022-23 financial year to reflect estimated carry forwards relating to project delivery resulting in a revised capital expenditure budget for 2022-23 of \$19.369m.
 - c. Council's Net Borrowing Result for the 2022-23 financial year being reduced by \$8m to \$342k.
 - d. proposed financial sustainability indicators within Council's agreed targets of the following:

| | Target | Forecast |
|-------------------------------------|------------|----------|
| i. Operating Surplus Ratio – | 1% - 5% | 1.6% |
| ii. Net Financial Liabilities Ratio | 25% - 75% | 47.0% |
| iii Asset Renewal Funding Ratio | 95% - 105% | 104.0% |

| |
|----------------------------|
| Carried Unanimously |
|----------------------------|

8. NEXT MEETING

The next ordinary meeting of the Audit Committee will be held on Monday 17 April 2023 from 6.00pm at 63 Mt Barker Road, Stirling.

9. CLOSE MEETING

The meeting closed at 7.29pm

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 17 April 2023
AGENDA BUSINESS ITEM**

Item: 7.2

Responsible Officer: Lachlan Miller
Executive Manager Governance & Performance
Office of the Chief Executive

Subject: Action Report and Work Plan Update

For: Decision

SUMMARY

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

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

The *Audit Committee 2023 Work Plan* (**Appendix 2**) has four (4) suggested amendments for this meeting.

RECOMMENDATION

The Audit Committee resolves:

1. That the report be received and noted
 2. That the status of the *2022 Action Report* be noted.
 3. To approve the proposed changes to the *Audit Committee Work Plan 2023* as contained in Appendix 2.
-

1. BACKGROUND

Action Report

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

Work Plan

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

A Work Plan has been developed to assist the Committee members and staff in scheduling discussion and reports to ensure appropriate coverage of the functions over the 12-month period. The Audit Committee adopted an updated Work Plan at its 12 December 2022 meeting.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

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

➤ Legal Implications

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

➤ Risk Management Implications

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

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

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

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

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

➤ Financial and Resource Implications

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

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

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

➤ **Sustainability Implications**

Not applicable.

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

Consultation on the development of this report was as follows:

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

➤ **Additional Analysis**

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

Action Report

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

Work Plan and Reporting Schedule

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

| Item | Commentary | Month Scheduled |
|---|--------------------------|-----------------|
| Financial Reporting | | |
| Long Term Financial Plan (LTFP) | | February |
| Annual Business Plan (draft) | Included in this meeting | April |
| Budget Review 1 | | November |
| Budget Review 2 | | February |
| Budget Review 3 | | May |
| End of Year Financial Report | | November |
| End of financial year reporting timetable | | May |
| End of financial year update | | August |
| Final Annual Financial Statements (incl management representation letter) | | October |

| Internal Control and Risk Management | | |
|---|--------------------------|----------------------------------|
| Placement of Council's insurance portfolio (for noting) | | August |
| Internal Financial Controls update | | May |
| Risk Management Plan update | | February/May/ August/November |
| Results of LGRS Risk Management Review | | February (Biennial) |
| LGRS Risk Evaluation - Action Plan Review | | May/November |
| Internal Audit | | |
| Internal Audit quarterly update | | February/May/ August/November |
| Internal audit reports | | As Required |
| Implementation of internal audit actions progress report | | February/August |
| Internal Audit Plan review | | May |
| External Audit | | |
| External audit interim letter | | May |
| Implementation of external audit actions progress report | | February/August |
| External Audit Plan review | Included in this meeting | February |
| Meeting attendance by external auditors | Included in this meeting | February/October |
| Review of auditor independence and legislative compliance | | October |
| Audit Committee Completion Report | | October/November |
| Public Interest Disclosure | | |
| Public Interest Disclosure Policy review (replaces Whistle-blowers) | | April 2024 |
| Public Interest Disclosure Arrangements and Compliance | Nil reports made to date | May 2024 |
| Other Business | | |
| Audit Committee self-assessment review | | November |
| Presiding Member's Report | | November |
| Work Plan and Reporting Schedule | | November |
| Audit Committee Meeting Dates | | November |
| Debtors Report | | February/August |
| Annual Report | | November |
| Action Report & Work Plan Update | | All Meetings |
| Audit Committee Terms of Reference | | August |
| Directors Presentation | | February/May/ August/November |
| Other Reports | As required | As Required |

Amendments to 2023 Work Plan

The following changes are suggested (and highlighted) for the *2023 Audit Committee Work Plan 1.1a* (**Appendix 2**):

- a) Creation of a new section in the Work Plan in relation to Service Reviews.
- b) Creation of a June 2023 Special Audit Committee meeting to receive the Service Review Report and to receive the Interim Audit Management Letter.
- c) In relation to External Audit:
 - a. Moving the External Audit Plan (and attendance by External Auditors) to April (this meeting)
 - b. Moving the Interim Audit Management Letter (and attendance by External Auditors) from August to June.
- d) Reordering the Directorate Risk Profile presentations so that Development & Regulatory Services will present in June at the same time the Service Review Report (on Development Assessment) is received.

3. OPTIONS

The Audit Committee has the following options:

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

4. APPENDICES

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

Appendix 1

Audit Committee Action Report – April 2023

| Meeting Date | Res No. | Item Name | Previously Declared COI | Action Required (Council Resolution) | Responsible Director | Status | Due Date | Status (for Council reporting) | | | | | | | | | | | | | | | |
|--------------|---------|--------------------------------------|---------------------------------|--|----------------------|-------------|------------|---|-------------------|---------|---------|------|---------------------------------|-------|-----|-------|--|--|--|----------------|-----------|-----------|--|
| 12/12/2022 | AC47/22 | External Audit Tender - Confidential | Nil | As per confidential minute | David Waters | In Progress | 30/12/2022 | Confidential status required. | | | | | | | | | | | | | | | |
| 20/02/2023 | AC5/23 | Internal Audit Quarterly Update | Nil | That the report be received and noted.To recommend to Council to adopt the revised Strategic Internal Audit Plan v1.12a as contained in Appendix 1. | David Waters | Completed | 23/02/2023 | Council approved the Strategic Internal Audit Plan v1.12 at its 14 March 2023 meeting | | | | | | | | | | | | | | | |
| 20/02/2023 | AC9/23 | Long Term Financial Plan Review | Nil | That the report be received and noted.That the Draft Long Term Financial Plan (2023 revision) including the adherence to adopted financial sustainability ratios relating to Operating Surplus Ratio, Net Financial Liabilities Ratio and Asset Renewal Funding Ratio be noted.To recommend that Council approve the <i>Draft Long Term Financial Plan (2023 revision)</i> , as contained in Appendix 1 for community consultation in accordance with Section 122 of the <i>Local Government Act 1999</i> .That the Chief Executive Officer be authorised to make minor changes to the <i>Draft Long Term Financial Plan (2023 revision)</i> arising from the Committee's consideration of the matter prior to it being provided to Council. | Terry Crackett | Completed | 3/03/2023 | Presented to Council and adopted for Consultation on 28 February 2023 | | | | | | | | | | | | | | | |
| 20/02/2023 | AC10/23 | Budget Review 2 | Nil | <p>The Audit Committee resolves:That the report be received and noted</p> <p>To recommend to Council the proposed budget adjustments presented in Budget Review 2 which result in:</p> <p>a. No change to the Operating Surplus of \$830k for the 2022-23 financial year.</p> <p>b. A reduction of \$8m in capital expenditure for the 2022-23 financial year to reflect estimated carry forwards relating to project delivery resulting in a revised capital expenditure budget for 2022-23 of \$19.369m.</p> <p>c. Council's Net Borrowing Result for the 2022-23 financial year being reduced by \$8m to \$342k.</p> <p>d. proposed financial sustainability indicators within Council's agreed targets of the following:</p> <table><tr><td></td><td></td><td>Target</td><td>Forecast</td><td>Operating Surplus</td></tr><tr><td>Ratio –</td><td>1% - 5%</td><td>1.6%</td><td>Net Financial Liabilities Ratio</td><td>25% -</td></tr><tr><td>75%</td><td>47.0%</td><td></td><td></td><td></td></tr></table> <p>iii Asset Renewal Funding Ratio</p> <p>95% - 105%</p> <p>104.0%</p> | | | Target | Forecast | Operating Surplus | Ratio – | 1% - 5% | 1.6% | Net Financial Liabilities Ratio | 25% - | 75% | 47.0% | | | | Terry Crackett | Completed | 3/03/2023 | Budget Review 2 presented and adopted by Council at its 28 February 2023 meeting |
| | | Target | Forecast | Operating Surplus | | | | | | | | | | | | | | | | | | | |
| Ratio – | 1% - 5% | 1.6% | Net Financial Liabilities Ratio | 25% - | | | | | | | | | | | | | | | | | | | |
| 75% | 47.0% | | | | | | | | | | | | | | | | | | | | | | |

Appendix 2

Audit Committee Work Plan 2023 (v1.1a)

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE

2023 Work Plan and Reporting Schedule

| Terms of Reference | | |
|---|--|--------|
| Financial Reporting & Prudential Requirements | Long Term Financial Plan (LTFP) | Annual |
| | Annual Business Plan | Annual |
| | Budget Review 1 | Annual |
| | Budget Review 2 | Annual |
| | Budget Review 3 | Annual |
| | End of Year Financial Report | Annual |
| | End of financial year reporting timetable | Annual |
| | End of financial year update | Annual |
| | Final Annual Financial Statements, (incl management representation letter) | Annual |

| | | |
|--------------------------------------|---|-----------|
| Internal Control and Risk Management | Placement of Council's insurance portfolio (for noting) | Annual |
| | Internal Financial Controls update | Annual |
| | Risk Management Plan Update | Quarterly |
| | LGRS Risk Evaluation - Results | Biennial |
| | LGRS Risk Evaluation - Action Plan Review | Bi-annual |

| | | |
|----------------|--|-------------|
| Internal Audit | Internal Audit quarterly update | Quarterly |
| | Internal audit reports | As required |
| | Implementation of internal audit actions progress report | Bi-annual |
| | Internal Audit Plan review | Annual |

| | | |
|----------------|---|-----------|
| External Audit | External audit interim letter | Bi-annual |
| | Implementation of external audit actions progress report | Bi-annual |
| | External Audit Plan review | Annual |
| | Meeting attendance by external auditors | Annual |
| | Review of auditor independence and legislative compliance | Annual |
| | Audit Completion Report | Annual |

| | | |
|----------------------------|--|-----------|
| Public Interest Disclosure | Public Interest Disclosure Policy review (replaces Whistleblowers) | Triennial |
| | Public Interest Disclosure Arrangements and Compliance | Annual |

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

| | | |
|----------------|--|-------------|
| Other Business | Audit Committee self assessment review | Annual |
| | Presiding Member's Report | Annual |
| | Work Plan and Reporting Schedule | Annual |
| | Audit Committee Meeting Dates | Annual |
| | Debtors Report | Bi-annual |
| | Council's Annual Report | Annual |
| | Action Report & Work Plan Update | All Mtgs |
| | Audit Committee's Terms of Reference | Annual |
| | Climate Change Adaptation Governance Assessment Report - July 2019 | Bi-annual |
| | Quarterly Performance Report | Quarterly |
| | Directorate Risk Profile Presentation | Quarterly |
| | Other Reports | As required |

| | |
|------------------|-------|
| Version Control: | V1.1a |
|------------------|-------|

| 2023 | | | | | | |
|-----------|-------|-----------|------------|-----------|-----------|-----------|
| Feb | April | May | Jun (Spec) | Aug | Oct | Nov |
| | | | | | | |
| | Draft | | | | | |
| | | | | | | 2023-2024 |
| 2022-2023 | | | | | | |
| | | 2022-2023 | | | | |
| | | | | | | 2022-2023 |
| | | 2022-2023 | | | | |
| | | | | 2022-2023 | | |
| | | | | | 2022-2023 | |

[illegible]

| | | | | | | |
|--|--|--|--------|--|-----------|-------|
| | | | Letter | | | |
| | | | | | | |
| | | | | | | |
| | | | | | in camera | |
| | | | | | draft | final |

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | | | | |
| | | | | | | |

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | | | | |
| | | | | | | |
| | | | | | | |

[illegible]

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 17 April 2023
AGENDA BUSINESS ITEM**

| | |
|-----------------------------|--|
| Item: | 8.1 |
| Responsible Officer: | Lachlan Miller Executive Manager Governance & Performance Office of the Chief Executive |
| Subject: | 2023-23 External Audit Plan |
| For: | Decision |

SUMMARY

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

With the financial year approaching completion, BDO have prepared a *2022-23 External Audit Plan (Appendix 1)* for the 2022-23 Annual Financial Statements Audit and Internal Financial Control Audit.

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

Linh Dao (Engagement Partner) and Mitchell Bremner (Engagement Manager) of BDO will be attending the meeting (the former via Zoom) to provide any further information or clarifications.

The purpose of this report is to provide the *2022-23 External Audit Plan* for the Committee's review and, if satisfied, to seek the Committee's recommendation to Council for approval.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the report be received and noted.**
 - 2. To recommend to Council the approval of the *2022-23 External Audit Plan* by BDO Audit Pty Ltd as contained in Appendix 1.**
 - 3. To note the *2022-23 Financial Statement Audit – Engagement Letter* as contained in Appendix 2 and the *2022-23 Internal Financial Control Audit – Engagement Letter* as contained in Appendix 3.**
-

1. BACKGROUND

The Audit Committee's Terms of Reference (**Appendix 4**) set out a number of specific functions, one of which relates to External Audit and contains key roles for the Committee, relevant to the conduct of the 2022-23 Annual Financial Statement Audit and Internal Financial Control Audit, as follows:

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

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

At its 20 December 2022 meeting, Council (upon the Audit Committee's recommendation) resolved to appoint BDO under a Professional Services Agreement for a three-year period. IN recent months BDO have liaised with Council staff to finalise the engagement and develop the 2022-23 Audit Plan (**Appendix 2**).

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

| | |
|---------------|---|
| Goal 5 | A Progressive Organisation |
| Objective O5 | We are accountable, informed and make decisions in the best interests of the whole community. |
| Priority O5.1 | Enhance governance structure and systems to prudently adapt to changing circumstances and meet our legislative obligations. |
| Priority O5.3 | Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community. |

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

➤ **Legal Implications**

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

➤ **Risk Management Implications**

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

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

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

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

➤ **Financial and Resource Implications**

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

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

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

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

➤ **Sustainability Implications**

Not directly applicable

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

Consultation on the development of this report was as follows:

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

➤ **Additional Analysis**

Notwithstanding that the terms and condition of the contractual arrangement are contained in the Professional Services Agreement, BDO have provided a *2022-23 Financial Statement Audit – Engagement Letter (Appendix 2)* and a *2022-23 Internal Financial Control Audit – Engagement Letter (Appendix 3)*.

In preparation for the 2022-23 External Audit, BDO have prepared a *2022-23 External Audit Plan (Appendix 1)* for the Audit Committee’s review and, if satisfied, recommendation to the Council for approval.

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

Linh Dao (Engagement Partner) and Mitchell Bremner (Engagement Manager) of BDO will be attending the meeting (the former via Zoom) to provide any further information or clarifications.

Should the Audit Committee determine to recommend to Council to approve both documents, a report will be prepared for the Council’s 26 April 2022 meeting.

3. OPTIONS

The Committee has the following options:

- I. To recommend to Council the scope of work and timing of the 2022-23 External Audit Plan by BDO Audit Pty Ltd as contained in **Appendix 1**. (Recommended)
- II. To seek amendments to the scope of work and timing of the 2022-23 External Audit Plan by BDO Audit Pty Ltd as contained in **Appendix 1**. Seeking amendment may impact on the timeliness and/or cost of External Audit service provision (Not Recommended)

4. APPENDICES

- (1) *2022-23 External Audit Plan*
- (2) *2022-23 Financial Statement Audit – Engagement Letter – 6 April 2023*
- (3) *2022-23 Internal Financial Control Audit – Engagement Letter – 6 April 2023*
- (4) *Audit Committee – Terms of Reference – 14 February 2023*

Appendix 1

2022-23 External Audit Plan

An overhead view of three people sitting on a red tufted sofa around a white curved table. A man in a checkered shirt is using a laptop. A man in a purple shirt is writing in a notebook. A woman is also writing in a notebook. A coffee cup is on the table.

ADELAIDE HILLS COUNCIL

Annual audit plan

30 June 2023

CONTENTS

Your BDO team.....4

Audit objectives and approach.....5

Materiality8

Enhancing the client experience.....9

Risk assessment and areas of audit focus..... 10

Internal Control Assessment 12

Timeline..... 14

Fees 16

Appendix 1 New developments 17

Appendix 2 Climate risks and financial reporting.. 18

Appendix 3 Other communications..... 19



Dear Audit Committee Members

Thank you for the opportunity to present our annual audit plan ('plan') for Adelaide Hills Council ('Council') for the year ending 30 June 2023.

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

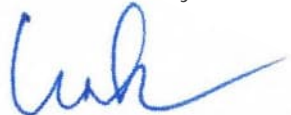
We acknowledge that throughout the year there may be business developments, circumstances may change and additional matters may arise. Our plan will be responsive to your needs and will maximise audit effectiveness so we can deliver the high-quality audit you expect.

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

We welcome the opportunity to discuss our plan with you at the Audit Committee meeting on 17 April 2023.

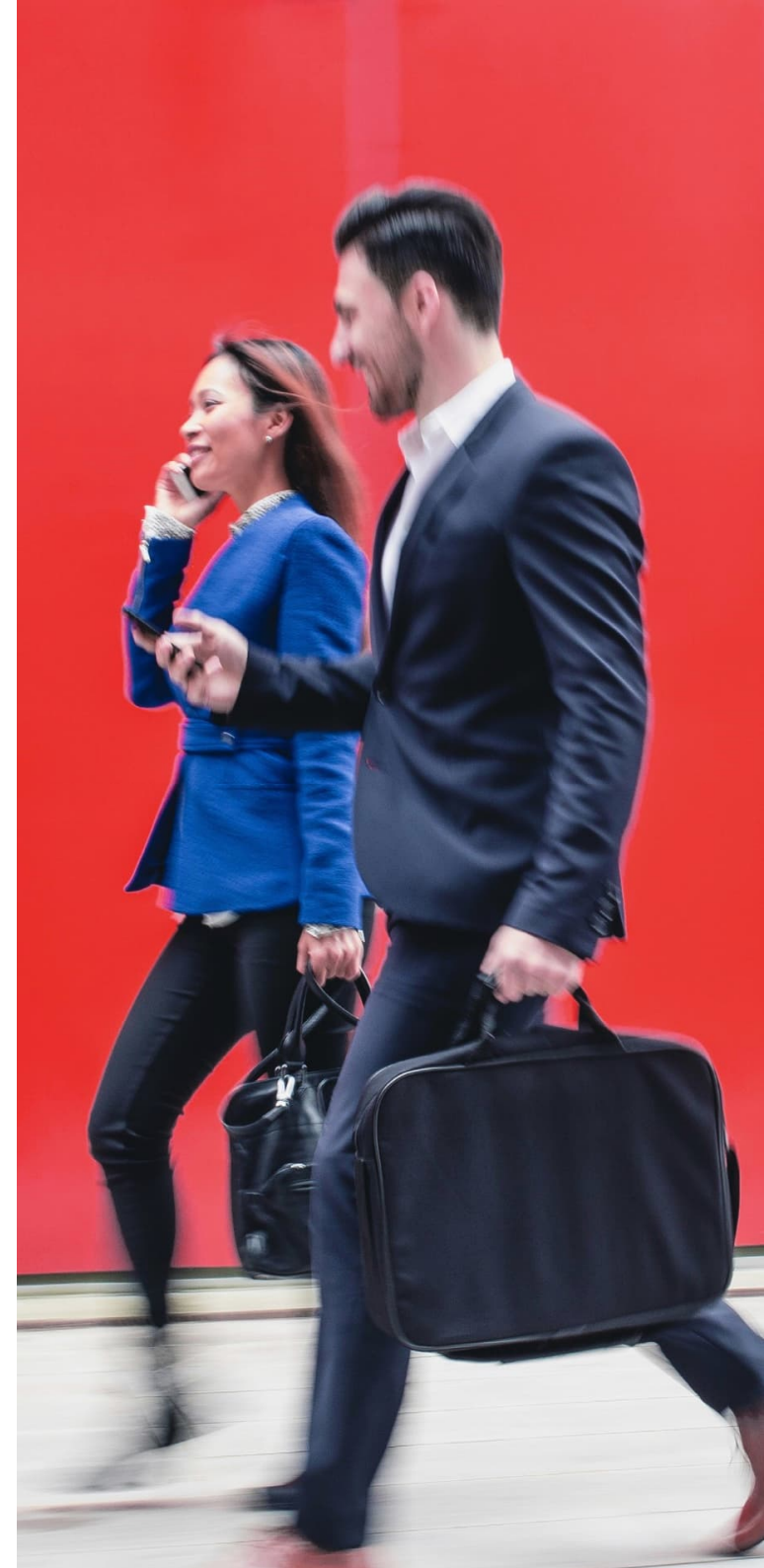
Please feel free to contact me on +61 8 7324 6147 if you have any questions or would like to discuss the content of this plan further.

Yours faithfully



Linh Dao
Lead audit partner

Adelaide, 6 April 2023



YOUR BDO TEAM

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

YOUR BDO TEAM

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

Supporting Linh will be Andrew Tickle as EQ Partner, and Mitchell Bremner as audit manager.

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

Andrew will perform an objective engagement quality control review of the audit engagement.

SPECIALISTS

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



LINH DAO

Engagement Partner

Tel: +61 8 7324 6147

Linh.Dao@bdo.com.au



ANDREW TICKLE

Quality Control Reviewer

Tel: +61 8 7324 6082

Andrew.Tickle@bdo.com.au



MITCHELL BREMNER

Engagement Manager

Tel: +61 8 7324 6057

Mitchell.Bremner@bdo.com.au

AUDIT OBJECTIVES AND APPROACH

AUDIT OBJECTIVES

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

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

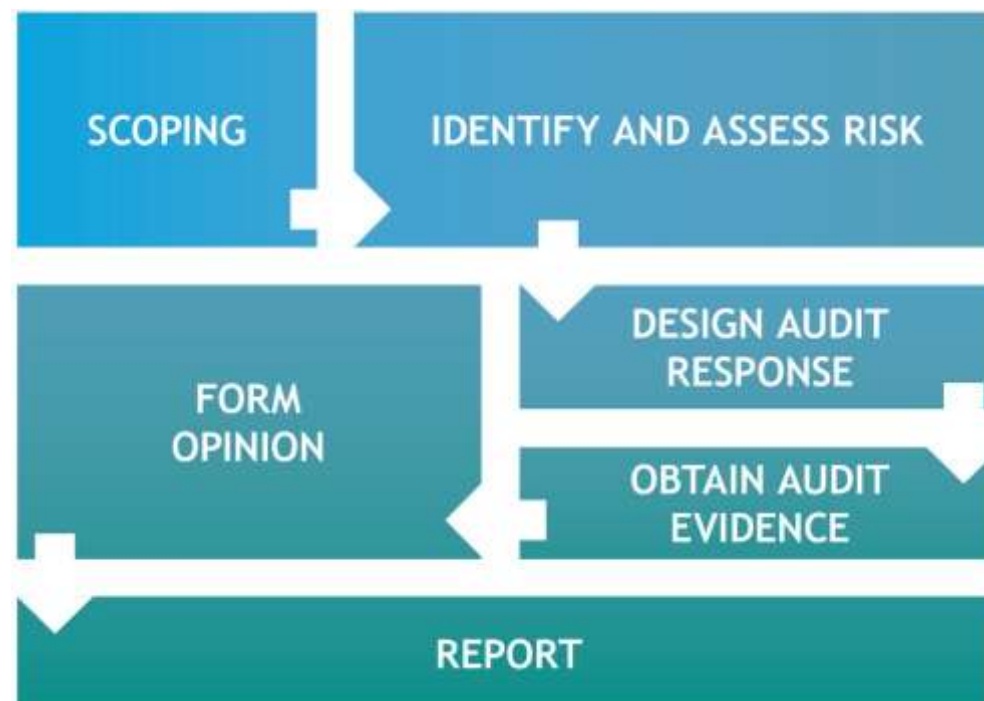
OUR APPROACH

Our audit is performed in accordance with the BDO Audit Approach which consists of six phases and is documented using our global audit tool, APT.

The approach is centred around:

- ▶ Obtaining an understanding of the business being audited from an internal and external point of view
- ▶ Assessing the risk of material misstatements and the controls in place to address and prevent these risks
- ▶ Choosing appropriate procedures to obtain evidence, including the use of data analytics where appropriate
- ▶ Ensuring rigorous quality control over audit performance
- ▶ Providing constructive ideas for improving internal controls and business systems.

A summary of the other key aspects of the BDO Audit Approach is set out on subsequent pages.



OUR APPROACH CONTINUED

INTERNAL CONTROL

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

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

This understanding is also supported by our assessment of internal controls based on the criteria in the Better Practice Model - Financial Internal Control for South Australian Councils, to allow us to express an opinion on the matters set out in Section 129(b) of the *Local Government Act 1999*.

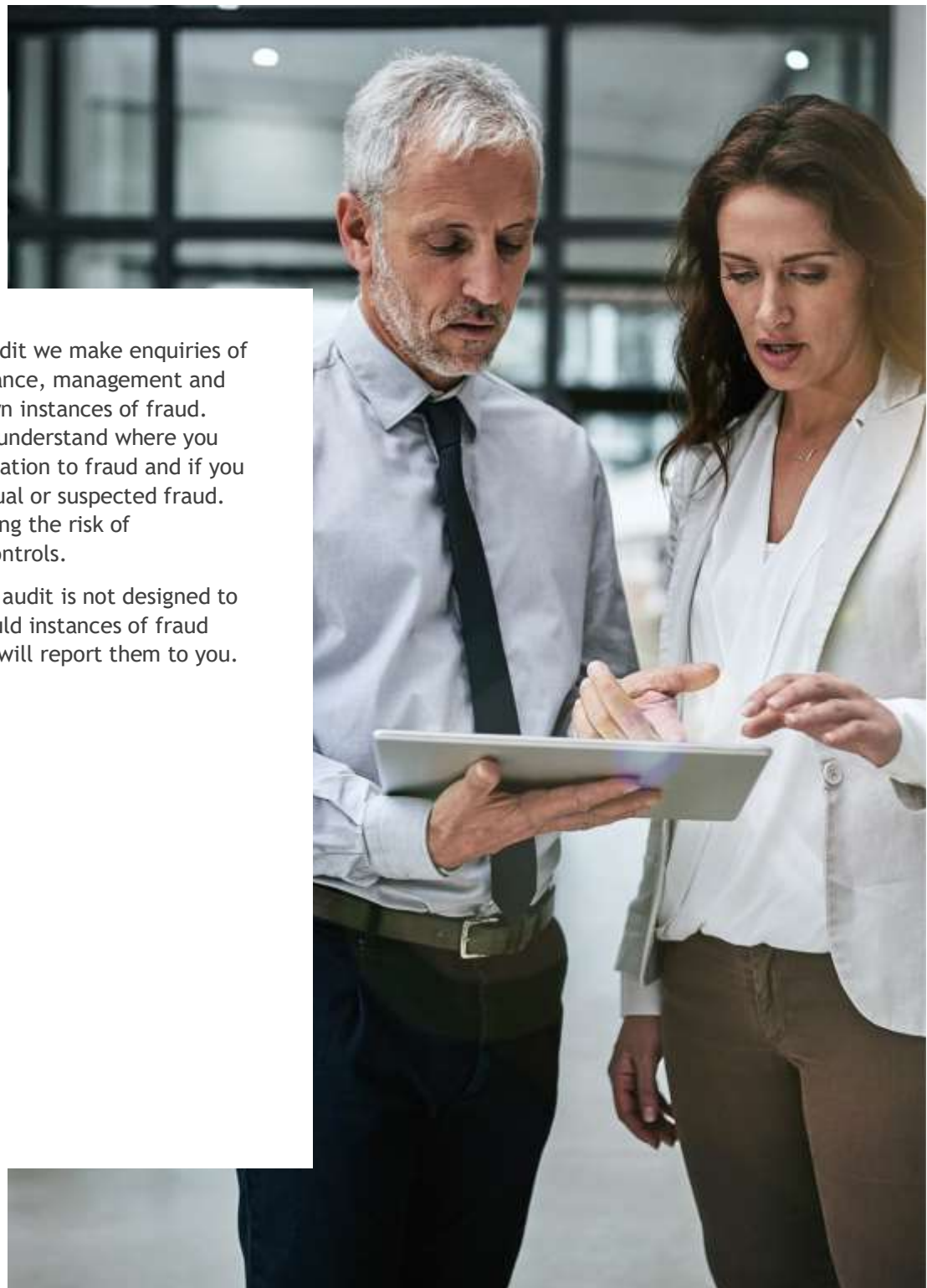
We communicate to the Audit & Risk Committee in writing any significant deficiencies that come to our attention during the audit on a timely basis.

In addition, we communicate with management the significant deficiencies being reported to those charged with governance and any other deficiencies identified that in our judgement are of sufficient importance to merit management's attention.

FRAUD

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

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



OUR APPROACH *CONTINUED*

AUDIT QUALITY AND PROFESSIONAL SCEPTICISM

To support and promote audit quality at BDO, we have implemented an Audit Quality Framework (AQF) that sets out the key drivers of audit quality, including the specific attributes that are important for audit quality to be maintained and enhanced. Refer to our [Transparency report](#) for further information.

The AQF recognises that professional scepticism is essential to obtain audit evidence which is sufficient and appropriate to reduce the likelihood of a material misstatement to an acceptable level.

The application of professional scepticism by all members of the engagement team is central to BDO's Audit Approach.

GOING CONCERN

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

LAWS AND REGULATIONS

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



MATERIALITY

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

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

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

Our materiality for the 30 June 2023 audit is based on 1.8% of forecasted total expenditure. Our estimated materiality levels are set out in the table below:

| | |
|---------------------------|-----------|
| MATERIALITY | \$920,000 |
| CLEARLY TRIVIAL THRESHOLD | \$46,000 |



ENHANCING THE CLIENT EXPERIENCE

BDO'S CLIENT PORTAL

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

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

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



ONLINE CLIENT COLLABORATION

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



A FLEXIBLE, SECURE PLATFORM WITH LOCAL CUSTOMISATION

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



DIGITISED PAPERWORK AND WORKFLOW

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



RISK ASSESSMENT AND AREAS OF AUDIT FOCUS

In line with our audit approach, and based on our understanding of Adelaide Hills Council, we will identify and assess the risks of material misstatement at both the engagement and assertion level.

Our audit procedures are focused on areas that are considered to represent risks of material misstatement to the financial report. We will identify the risk areas as part of our risk assessment procedures during the planning phase and will continue to be alert for risks during the course of the audit. We set out below our preliminary assessment of the key areas of focus, our perspective of the potential impact on the financial statements and our proposed approach. When we complete our planning the associated risks will be updated and categorised between those that are considered to be significant and other than significant.

| AREAS OF FOCUS | OUR PERSPECTIVE | PLANNED RESPONSE |
|--|---|--|
| Revaluation of infrastructure, property, plant and equipment | Council's infrastructure, property, plant and equipment is carried at valuation. There is a risk that these balances are misstated as a result of the application and inappropriate valuation methodologies, or incorrect underlying assumptions. | We will evaluate the competence, capability and objectivity of the independent valuers, if any, obtain an understanding of their work and evaluate its appropriateness. |
| Accounting treatment of Capital Work In Progress (WIP) | There is a risk that the accounting treatment of items captured within Capital WIP may not be in accordance with Australian Accounting Standards. | We will obtain the Capital WIP schedule and review in detail a sample of projects outstanding at the end of the year to ensure they are likely to generate assets. We will also review a sample of assets transferred out of the Capital WIP to check that the categorisation and value allocated to the relevant fixed asset class is appropriate. |
| Management override of internal controls | Australian Auditing Standards require that we presume there is a risk that management has the ability to manipulate accounting records and override control that otherwise appear to be operating effectively. | <p>Our response will include a review of key internal controls at the Council to mitigate the risk of management override.</p> <p>We will test the appropriateness of journal entries and other adjustments made in the preparation of the financial report. We will also review accounting estimates for bias, and evaluate the business rationale (or lack of) of any significant transactions that are outside of the normal course of business or that otherwise appear to be unusual.</p> |



RISK ASSESSMENT AND AREAS OF AUDIT FOCUS *CONTINUED*

| AREAS OF FOCUS | OUR PERSPECTIVE | PLANNED RESPONSE |
|---|--|---|
| Cut-off of grant funding and accuracy of any amounts deferred at 30 June 2023 | There is a risk of error in the calculation of grant income recognised and deferred at the end of the year by reference to grant agreements and Australian Accounting Standards. | We will obtain the schedule of grant income recognised and deferred at year-end. We will select a sample of grants and obtain the agreements to review in detail and test that they have been recognised in accordance with AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i> . |

INTERNAL CONTROL ASSESSMENT

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

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

RISK ASSESSMENT

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

| RISK CATEGORY | RISK LEVEL | | |
|------------------------------|------------|----------|-----|
| | HIGH | MODERATE | LOW |
| Strategic Financial Planning | - | - | 12 |
| Assets | 2 | 3 | 22 |
| Liabilities | - | 1 | 13 |
| Revenue | - | 9 | 5 |
| Expenses | - | 11 | 8 |
| External Services | - | 0 | 2 |
| Financial Governance | - | - | 3 |

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

CONTROL ASSESSMENT

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

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

INTERNAL CONTROL ASSESSMENT CONTINUED

CONTROL TESTING

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

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

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

| RISK CATEGORY | DESIGN & IMNPLEMATION TESTED | TEST OF CONTROLS PERFORMED |
|------------------------------|------------------------------|----------------------------|
| Strategic Financial Planning | 41 | - |
| Assets | 74 | 6 |
| Liabilities | 26 | 2 |
| Revenue | 35 | 17 |
| Expenses | 36 | 26 |
| External Services | 9 | - |
| Financial Governance | 4 | - |
| Total | 225 | 51 |

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



TIMELINE

AUDIT MILESTONES

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

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

| MILESTONE | RESPONSIBILITY | DATE |
|---|-----------------------------------|---------------------------------------|
| Planning meeting with management | BDO & management | 6 March 2023 |
| Audit Committee meeting and submission of Annual audit plan | BDO & management | 17 April 2023 |
| Interim audit visit commences, including opening balance work, review of controls and transactional testing | BDO & management | The week commencing 15 May 2023 |
| Submission of interim management letter (including update on internal control audit) | BDO & management | By 12 June 2023 |
| Final audit visit commences | BDO & management | The week commencing 18 September 2023 |
| Close out meeting with management | BDO & management | 22 September 2023 |
| Submission of draft audit completion report | BDO | By 9 October 2023 |
| Financial statements presented to Audit Committee | BDO, management & Audit Committee | October 2023 |



TIMELINE CONTINUED

| MILESTONE | RESPONSIBILITY | DATE |
|--|------------------|-------------------------|
| Chief Executive Officer and Principal Member of Council to approve and sign off Certification of Financial Statements, Certification of Auditors Independence and management representation letter | Council | October / November 2023 |
| Issue Independent Auditor's Report and Certificate of Auditor Independence in relation to Independence | BDO | October / November 2023 |
| Finalisation of various acquittal reports | BDO & management | TBC |



FEES

FEES

The proposed fee for all services provided for the year ending 30 June 2023 is \$27,000. All amounts are exclusive of GST.

This fee compasses the audit of:

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

Any additional acquittal audits will be charged at \$500 each if they are conducted at the time of the audit or \$1,000 each if undertaken outside of the audit fieldwork (all amounts GST exclusive).

ASSUMPTIONS

Our proposed fee is based on our understanding of your current operations and the required scope of the audit. If these alter, the proposed fee will need to be revised.

Staff travel to Council's office will be charged to you as disbursements when incurred, based on the cents per kilometre method determined annually by the Fair Work Ombudsman in relation to the Clerks-Private Sector Award 2010 (currently \$0.78 per kilometre for 2021/2022).

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

ASSISTANCE REQUIRED

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

- ▶ Management providing all deliverables in line with the agreed timetable
- ▶ Assistance from your staff with supporting documentation and explanations during the audit process
- ▶ Disclosure by your staff of all information relevant to the engagement in a timely manner
- ▶ Prior to the commencement of our audit, we will provide you with an audit preparation package through BDO Portal.

APPENDIX 1 NEW DEVELOPMENTS

REVISED AUDITING STANDARD - ASA 315, IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT

Australian Auditing Standard 315 *identifying and Assessing the Risks of Material Misstatement (Revised)* (ASA 315) is effective for financial reporting periods beginning on or after December 15, 2021. It requires a more granular process of identification risks of material misstatement (RMM) in an entity, with a separate assessment of inherent risk and control risk for assertion level RMMs, to drive a more efficient and risk-responsive audit.

HOW HAS IT CHANGED?

- ▶ Requirement to perform a separate assessment of inherent risk and control risk for risks of material misstatement (RMMs) identified at the assertion level
- ▶ Spectrum of inherent risk, based on the likelihood and magnitude of an RMM
- ▶ Use of inherent risk factors (complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or fraud) to drive risk identification.
- ▶ Identification of 'risks arising from the use of IT' based on integrity of information in the information system; risks arising from ineffective design or non-application of controls
- ▶ Understanding controls over processes that support the effective operation of the IT environment

HOW CAN YOU ASSIST US TO TRANSITION TO THIS REVISED STANDARD?



Document your policies and procedures surrounding business processes, from initiation and processing, through to recording and reporting, of transactions, account balances and disclosures



Review your procedures in advance so we can have robust discussions about where the risk areas arise and the controls you have in place.



Familiarise yourself with your IT environment and how your IT systems are being used to help us identify risks arising from use of IT.

APPENDIX 2 CLIMATE RISKS AND FINANCIAL REPORTING

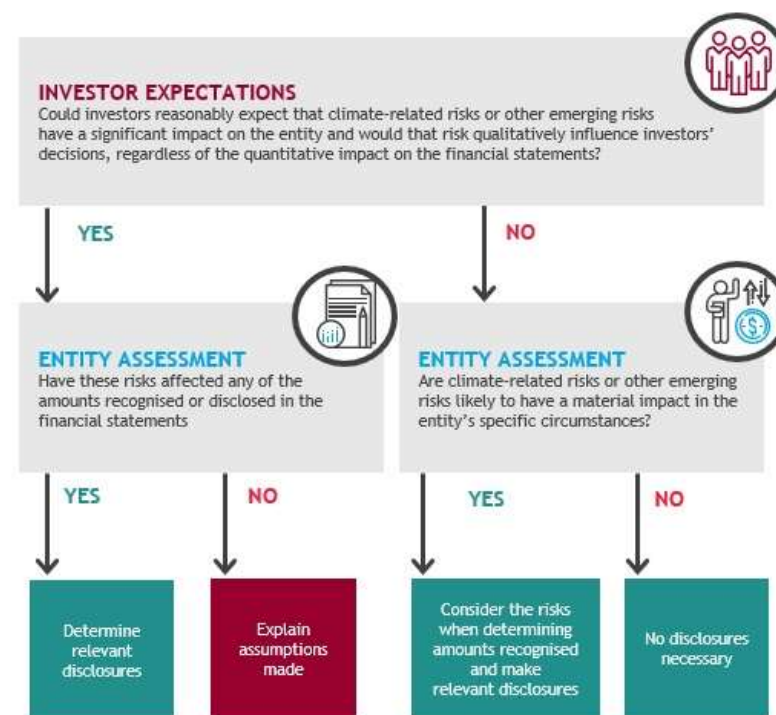
CONSIDERING THE IMPACT OF CLIMATE RISKS IN THE FINANCIAL REPORT

Interest among investors in understanding climate-related risk from companies' management has increased in recent years. Despite this, climate-related risks are currently predominantly discussed outside the financial statements, if at all.

As set out in [AASB/IASB Practice Statement 2 Making Materiality Judgements](#) (APS/PS 2), qualitative external factors such as the industry in which the entity operates and investor expectations may make such risks 'material' and warrant disclosures when preparing financial statements, regardless of their numerical impact. Given investor statements on the importance of climate-related risks to their decision making, the impact of the materiality definition and APS/PS 2 is that entities can no longer treat climate-related risks as merely a matter of corporate social responsibility and may need to consider them also in the context of their financial statements.

Entities preparing financial statements in accordance with Australian Accounting Standards should consider:

- ▶ Whether investors could reasonably expect that emerging risks, including climate-related risks, could affect the amounts and disclosures reported in the financial statements and have indicated the importance of such information to their decision making; and
- ▶ What disclosures about the impact of climate-related risks and other emerging risks on the assumptions made in preparing the financial statements are material to the financial statements in light of the guidance in APS/PS 2, as summarised in the following decision tree from AASB & AUASB



This [AASB & AUASB Joint Bulletin on Climate Change](#) provides guidance on climate-related risk disclosures, key takeaways and recommendations and contains a non-exhaustive list of examples of how climate-related risks could affect the financial statements, as well as the accounting standards that may need to be considered. If you require any assistance in this area, please contact your audit engagement partner initially.



APPENDIX 3 OTHER COMMUNICATIONS

ETHICS AND INDEPENDENCE

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

We obtain independence declarations from all staff engaged in the audit. We also have policies and procedures in place to identify any threats to our independence, and to appropriately deal with and if relevant mitigate those risks.

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

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

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

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

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

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

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



1300 138 991
www.bdo.com.au

Distinctively different - it's how we see you
AUDIT • TAX • ADVISORY

NEW SOUTH WALES
NORTHERN TERRITORY
QUEENSLAND
SOUTH AUSTRALIA
TASMANIA
VICTORIA
WESTERN AUSTRALIA

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

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

www.bdo.com.au



Appendix 2

*2022-23 Financial Statement Audit – Engagement
Letter – 6 April 2023*

Mr Lachlan Miller
Executive Manager Governance & Performance
Adelaide Hills Council
PO Box 44
WOODSIDE SA 5244

6 April 2023

Dear Mr Miller

TERMS OF ENGAGEMENT - AUDIT

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

Audit of the financial report

The objective and scope of the audit

You have requested that we audit the financial report of Adelaide Hills Council which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies, and the certification of the financial statements.

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

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

The responsibilities of the auditor

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

- a) For the preparation and fair presentation of the financial report in accordance with the *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011* made under that Act and Australian Accounting Standards
- b) For such internal control as the Council's officers determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error and
- c) To provide us with:
 - i. Access to all information of which the Council's officer and management are aware that is relevant to the preparation of the financial report whether obtained from within or outside of the general and subsidiary ledgers, such as records, documentation and other matters including access to information relevant to disclosures;
 - ii. Additional information that we may request from the Council's officers and management for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
- d) To inform us of any documents that you expect to issue that may comprise other information;
 - i. If the other information is provided prior to the auditor's report date; the financial report and any other information obtained prior to the date of the auditor's report will be consistent with one another, and the other information will not contain any material misstatements;
 - ii. If the other information is not provided prior to the auditor's report date; to provide and/or issue such other information that will enable us to complete our required procedures.

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

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

Other requirements

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

Expected form and content of the auditor's report

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

Fees

Our audit fees are detailed in the annual audit plan and consistent with the audit tender responses.

Our fees are based on our understanding of your current operations and the required scope of the engagement. If these alter, the proposed fee will need to be revised.

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

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

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

Other matters under the Local Government Act 1999

Independence

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

Enquiries from oversight bodies

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



Presentation of the audited financial report on the internet

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

Terms of trade

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

Yours faithfully

BDO Audit Pty Ltd

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

Linh Dao
Director

Appendix 1

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

Report on the Audit of the Financial Report

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the *Local Government Act 1999* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Other information

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

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

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

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

Responsibilities of the Council's Officers for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

This description forms part of our auditor's report.

BDO Audit Pty Ltd

Linh Dao
Director

Adelaide, XX Month 20XX

Appendix 3

*2022-23 Internal Financial Control Audit – Engagement
Letter – 6 April 2023*



Tel: +61 8 7324 6000
Fax: +61 8 7324 6111
www.bdo.com.au

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

Mr Lachlan Miller
Executive Manager Governance & Performance
Adelaide Hills Council
PO Box 44
WOODSIDE SA 5244

6 April 2023

Dear Mr Miller

ASSURANCE ENGAGEMENTS ON CONTROLS

Design and Operating Effectiveness of Controls

You have requested that we undertake a reasonable assurance engagement on the design of controls established by Adelaide Hills Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, and the operating effectiveness of these controls throughout the period 1 July 2022 to 30 June 2023 in accordance with the requirements of the *Local Government Act 1999*. The control objectives to be addressed are specified by legislation, which are that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities are conducted properly and in accordance with law.

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

Responsibilities of the assurance practitioner

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls*. That standard requires that we comply with ethical requirements applicable to assurance engagements and plan and perform procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives, and the controls operated effectively throughout the period. An assurance engagement involves performing procedures to obtain evidence about the design, description and operating effectiveness of controls.

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

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

The responsibilities of management and identification of the applicable control framework

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

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

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

Assurance Approach

We will examine and evaluate the controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities.

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

Assurance Procedures

Our assurance procedures will include:

- a) Obtaining an understanding of the control environment of Adelaide Hills Council relevant to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;
- b) Evaluating the design of specific controls by:
 - i. Assessing the risks that threaten achievement of the control objectives; and
 - ii. Evaluating whether the controls described are capable of addressing those risks and achieving the related control objectives;
- c) Making enquiries, inspecting documents, conducting walk throughs and re-performance of controls to ascertain whether the degree of compliance with controls is sufficient to achieve their control objectives throughout the period.

Assurance Report

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

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

Material Deficiencies in Design or Deviations in Operating Effectiveness of Controls

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

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

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

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

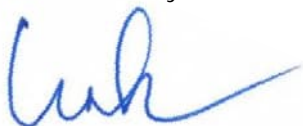
We look forward to full cooperation from your staff during our assurance engagement.

Terms of Trade

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

Yours faithfully

BDO Audit Pty Ltd



Linh Dao
Director

APPENDIX 1

DRAFT INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF ADELAIDE HILLS COUNCIL

Opinion

We have undertaken a reasonable assurance engagement on the design and the operating effectiveness of controls established by Adelaide Hills Council (the Council) in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, throughout the period 1 July 2022 to 30 June 2023 relevant to ensuring such transactions have been conducted properly and in accordance with law.

In our opinion, in all material respects:

- (a) The controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities were suitably designed to ensure such transactions have been conducted properly and in accordance with law; and
- (b) The controls operated effectively as designed throughout the period from 1 July 2022 to 30 June 2023.

Basis for opinion

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

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

The Council's responsibilities for the internal controls

The Council is responsible for:

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

Our independence and quality control

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

Assurance practitioner's responsibilities

Our responsibility is to express an opinion, in all material respects, on the suitability of the design to achieve the control objectives and the operating effectiveness of controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities. ASAE 3150 requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operated effectively throughout the period.

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

Limitations of controls

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

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

BDO Audit Pty Ltd

Linh Dao
Director

Adelaide, XX Month 20XX

Appendix 4

*Audit Committee – Terms of Reference – 14 February
2023*

ADELAIDE HILLS COUNCIL

Audit Committee



TERMS OF REFERENCE

Adopted 14 February 2023

1. ESTABLISHMENT

- 1.1 The Audit Committee (the Committee) of Council is established under Section 41 of the *Local Government Act 1999* (the Act), for the purposes of Section 126 of the Act and in compliance with regulation 17 of the *Local Government (Financial Management) Regulations 2011*.
- 1.2 The Audit Committee does not have executive powers or authority to implement actions in areas which management has responsibility and does not have any delegated financial responsibility. The Audit Committee does not have any management functions and is therefore independent from management.

2. ROLE

- 2.1 The overall role of the Audit Committee will be to assist Council to accomplish its objectives by monitoring and providing advice on the adequacy and effectiveness of the systems and processes regarding financial management and reporting, internal control and risk management, internal audit and governance functions through the following functions:

3. SPECIFIC FUNCTIONS

- 3.1 Financial Reporting and Prudential Requirements

The Committee shall:

- 3.1.1 Provide comment on the assumptions underpinning Council's Strategic Management Plans (Strategic Plan, Annual Business Plan and Budget and Long Term Financial Plan), the consistency between plans and the adequacy of Council's plans in the context of maintaining financial sustainability;
- 3.1.2 Review and provide advice to Council on the degree to which the annual financial statements present fairly the state of affairs of the Council;
- 3.1.3 Monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain.;
- 3.1.4 Review and challenge where necessary:
 - 3.1.4.1 The consistency of, and/or any changes to, accounting policies;
 - 3.1.4.2 The methods used to account for significant or unusual transactions where different approaches are possible;

- 3.1.4.3 Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 3.1.4.4 The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
- 3.1.4.5 All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);

- 3.1.5 Review prudential reports prepared under Section 48(1) of the Act and provide advice to Council, upon request, on other prudential matters.

3.2 Internal Controls and Risk Management Systems

The Committee shall:

- 3.2.1 Ensure that appropriate policies, practices and procedures of internal control (and other financial and risk management systems) are implemented, reviewed and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives;
- 3.2.2 Review Council's risk management framework and monitor the performance of Council's risk management program;
- 3.2.3 Monitor the corporate risk profile and significant risk exposures for the organisation to ensure that there are appropriate management plans to manage and mitigate this business risk; and
- 3.2.4 Ensure an appropriate legislative compliance framework exists to identify risks and controls over compliance with applicable legislation and regulations.

3.3 Public Interest Disclosures

The Committee shall:

- 3.3.1 Review annually the Council's Public Interest Disclosure arrangements and compliance with the requirements of the *Public Interest Disclosure Act 2018*.
- 3.3.2 Provide recommendations to Council regarding Public Interest Disclosure Policy and resourcing required to comply with legislative requirements

3.4 Internal Audit

The Committee shall:

- 3.4.1 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;
- 3.4.2 Consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

- 3.4.3 Review all reports on the Council's operations from the internal auditors;
- 3.4.4 Review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 3.4.5 Where appropriate, meet the "head" of internal audit (internal or outsourced) at least once a year, without management being present, to discuss any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Principal Member of the Council and to the Presiding Member of the committee.

3.5 External audit

The Committee shall:

- 3.5.1 Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 3.5.2 Oversee Council's relationship with the external auditor including, but not limited to:
 - 3.5.2.1 Recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
 - 3.5.2.2 Recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit;
 - 3.5.2.3 Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services;
 - 3.5.2.4 Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business);
 - 3.5.2.5 Monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
 - 3.5.2.6 Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditor on the audit committee's own internal quality procedures);

- 3.5.3 Meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year, without management being present; to discuss the external auditor's report and any issues arising from the audit;
- 3.5.4 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
- 3.5.5 Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following;
 - 3.5.5.1 a discussion of any major issues which arose during the external audit;
 - 3.5.5.2 any accounting and audit judgements; and
 - 3.5.5.3 Levels of errors identified during the external audit. The committee shall also review the effectiveness of the external audit.
- 3.5.6 Review any representation letter(s) requested by the external auditor before they are signed by management;
- 3.5.7 Review the management letter and management's response to the external auditor's findings and recommendations.

3.6 Economy and Efficiency Audits

The Committee shall:

- 3.6.1 Propose and review the exercise of powers under Section 130A of the Act; to examine and report on any matter relating to financial management, or the efficiency and economy with which the council manages or uses its resources to achieve its objectives,

4. OTHER MATTERS

The Committee shall:

- 4.1 Have access to reasonable resources in order to carry out its duties, recognising the constraints within Council's Budget;
- 4.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 4.3 Give due consideration to laws and regulations of the Act;
- 4.4 Make recommendations on co-ordination of the internal and external auditors;
- 4.5 Oversee any investigation of activities which are within its terms of reference;
- 4.6 Oversee action to follow up on matters raised by the external and internal auditors;

- 4.7 Invite Council's external auditors and internal auditors to attend meetings of the Committee, as considered appropriate; and
- 4.8 At least once in its term, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

5. MEMBERSHIP

- 5.1 The Committee will comprise 5 members as follows:

- 5.1.1 Three (3) Independent Members; and

- 5.1.2 Two (2) Council Members

- 5.2 All members of the Committee will be appointed by the Council.
- 5.3 Independent Member(s) of the Committee shall have recent and relevant skills and experience in professions such as, but not limited to accounting, financial management, risk management, law, compliance, internal audit and governance.
- 5.4 It is desirable for the Council Members to be appointed to the Committee to have a sound understanding of financial management, risk management and governance.
- 5.5 In considering appointments to the Committee, Council should give consideration to the diversity of the membership.
- 5.6 Appointments to the Committee shall be for a period of up to three (3) years.
- 5.7 Members of the Committee are eligible for reappointment at the expiration of their term of office, however a maximum term of eight (8) years applies for Independent Members, along with a minimum two (2) year hiatus prior to being eligible for reappointment.
- 5.8 The terms of appointment of the Independent Members should be arranged to ensure the orderly rotation and continuity of membership despite changes to the composition of the Council.

6. SITTING FEES

- 6.1 The applicable Remuneration Tribunal (or its successor) Determination outlines the applicable allowance for Council Members on the Committee.
- 6.2 The Independent Members are to be paid a sitting fee as determined by Council for attendance at meetings and authorised training sessions. Council may determine a higher sitting fee for the presiding member.

7. PRESIDING MEMBER

- 7.1 The Council will appoint the Presiding Member of the Committee.

- 7.2 The Council authorises the Committee to determine if there will be a Deputy Presiding Member of the Committee and, if so, authorises the Committee to make the appointment to that position for a term determined by the Committee.
- 7.3 If the Presiding Member of the Committee is absent from a meeting the Deputy Presiding Member (if such position exists) will preside at that meeting. If there is no position of Deputy Presiding Member, or both the Presiding Member and the Deputy Presiding Member of the Committee are absent from a meeting of the Committee, then a member of the Committee chosen from those present will preside at the meeting until the Presiding Member (or Deputy Presiding Member, if relevant) is present.
- 7.4 The role of the Presiding Member includes:
- 7.4.1 overseeing and facilitating the conduct of meetings in accordance with Act and the *Local Government (Procedures at Meetings) Regulations 2013* (the Regulations); and
- 7.4.2 Ensuring all Committee members have an opportunity to participate in discussions in an open and encouraging manner.

8. REPORTING RESPONSIBILITIES

- 8.1 For the purposes of Section 41(8) of the Act, the Committee's reporting and accountability requirements are:
- 8.1.1 The minutes of each Committee meeting will be included in the agenda papers of the next ordinary meeting of the Council;
- 8.1.2 The Presiding Member will attend a meeting of the Council at least once per annum to present a report on the activities of the Committee;
- 8.1.3 The Committee shall make whatever recommendations to the Council it deems appropriate on any area within its terms of reference where in its view action or improvement is needed; and
- 8.1.4 The Presiding Member may attend a Council meeting at any time that the Presiding Member sees fit to discuss any issue or concern relating to the Committee's functions. Depending on the nature of the matter, this may be held in confidence in accordance with Section 90 of the Act and staff may be requested to withdraw from the meeting.

9. MEETING PROCEDURE

- 9.1 Meeting procedure for the Committee is as set out in the Act, Parts 1, 3 and 4 of the Regulations. Insofar as the Act, the Regulations, or these Terms of Reference do not prescribe the procedure to be observed in relation to the conduct of a meeting of the Committee, the Committee may determine its own procedure.
- 9.2 In accordance with Section 90(7a), one or more Committee members may participate in the meeting by telephone or other electronic means provided that members of the public can hear the discussion between all Committee members.

9.3 Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the Committee for decision.

9.4 Council Employees may attend any meeting as observers or be responsible for preparing papers for the committee.

10. SECRETARIAL RESOURCES

10.1 The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions.

11. FREQUENCY OF MEETINGS

11.1 The Committee shall meet at least four times a year at appropriate times and places as determined by the Committee. A special meeting of the Committee may be called in accordance with the Act.

11.2 If after considering advice from the CEO or delegate, the Presiding Member of the Committee is authorised to cancel the respective Committee meeting, if it is clear that there is no business to transact for that designated meeting.

12. NOTICE OF MEETINGS

12.1 Notice of the meetings of the Committee will be given in accordance with Sections 87 and 88 of the Act. Accordingly, notice will be given:

12.1.1 To members of the Committee by email or as otherwise agreed by Committee members at least 3 clear days before the date of the meeting; and

12.1.2 To the public as soon as practicable after the time that notice of the meeting is given to members by causing a copy of the notice and agenda to be displayed at the Council's offices and on the Council's website.

12.2 PUBLIC ACCESS TO MEETINGS & DOCUMENTS

12.3 Members of the public are able to attend all meetings of the Committee, unless prohibited by resolution of the Committee under the confidentiality provisions of Section 90 of the Act.

12.4 Members of the public have access to all documents relating to the Committee unless prohibited by resolution of the Committee under the confidentiality provisions of Section 91 of the Act.

13. MINUTES OF MEETINGS

13.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance are minuted and that the minutes otherwise comply with the requirements of the Regulations.

13.2 Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee and will (in accordance with legislative requirements) be available to the public.

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 17 April 2023
AGENDA BUSINESS ITEM**

Item: 8.2

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

Subject: Quarterly Council Performance Report – Q3 2022-23

For: Information

SUMMARY

As a local government entity, Council has a number of legislative obligations regarding the preparation and distribution of corporate planning and reporting information to the elected body and the community. In addition to these mandated requirements, Council has over time created a number of additional elements to improve the integration, transparency and accountability of its activities. The Quarterly Council Performance Report is just one of these elements.

A revised suite of corporate performance indicators and targets were developed in consultation with Council Members, the Strategic Leadership Team and relevant officers as part of the *2020-21 Annual Business Plan* process and have continued to be incorporated into the *Annual Business Plan 2022-23*. These were aligned to the new *Strategic Plan 2020-24 – A brighter future* adopted in April 2020.

The Quarterly Council Performance Report for Q3 (**Appendix 1**) covers the period 1 January 2023 to 31 March 2023, and shows the performance against the corporate performance indicators as well as discussing key highlights aligned with the Strategic plan.

The purpose of this report is to inform the Audit Committee of Council's performance against the *Annual Business Plan 2022-23* targets in order to assist in their role as advisors to Council on the adequacy and effectiveness of processes involving financial management, reporting, risk and governance.

RECOMMENDATION

The Audit Committee resolves the Quarterly Council Performance Report – Q3 2022-23 be received and noted.

1. BACKGROUND

At its 19 June 2018 meeting, Council adopted (Res 128/18) the Corporate Planning & Performance Framework, of which a key element was the establishment of a suite of Corporate Business Performance Indicators which are aligned with Adelaide Hills Council's Strategic Plan goals and will enable the tracking of performance over time.

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

A revised suite of corporate performance indicators and targets were developed in consultation with Council Members, the Strategic Leadership Team and relevant officers as part of the 2020-21 Annual Business Plan process. These were aligned to the new Strategic Plan 2020-24 – A brighter future adopted in April 2020. These indicators have continued to be used in the Annual Business Plan 2022-23.

A change was made to the timing of reports during the 2021-22 financial year and will continue into the 2022-23 financial year. Reports are provided to Council and the Audit Committee at the next meeting directly following the end of the quarter. This may mean that some quarterly reports go to the Council meeting prior to the Audit Committee.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

| | |
|---------------|--|
| Goal | A progressive Organisation |
| Objective O5 | We are accountable, informed, and make decisions in the best interests of the whole community |
| Priority O5.3 | Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community |

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

➤ Legal Implications

Chapter 8 - Administrative and financial accountability of the *Local Government Act 1999* sets out the key legislative obligations regarding corporate planning and reporting obligations, as follows:

- S122 – Strategic management plans – development, content requirements, consultation, review and availability of strategic plan, asset management plan and long-term financial plan;
- S123 – Annual business plans and budgets - development, content requirements, consultation, review and availability of annual business plan and budget
- S127 – Financial statements – preparation, content, auditing and availability of the financial statements;
- S131 – Annual reports – preparation, content, distribution and availability of the annual report

Additional requirements are contained in the *Local Government (General) Regulations 2013* and the *Local Government (Financial Management) Regulations*.

➤ **Risk Management Implications**

Quarterly Council Performance Reporting will assist in mitigating the risk of:

Ineffective performance management and reporting processes leading to poor performance and/or loss of stakeholder confidence

| Inherent Risk | Residual Risk | Target Risk |
|---------------|---------------|-------------|
| Extreme (4B) | Low (3E) | Low (3E) |

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

➤ **Financial and Resource Implications**

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

Quarterly Council Performance Reporting assists in showing the financial and resource performance to plan as per the targets, initiatives and activities outlined in the *Annual Business Plan 2022-23*.

As part of the development of the budget outlined in the *Annual Business Plan 2022-23*, a series of Savings Strategies were developed to help address emerging cost pressures and to improve Council's Operating Surplus over the period of the Long Term Financial Plan. The adopted strategies totalled \$650k in ongoing savings, and a page dedicated to reporting on the progress of these strategies has now been included in the quarterly report.

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

Providing integrated, consultative corporate planning and effective and transparent performance reporting to the Council and community has the potential to increase the level of trust and confidence in Council.

➤ **Sustainability Implications**

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

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

Consultation on the development of this report was as follows:

Council Committees: Not applicable

Council Workshops: Not applicable

Advisory Groups: Not applicable

External Agencies: Not applicable

Community: Not applicable

3. OPTIONS

As this is an information report, the Audit Committee is limited to receiving and noting the report however additional feedback can be provided to the Governance and Performance team for consideration of future enhancements for the 2022-23 FY reports.

4. APPENDIX

(1) *Quarterly Council Performance Report – Q3 2022-23*

Appendix 1

Quarterly Council Performance Report – Q3 2022-23

Quarterly Council Performance Report

Quarter 3 – 1 January – 31 March 2023



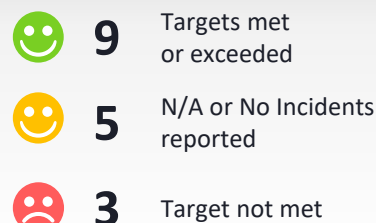
Table of Contents

| | |
|--|----|
| 1. Executive Summary | 2 |
| 2. Adelaide Hills Council Major Projects | 3 |
| 3. Performance by Strategic Goal | 6 |
| 4. Customer Service Standards | 20 |
| 5. Capital Works Performance | 23 |
| 6. Savings Strategies | 24 |
| 7. Quarterly Financial Performance | 25 |

1. Executive Summary



Customer Service Standards



Capital Performance

\$1.4m of infrastructure delivered

\$8.9m of infrastructure ordered

The primary focus of this quarter has been on tendering projects that were designed earlier in the year, and continuing delivery of asset renewal programs.

Highlights

- It had been a busy time for events over this period with Tour Down Under taking centre stage across the Council area. Other popular activities provided by Council included *Discover, Play, Bikeway* and the *Hills Harmony Day Picnic*.
- The Substantive CEO Recruitment process is progressing well with advertising and candidate shortlisting completed
- The draft Long Term Financial Plan (LTFP) underwent community consultation over March
- Council have been installing and integrating a solar management system (Solar Analytics) across all of our solar installations. While not complete, initial calculations indicate a 12 month saving of 219 MWh and \$66,000.
- A Community Led Emergency Resilience workshop series (now renamed "RediCommunities") has been completed in the Scott Creek, Bradbury, Ironbank and Longwood.
- The Kerbside Bin Options Report was discussed with Council Members at the LTFP workshop held early February 2023. Funding has since been allocated in the LTFP to undertake a trial of one or more of the options.

Risk and Challenges

- Resourcing in some areas of Council has been challenging and led to ongoing delays and impacts while the positions are being recruited.
- Financial pressures resulting from escalating costs continue to grow. Strategies to mitigate cost increases have been highlighted across the organisation to be incorporated into future budgets and Long Term Financial Plan.
- In the buildings and property space, difficulties in procurement from a Contractor availability and financial perspective have continued throughout the quarter.

2. Adelaide Hills Council Major Projects

Implementation of the Community and Recreation Facilities Framework

The Community & Recreation Facilities Framework was developed to support the management of Council and Community owned facilities.

This framework will be progressively implemented over a three year period.

Latest News

Staff continue to meet with Clubs to discuss the Framework obligations and impacts.

Several iterations of the leases/management agreements have now progressed with the draft Leases to be ready for discussion with Clubs during April 2023.



FABRIK Development

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

Latest News

In Building 20 the upstairs framework for the ceilings has been completed. The electrical first fix, wall frames and the new plumbing works are underway. The designs for Gallery air-conditioning and the staircase have been finalised, with orders in for the staircase steel and the new upstairs windows.

In Building 14 the floor has been removed and plumbing works commenced in the rear wet areas. The electrical first fix is also underway.

In the new Pavilion Building the external concrete seating designed and the Steel framework has been ordered.

In Building 21 the final electrical work has been completed, the two new windows ordered and inside has been painted.

The Landscaping design has been completed and approved ready for quotes to be sourced.



Gumeracha Library improvements

The upgrade to the Gumeracha Library and Service Centre is aimed at making the space more welcoming and user-friendly. This includes updating the furniture, shelving, service counter and general layout.

Latest News

Procurement process for both construction and furniture/fittings progressed in quarter 3.

Quotes for the construction component (including new service desks in the Library and Foyer spaces, new computer desks and the children's area) were received and evaluated. The preferred supplier has been selected with construction works to begin in August 2023. The project commencement has been delayed due to availability of contractors to schedule in the works within the set budget for the Project. Expected completion now 30 September 2023.



Heathfield School Courts including Canteen and Storage upgrades

This project is a unique collaboration between Council, local clubs, the High School, the Education Department and the Office for Recreation and Sport.

The four court facility will provide improved sporting amenity for the local community, the High School and facilitates great connections between the High School and the adjacent Heathfield Oval..

Latest News

Design for the canteen and storage facility has been finalised with stakeholders, including local clubs. Currently awaiting development approval for the structure and construction will commence once received.



Towards Community Led Emergency Resilience Program (TCLERP)

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

The program has several areas of focus including:

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

Latest News

A Community Led Emergency Resilience workshop series (now renamed "RediCommunities") has now been completed in the Scott Creek, Bradbury, Ironbank and Longwood communities.

Planning and engagement with the Summertown, Uraidla and Houghton, Inglewood and Kersbrook communities has commenced.

In partnership with CFS, We have presented workshops on psychological preparedness for children and fire safer planting choices for private property gardens.

Completed initial consultation with relevant internal and external stakeholders for AHC's bushfire mitigation strategy and a community consultation strategy has been drafted.

BRM Advisory have been contracted to develop a Recovery Operations Manual (ROM) and associated departmental sub-plans.

Adelaide Hills Community Action Bushfire Network continue to meet monthly with support from Community Resilience Team.

All three new web pages "Recovery, Readiness, Resilience" have now been published on our website. User testing and assessments will be conducted to further improve accessibility and local relevance.



3. Performance by Strategic Goal

A functional Built Environment

Highlights

- ✓ **New and upgraded footpath program**
 - The William St, Birdwood footpath has been completed and scoping has commenced for Kingsland rd, Aldgate and the steps at the Crafers Dog Park.
- ✓ **Prepare turf and irrigation design/management plans for key bore water use areas**
 - Mylor Oval preliminary designs have been completed and feedback from oval committee has been sought
- ✓ **Building Upgrades – minor**
 - Upgraded the electrical power board that supplies power to the Stirling Tennis and Petanque Clubs to ensure safety and compliance.
- ✓ **General Property**
 - Information received as part of the Building Audit has been incorporated into budget planning for 2023-24 financial year, and discussions commenced with the Assets team on the Building Asset Management Plan.
- ✓ **Sustainability**
 - Council have been installing and integrating a solar management system (Solar Analytics) across all of our solar installations. The data is currently incomplete due to some technical difficulties at 3 sites, however initial calculations indicate a savings over a 12 month timeframe from installed solar PV panels of 219 MWh and \$66,000.
- ✓ **Civil Services**
 - Council's civil maintenance activities transitioned from a reactive and risk based approach back to a planned and zoned approach, as a result of the wet weather subsiding and the backlog of road defects reducing.
- ✓ **Federation Park and Oval masterplan implementation**
 - The toilet upgrade has commenced, while the footpath and additional power sources are planned to commence soon.
- ✓ **Cemetery Upgrades**
 - Work commenced at Summertown Cemetery including the installation of driveway drainage and gravel to pathways.
 - Benches purchased for installation at Kersbrook Cemetery and Mt Torrens Cemetery.
 - The design for Kersbrook Natural Burial Ground has commenced.
- **Adelaide Hills War memorial Swimming Pool**
 - A Feasibility Study is currently being undertaken for the Adelaide Hills (War Memorial) Swimming Centre (AHWMSC) at Woodside. The study will determine the remaining asset life of all facilities at the pool site as well as linkages with the wider Woodside Recreation Ground and other civic activities that occur at the site.
 - Recommendations and high level costings will be provided upon completion of the project to be considered within the development of future reviews of the Long Term Financial Plan.
- ✓ **Policy Planning**
 - Preliminary investigations have progressed into a possible Adelaide Hills Subzone Code Amendment which was presented to Council on 28 March 2023.
 - Analysis of 2021 census data continues in order to understand the demographic changes across the district and the housing trends and challenges. This research will help inform upcoming Regional Planning Discussions.

Risks & Challenges

✗ Carbon Management Plan - Energy Upgrades, Battery & Efficiency Actions

- The draft property and sustainability audit has now been received. The consultant is preparing a consolidated summary which will enable the identification of priorities for implementation.
- A key action to achieve the target of 100% renewable energy use has been challenging due to the recent Local Government Association procurement tender which did not provide an option for the purchase of 100% renewable energy. This along with increases in the cost of electricity will result in AHC not achieving its target.

✗ Road Safety Program

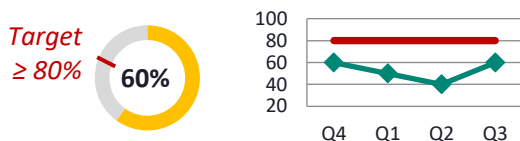
- Additional funding has been received from the Federal Government to progress the preferred design outcome.
- Land Acquisition and native vegetation approvals need to be finalized.

✗ Purchase of Electric Vehicles cars for fleet

- Two electric vehicles have been ordered and one will be delivered in the coming months with the other now delayed to third quarter 2023 due to the change to a new model.

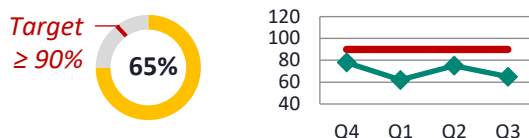
Performance Indicators

Operational tasks completed within the Civil Zone Maintenance Program



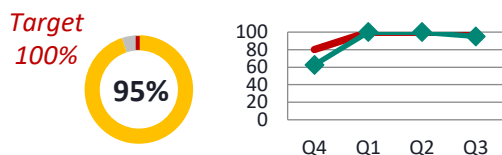
Heavy rains continued in Q2, with the impact being on the road network, with saturated pavements failing across the network. During this period, work was prioritised by risk, rather than by zone.

Delivery of capital works program









Actual expenditure is less than budgeted, primarily due to delayed start to the significant blackspot projects in the roads asset class.

Compliance inspections completed within 10 business days of development completion notification



During Quarter 3 there were 120 inspections undertaken. 21 inspections were as a result of notifications for completion of works. Of these 95% were carried out within 10 business days. There was one inspection not within 10 business days and this was delayed at the request of the customer.

Legend:  = Target Met  = Target not met \geq Greater than or equal to

Legend:  = On Track  = Not Started  = Deferred  = Behind Schedule  = Completed  = Not a Strategic initiative

Progress on Strategic Initiatives from the Annual Business Plan

| Project ID | Strategic Initiatives | Status |
|------------|--|--------|
| B1001 | Recreation Trails & Cycling Route Upgrades | ✓ |
| B1003 | New Bus Shelter Installation Program | ✓ |
| B1004 | New and upgraded footpaths | ✓ |
| B1007 | Recreation Trails & Cycling Routes Framework Implementation | ✓ |
| B1009 | DDA Upgrades Minor access upgrades region wide (compliance) | ✓ |
| B2001 | Federation Park and Oval masterplan implementation | ✓ |
| B3002 | Implement irrigation systems (renewal / upgrades) | ✓ |
| B3003 | Investigate and Implement central irrigation control system (region wide) | ✓ |
| B3004 | Prepare turf and irrigation design/management plans for key bore water use areas | ✓ |
| B3005 | Carbon Management Plan - Energy Upgrades, Battery & Efficiency Actions | ✗ |
| B4006 | Asset management - Confirm Web and Connect Licences and Field Devices | ✓ |
| B4009 | Building Upgrades - minor | ✓ |
| B4010 | Cemeteries Upgrades | ✓ |
| B4011 | CWMS Capacity Upgrades (Birdwood & Woodside gravity mains) | ✓ |
| B4014 | Road Safety Program including co-contribution to Road Blackspot | ✗ |
| B4015 | Installation of further Electric Vehicle charging stations | ✓ |
| B4016 | Purchase of Electric Vehicles cars for fleet | ✗ |
| B4041 | Community and Recreation Facilities Framework Implementation | ✓ |
| B4042 | Operational worksite review including forward planning | ✓ |
| B4043 | Hamilton Hill - Dunfield Estate & Crest Maintenance | ✓ |
| B4044 | Feasibility Studies for future projects | ✓ |
| B4045 | Stormwater projects | ✓ |
| B4046 | Mt Torrens Coach House Reserve Facilities | ✓ |
| B4047 | Woodside School Crossing (LRCIP) | ✓ |
| B4048 | Heathfield School Courts – Canteen and Storage | ✓ |
| B4049 | Adelaide Hills War Memorial Swimming Pool - Splash Park Contribution (LRCIP) | — |

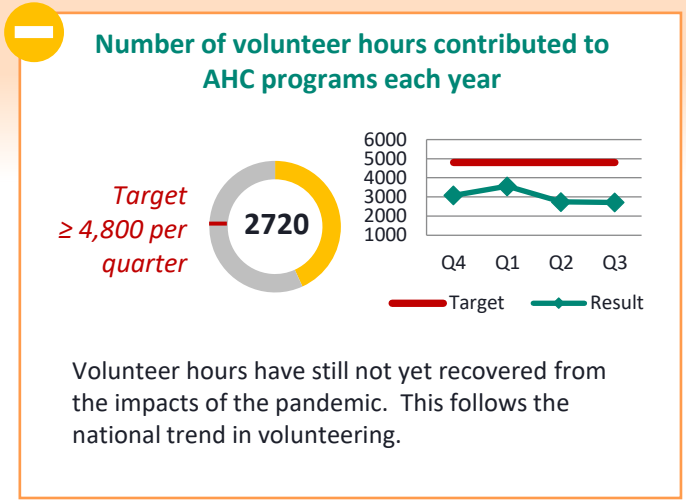
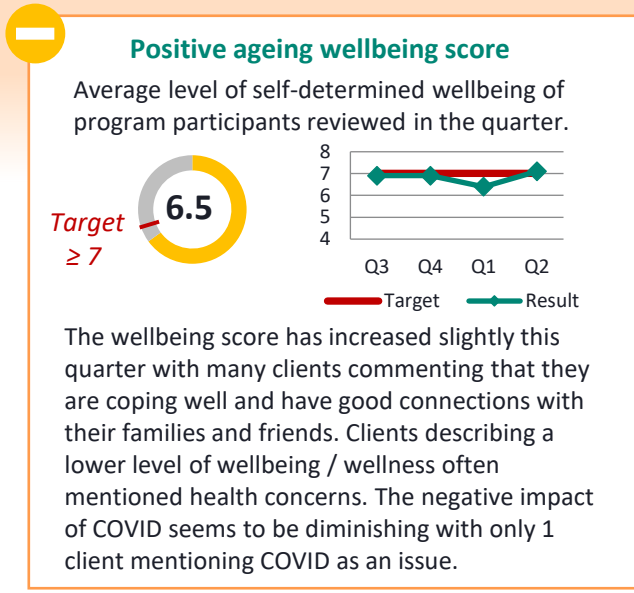
Highlights

- ✓ **Actions from adoption of Aboriginal Place naming Action plan**
 - Approval of names for the Hamilton Hill signage and Council meeting rooms in Stirling is being sought from the Kurna Warra Karpanthi (KWK).
- ✓ **Tour Down under**
 - The Tour Down Under events were very successful with Council hosted events being well attended and receiving positive feedback.
 - Hitaf Rasheed and Tour Director Stuart O'Grady presented to Council following the event to discuss outcomes, issues on the day, benefits for the region and other related topics.
- ✓ **Access and Inclusion Plan**
 - The first Inclusive Soccer Gala Day was held at Woodside Warriors Soccer Club on Saturday 25 March. The 'come and try' session was tailored for people with disability, and was delivered by One Culture Support Services, hosted by the Warriors and supported by Council. The session was attended by over 10 participants with different kinds of disability, including autism, down syndrome, cerebral palsy, intellectual disability and speech and language delay.
 - The first Disability Access & Inclusion Forum for 2023 was held on Wednesday 1 March at the Council Chambers.
- ✓ **Libraries**
 - A workshop was held with Council members on 21 March regarding current library opening hours, trends and usage and proposed options to change opening hours to better align to community demand and improve service delivery. Community consultation on the proposed changes commenced 31 March 2023.
 - The Mobile Library participated in Council's Discover Play Bikeway event. Over 170 people visited the Mobile Library Van which provided colouring in, craft and Storytime activities for families.
- ✓ **Volunteers**
 - The number of registered volunteers has increased from 148 to 152 during this quarter. The overall number of volunteer hours remains steady. Several programs have reduced activities (for example Fabrik) and this has impacted on the volunteer hours.
- ✓ **Climate Change Adaption Plan Projects-All hazards emergency management**
 - Development of a Recovery Plan that documents Council's community recovery actions has commenced. This action is a high priority within the Emergency Management Plan.
- ✓ **Summit Community Centre**
 - The school holiday program brought in many new families and was well attended
 - Regular programs and workshops has had great attendance with sessions often booked out including Auslan 4-week session, Writers week workshops, first aid for babies, Australian flower painting and youth bike maintenance.
- ✓ **Cultural Development**
 - 25 March was the Picnic in Federation Park, Gumeracha which is part of our celebrations for Harmony Week. Community groups volunteered their time to cater for and provide activities for approximately 200 attendees across the day.
- ✓ **Positive ageing**
 - Over the quarter, the Hills Home Support Program delivered over:
 - 1,640 hours of in-home support
 - 3,000 hours of group social support
 - 370 community bus transport services
- ✓ **Youth Development**
 - SA Youth Week 2023 included a SAPOL Blue Light Pool Party and a GetStoked! Day at the Mylor BMX track.
- ✓ **Public Health**
 - Council received notification of 17 new food businesses opening in the area while 14 existing food businesses closed, resulting in a net increase of three new food premises this quarter. Three Expiation have been issued in relation food safety.
 - There are over 3250 aerobic wastewater systems operating in the area with approximately 78 listed as non-compliant and a further 338 not currently receiving any required maintenance. Council is following up with owners to have Get Stoked their systems maintained as per the legislative requirements to ensure public health.

Risks & Challenges

- ✖ **Support for high profile regional event**
 - This initiative has been cancelled as part of budget austerity measures.
 - ✖ **Gumeracha Library upgrades (LRCIP)**
 - Procurement process for both construction and furniture/fittings progressed in quarter 3.
 - Quotes for the construction component (including new service desks in the Library and Foyer spaces, new computer desks and the children's area) were received and evaluated. Preferred supplier has been selected with construction works to begin in August 2023. The delay has been encountered as a result of the preferred contractor availability.
 - Furniture and fittings have been selected and ordered. Project is now behind schedule with construction and fit-out now planned to commence in August/September (originally planned for April). However the upgrade is still due to be completed by the end of 2022.
 - ✖ **Play Space Framework Implementation**
 - Due to resourcing issues and competing projects, implementation of the Playspace Framework is behind schedule. This will be picked up again in early 2023 with an update provided in the next quarter
 - ➡ **Activation Arts & Heritage Hub**
 - Project listed as "Deferred" as the site is currently closed for the redevelopment
 - ✔ **Tour Down under**
 - There were multiple complaints around the Challenge Tour full road closures on 20 January throughout the district related to negative business impacts and implications for residents and visitors. This issue will be considered for any future event planning.
- Legend:** ✔ = On Track ⊖ = Not Started ➡ = Deferred ✖ = Cancelled ✖ = Behind Schedule 😊 = Completed

Performance Indicators



Progress on Strategic Initiatives from the Annual Business Plan

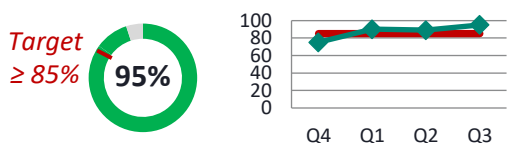
| Project ID | Strategic Initiatives | Status |
|------------|--|--------|
| C1004 | Gumeracha Library upgrades (LRCIP) | ✗ |
| C1005 | Stirling Region Skate Park | ✓ |
| C4006 | Play Space Framework Implementation | ✗ |
| C4012 | Climate Change Adaption Plan Projects-All hazards emergency management | — |
| C4022 | Community Resilience Program | ✓ |
| C4023 | Adelaide 100 Walking Route (LRCIP) | ✓ |
| C5002 | Aboriginal Cultural Development | ✓ |
| C5003 | Actions from adoption of Aboriginal Place naming Action plan | ✓ |
| C6001 | Fabrik Activation Capital | ✓ |
| C6003 | Capital Divestment - Capital Cost | ✓ |
| C6004 | Activation Arts & Heritage Hub - Operating (Income) | ➡ |
| C6005 | Activation Arts & Heritage Hub - Operating (Expenditure) | ➡ |
| C6006 | Tour Down Under | ✓ |
| C6008 | Support for high profile regional event | ✗ |
| C6009 | Public Art (including acquisition) | ✓ |

Highlights

- ✓ **Review and upgrade Council signage and branding**
 - Quote has been received for upgrades to signage at Woodside, Gumeracha and The Summit. Meetings have been held on site with the supplier and staff to refine the brief.
- ✓ **Free Camping Initiative**
 - Balhannah Oval Free Camping and Dump Point is now fully operational.
- ✓ **Economic Development**
 - Hosted Home Based Business networking breakfast in Gumeracha for 15 attendees.
 - The February Business e-newsletter was opened by 2,555 recipients.

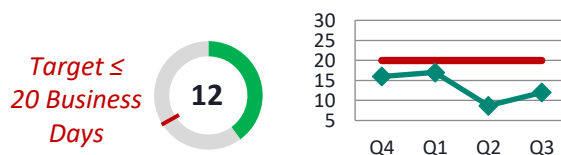
Performance Indicators

✓ Percentage of planning consents completed within statutory timeframes



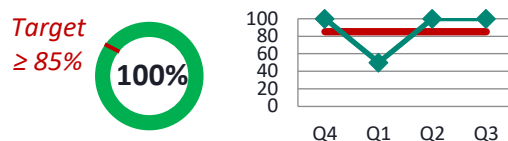
There were a total of 199 Planning Consents issued by Council in this quarter with 94.95% of the decisions made within statutory timeframes. There was an average assessment timeframe of 16 days during this quarter.

✓ Average number of days for building consents



There were a total of 61 Building Consents issued by Council in Quarter 3 with the average assessment timeframe of these decisions being 12 days.

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



During this quarter there were no new appeals lodged against Council/CAP Decisions or decisions made by the Court.

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

Progress on Strategic Initiatives from the Annual Business Plan

| Project ID | Strategic Initiatives | Status |
|------------|---|--------|
| E1003 | Free Camping Initiative | ✓ |
| E2001 | Review and upgrade Council signage and branding | ✓ |
| E4001 | Additional Tree safety work required to support the Tour Down under | 😊 |

Highlights



Explore feasibility and benefits of a user pays Kerbside bin service

- Options presented in the Kerbside Bin Options Report were discussed with Council Members at the LTFP workshop held early February 2023. Funding has since been allocated in the LTFP to undertake a trial of one or more of the options formally completing this action.



Animal Management

- Council has continued to educate pet owners of their responsibilities especially in relation to registrations



Waste

- Community waste and recycling education has continued and staff have visited various waste facilities including a landfill and material resource recovery facility to maintain knowledge at contemporary levels.

Risks and Challenges



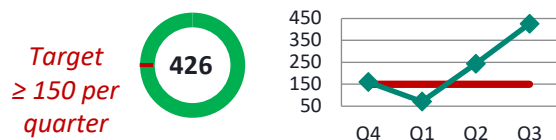
Resilient community facilities and open space including water fountains

- Awaiting information from relevant stakeholders about meter and access to Balhannah Dog Park for drinking fountain installation.

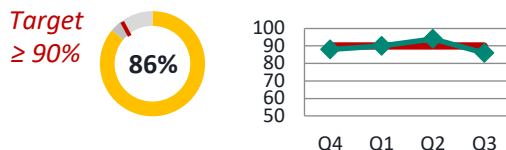
Performance Indicators



Tonnes of green organics collected on Green organics days



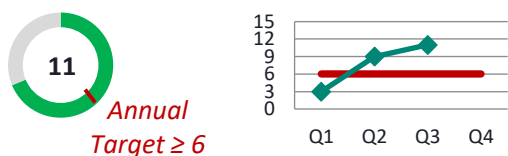
Percentage of nuisance and litter queries resolved



The reported “unresolved” queries took longer to resolve due to the complexity and communication required.



Number of community education actions delivered – actioned vs planned



Legend: = Target Met = Target not met ≥ Greater than or equal to

Progress on Strategic Initiatives from the Annual Business Plan

| Project ID | Strategic Initiatives | Status |
|------------|--|--------|
| N1003 | Long Term Strategic Tree Planting Program | |
| N2003 | Native Vegetation Marker Program to protect and manage roadside vegetation | |
| N2004 | Review Unformed Public Roads to ascertain connectivity potential & habitat value | |
| N2005 | Develop Council Encroachment Policy | |
| N2006 | Develop and review Council Management Plans for high value reserves | |
| N2008 | Develop informative and attractive signage in Council reserves/playgrounds | |
| N2010 | Post prescribed burn weed management | |
| N2012 | Fire scars proactive tree management (LRCIP) | |
| N3001 | Local Climate Adaptations for landscape conservation | |
| N3002 | Resilient community facilities and open space including water fountains | |
| N4001 | Explore feasibility and benefits of a user pays Kerbside bin service | |
| N5001 | Undertake Kerbside Waste Audits | |



Highlights

- ✓ **Ongoing Skytrust (WHS system) implementation**
 - Work on the enhancement of the SkyTrust system is ongoing. The system is now being used to progress online training elements to ensure organisational compliance. The WHS Improvement Plan have recently been completed and will be captured within SkyTrust to enable ongoing monitoring.
- ✓ **Community perception survey**
 - The survey is planned to commence in May 2023 to line up with the strategic plan development timeline and inform the strategic plan's ongoing targeted engagement.
- ✓ **Organisational development**
 - The 3 Year WHS Improvement Plan was recently completed and endorsed by the Scheme. This has been a significant piece of work undertaken and will provide a solid foundation of work for the next couple of years.
 - The recruitment of a new Manager People and Culture was finalized with them commencing on 20 March.
- ✓ **Financial Services**
 - Community consultation on the Long Term Financial Plan occurred over March.
- ✓ **New council website and e-services**
 - Phase two refinements have commenced around a new Library landing page, inbuilt e-news capacity, analytics and reporting.
- ✓ **Council Member Induction Training**
 - In this quarter Council Members undertook the following training modules:
 - Role of a council member
 - Registers, returns and resources
 - Legal protections and oversight
 - Records Management
- ✓ **Resource to manage building & swimming pool compliance inspections**
 - During Quarter 3 there were 120 building inspections undertaken.
 - A number of the private bushfire shelters inspected where installed without Development Approval and these are active enforcement matters.
- ✓ **Governance and Performance**
 - A full review of Council's corporate risks is underway and will be completed next quarter.
 - Planning has commenced for the 2023-24 Annual Business Plan and the Strategic Plan

Risks & Challenges

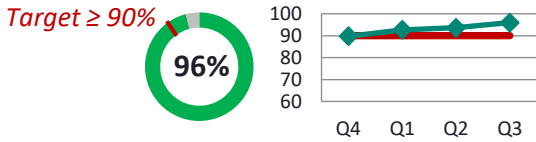
- ✗ **Update of Business Continuity Plan and implementation**
 - Proposal for the development of the Workforce Incident Operations Manual is underway which will address resource constraints associated with key personnel between the Incident Management Team (EMP), Organisational Response (WHS) and Business Continuity Team (BCP).



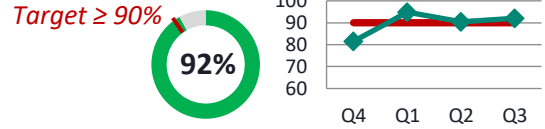
Performance Indicators



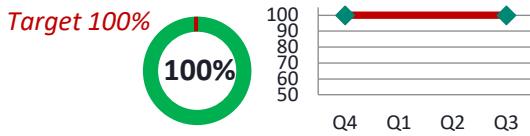
Decisions (Council resolutions) considered in open Ordinary and Special Council meetings during the period



Council member attendance at ordinary and special meetings for the period



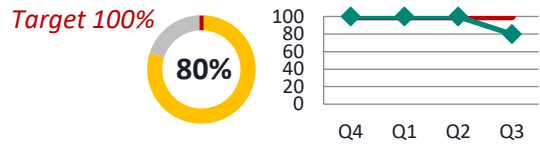
Freedom of Information (FOI) External reviews upholding Council's decisions



One External Review received by Ombudsman SA, still active.



Freedom of Information (FOI) requests received, in progress and completed within the legislated timeframe



Two FOIs and one Internal Review received. Four FOIs and one Internal Review completed. Three FOIs still active (includes ones from previous quarter). One FOI fell out of legislative timeframes for response by a few days, internal review completed.



Number of lost time injuries

Annual Target **0** Actual **5**



Employee Turnover

Annual Target **7-15%** Actual **9.04%**

Q3 figure was 3.57%. Showing accumulative employee turnover percentage to date. Full year target will not be determined until Qtr 4, however currently on track to be achieved



Progress on Strategic Initiatives from the Annual Business Plan

| Project ID | Strategic Initiatives | Status |
|------------|--|--------|
| O1001 | Resource to manage ongoing Skytrust (WHS system) implementation | ✓ |
| O1002 | Update of Business Continuity Plan and implementation | ✗ |
| O2001 | New council website and e-services | ✓ |
| O2002 | Annual Council website license subscription | ✓ |
| O4001 | Local Government Election Support | 😊 |
| O4002 | Council Member Induction Training | ✓ |
| O5004 | Maintenance of LG performance benchmarking program (Councils in Focus) | ✓ |
| O5005 | Resource to manage building & swimming pool compliance inspections | ✓ |
| O6002 | Cyber & Systems Security - Program Management | ✓ |
| O6005 | Records Management software | ✓ |
| O6007 | Community perception survey | — |
| O6008 | Information Systems - ERP Systems (Payroll, HR, Finance) | ✓ |

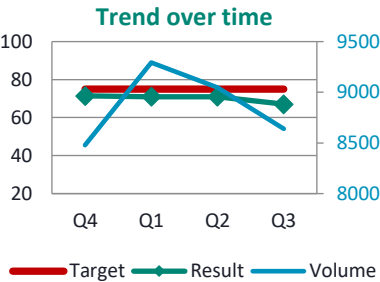
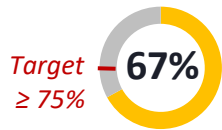
4. Customer service standards

5.1 General Customer Standards

Answering Incoming Phone Calls

Volume of calls = 8,639

Contact centre calls answered within 30 sec

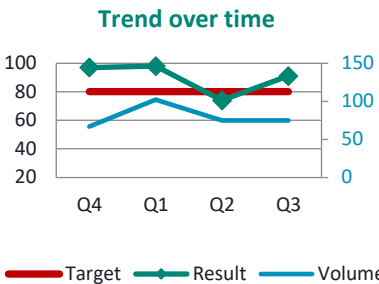
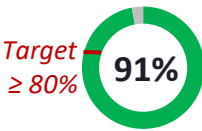


75% of calls were answered within 60 seconds. Training of new staff in March contributed to slightly longer wait times.

Updating Customer Details

Volume of updates = 75

Details updated within 5 days

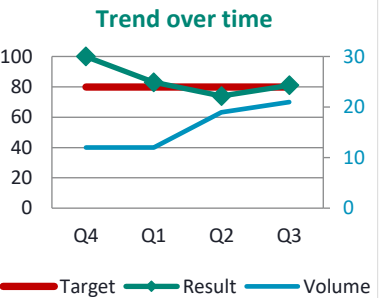


5.2 Service Specific Standards – Time Based Indicators

New Event Applications

Volume of applications = 21

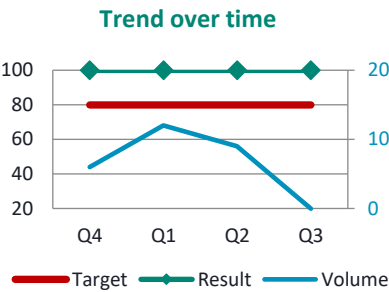
Acknowledgement of receipt within 5 days



Illegal Burning Complaints

Volume of complaints = 0

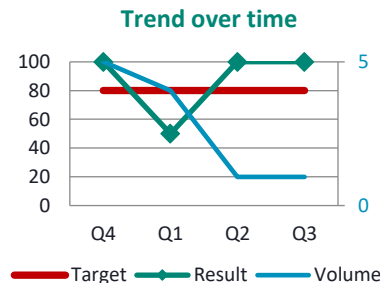
Investigated within 24 hours



Health Complaints

Volume of complaints = 1

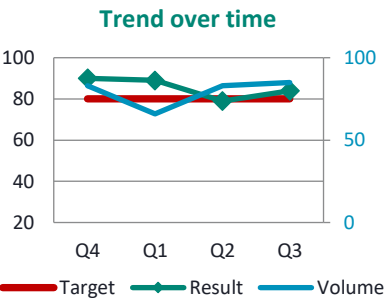
Investigated within 24 hours



Illegally Dumped Rubbish

Volume of reports = 85

Rubbish removed within 3 days



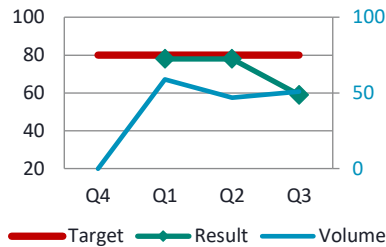
Library Services

Volume of requests = 51

Response to requests to purchase materials within 10 days



Trend over time



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

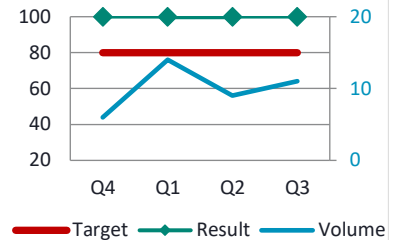
Dog Attacks

Volume of attack reports = 11

Response within 24 hours



Trend over time



Wasps

Volume of reports = 124

Investigate and action within 7 days



Trend over time



Development Applications

Volume of applications = 26

Approval of fast track development applications within 28 days



Trend over time



Allowing for the request for further information, 100% of decisions were made within the timeframe.

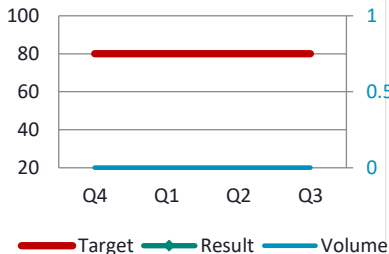
Missed Bins

Volume of requests = 0

Missed bins collected within 2 days



Trend over time



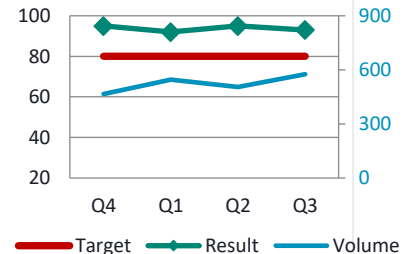
Request for Bin Repair or Replacement

Volume of requests = 576

Requests actioned within 7 days



Trend over time



Footpath Repairs - Hazardous

Volume of repairs = 0

Responded and made safe within 24 hours



Trend over time



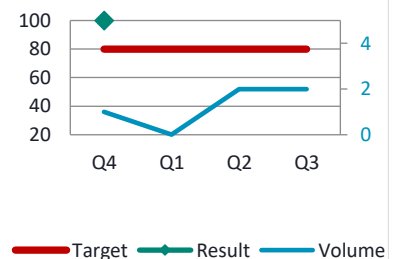
Road Repairs - Hazardous

Volume of repairs = 0

Responded and made safe within 24 hours



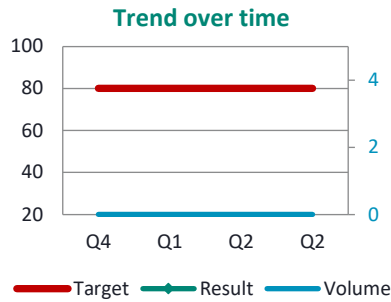
Trend over time



Stormwater Repairs - Hazardous

Volume of reports = 0

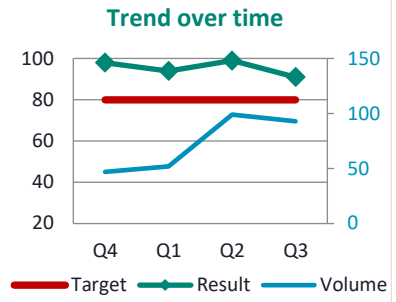
Responded and made safe within 24 hours



Trees - Hazardous

Volume of reports = 93

Responded and made safe within 24 hours



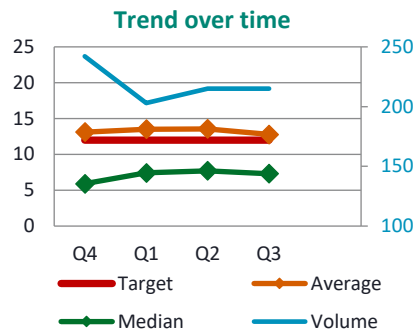
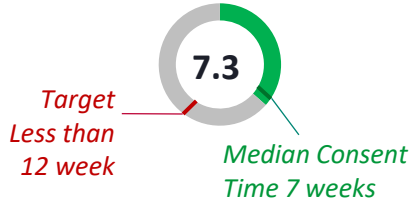
5.3 Service Specific Standards – Other Indicators

\geq Greater than or equal to

Development Applications

Volume of planning consents = 215

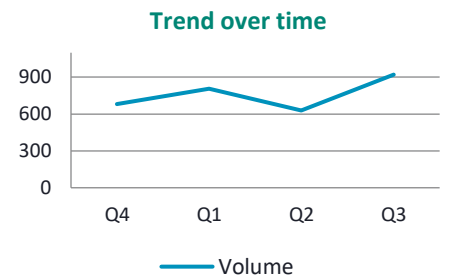
Average consent time from date of receipt



Results are using applications in the state-wide portal

Low Risk Infrastructure Requests – Number of New Requests

Volume of new requests = 920



Low Risk Infrastructure Requests – Average Time to Resolve

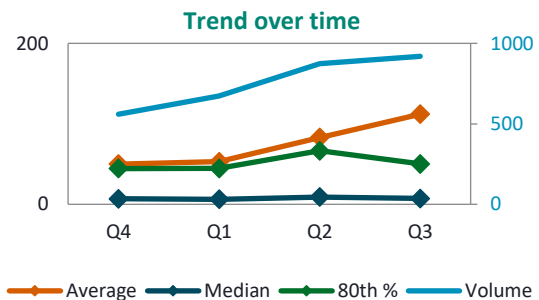
Volume of Requests = 530

Resolution time of requests

Average = 112 days

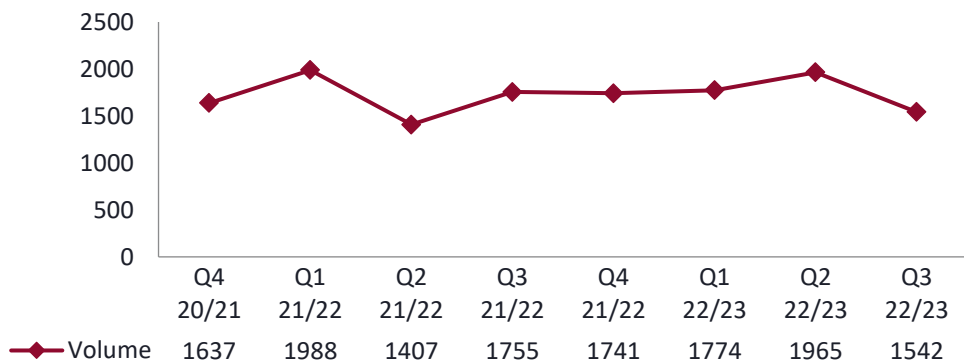
Median = 7.2 days

80th Percentile = 50.12 days



Overall Volume of Requests

Trend in volume of requests/customer cases for which there is an adopted service standard, excluding the volume of phone calls



5. Capital Works Program

Quarter 3 of 2022-23 FY represents the continuation of the 2022-23 Capital Works Program, with approximately \$1.4M of infrastructure delivered, and an additional \$8.9M ordered during this period.

The primary focus of this quarter has been on tendering projects that were designed earlier in the year, and continuing delivery of asset renewal programs.

Highlights

- Construction commenced on the Tiers Road, Woodside, renewal and upgrade project, with works starting from Kumnick Hill Rd and heading towards Vickers Rd,
- A new toilet block was opened at Gumeracha, behind the Torrens Valley Community Centre,
- New cricket pitches and practice nets were constructed at Mylor Oval.

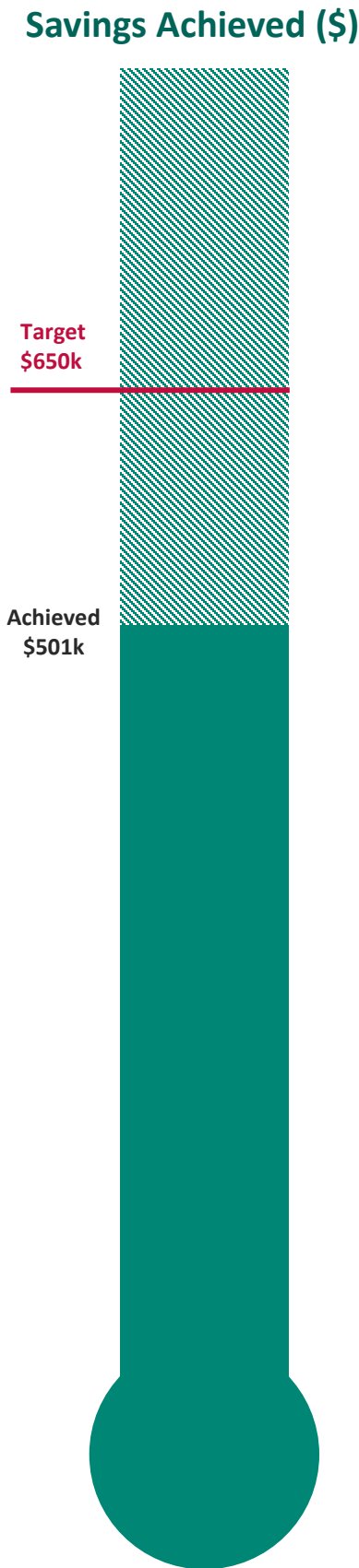
What's Next

- Works will commence on the Montacute Rd Blackspot project, which will include shoulder widening, guardrail, line marking and signage,
- The sealed roads renewal program will be completed,
- The tender for the Woodside Pool Splash Park will close.

Financial Performance by Asset Category (preliminary numbers)

| Asset Category | YTD Actuals \$'000s | YTD Budget \$'000s | YTD Var fav / (unfav) \$'000s | Revised Budget \$'000s |
|--|------------------------|-----------------------|-------------------------------------|---------------------------|
| Bridges | 107 | 70 | (37) | 164 |
| Buildings | 1,635 | 3,219 | 1,584 | 9,004 |
| Cemeteries | 72 | 65 | (7) | 150 |
| CWMS | 146 | 207 | 61 | 581 |
| Footpaths | 495 | 370 | (124) | 1,008 |
| Guardrails | 50 | 46 | (4) | 112 |
| Kerbing | 77 | 36 | (41) | 87 |
| Local Roads & Community Infrastructure Program | 136 | 417 | 282 | 887 |
| Other - Ret Walls, Str Furniture & Bus Stops | 86 | 170 | 84 | 565 |
| Roads | 1,781 | 2,902 | 1,121 | 8,256 |
| Sport & Recreation | 174 | 661 | 486 | 1,944 |
| Stormwater | 60 | 64 | 4 | 311 |
| Fleet | 1,596 | 1,893 | 297 | 3,279 |
| ICT | 222 | 289 | 67 | 856 |
| Plant & Equipment | 30 | 39 | 9 | 164 |
| | 6,668 | 10,451 | 3,783 | 27,368 |

6. Savings Strategies



Savings Strategies

| | PLANNED | ACHIEVED |
|---|------------------|------------------|
| Strategy 1: Remove CPI on Contract & Other Costs | \$231,000 | \$231,000 |
| <i>Reduce the automatic budget increases on costs where the savings increase can be handled within the existing budgets</i> | | |
| Update: This initiative has been achieved by budget adjustments to remove the CPI factor as part of the 2022-23 budget build in Q1. | | |
| Strategy 2: Electronic Rate Notices | \$4,500 | \$1,324 |
| <i>Transition to greater use of electronic issue of rate notices to reduce printing and mail cost</i> | | |
| Update: While electronic uptake has improved, savings have remained low as there has been a higher volume of paper payment reminders sent in the current financial climate as compared to previous years. | | |
| Strategy 3: Change Payment Options | \$10,000 | \$10,421 |
| <i>Transition from higher cost payment options to lower cost options for our customer payments</i> | | |
| Update: Revised \$10k target has now been achieved, with remaining savings to be achieved by strategy 3a. | | |
| Strategy 3a: Rates fines and Interest | \$30,000 | \$25,000 |
| <i>Budget increase to allow for higher level of income received via rates, fines and interest</i> | | |
| Update: New Strategy to make up shortfall from strategy 3 | | |
| Strategy 4: Insourcing of tree management | \$25,000 | \$18,750 |
| <i>Reduce expenses on outsourced work by finding ways to complete using existing internal resources.</i> | | |
| Update: This is a saving that was realised by removing the budget allocation from the area. Savings listed equates to 75%. | | |
| Strategy 5: Vacancy Management | \$150,000 | \$150,000 |
| <i>Retain the current vacancy management strategy to ensure positions are only filled when necessary and unused budget is returned</i> | | |
| Update: Budget review 1 processed \$150k to fulfill the target. | | |
| Strategy 6: Leave management | \$100,000 | TBD |
| <i>Reducing operating costs by focusing on reducing the unused annual and long service leave balances.</i> | | |
| Update: Following the development of revised reporting in January there has been a steady improvement in the number of people with excess leave balances. | | |
| Strategy 7: Other Savings | \$100,000 | \$64,600 |
| <i>All other savings strategies that the Executive are considering as a means of removing upward pressure on rates</i> | | |
| Update: A number of savings have been achieved related to the areas of Review of the Hut contribution \$15,000, Information Services \$11,500, Civil Services \$2,000, Strategic Assets \$1,100 and Asbestos inspection program \$35,000 | | |
| TOTALS | \$650,500 | \$501,095 |

7. Financial Performance

Overall Funding Statement as at 31 March 2023

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

| | YTD Actual | YTD Budget | YTD Variance | Revised Budget |
|--|---------------|---------------|-----------------|-------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Total Operating Income | 49,225 | 48,941 | ● 284 | 53,437 |
| Total Operating Expenditure | 31,692 | 32,034 | ● 340 | 52,608 |
| Funding surplus before Capital | 17,532 | 16,907 | ● 625 | 830 |
| Capital Expenditure | 6,668 | 10,451 | ● 3,783 | 27,368 |
| Capital Income | 3,016 | 2,936 | ● 80 | 7,751 |
| Net expenditure - Capital projects | 3,652 | 7,515 | ● 3,863 | 19,616 |
| Net Lending / (Borrowing) Result for Year | 13,880 | 9,392 | ● 4,488 | (8,342) |

| Adelaide Hills Council Operating Summary By Directorate as at March 2023 | | | | |
|--|---------------------------|--------------------------|-------------------------------------|------------------------------|
| | YTD Actuals \$'000s | YTD Budget \$'000s | YTD Var fav / (unfav) \$'000s | Revised Budget \$'000s |
| Income | | | | |
| Community Capacity | 2,096 | 2,072 | ● 24 | 2,590 |
| Corporate Services | 43,429 | 43,336 | ● 93 | 44,596 |
| Development & Regulatory Services | 1,181 | 1,126 | ● 55 | 1,394 |
| Infrastructure & Operations | 2,519 | 2,407 | ● 113 | 4,857 |
| Income Total | 49,225 | 48,941 | ● 284 | 53,437 |
| Expenditure | | | | |
| Community Capacity | 5,782 | 5,793 | ● 11 | 8,560 |
| Corporate Services | 9,206 | 9,556 | ● 350 | 10,831 |
| Development & Regulatory Services | 3,056 | 2,950 | ● (106) | 4,000 |
| Infrastructure & Operations | 13,649 | 13,734 | ● 86 | 29,217 |
| Expenditure Total | 31,692 | 32,034 | ● 340 | 52,608 |
| Operating Surplus (Deficit) | 17,532 | 16,907 | ● 625 | 830 |

*Council's income shown under Corporate Services includes the full amount of rates which is accounted for when generated in July. This results in a higher Operating Surplus early in the year with a reduction in Council's Surplus to align to the Revised Budget as expenditure is incurred over the year.



Adelaide Hills
COUNCIL

MORE INFORMATION



63 Mt Barker Road
Stirling SA 5152



08 8408 0400



mail@ahc.sa.gov.au

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 17 April 2023
AGENDA BUSINESS ITEM**

Item: 8.3

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

Subject: Service Review Biannual Report – Civil Services

For: Information

SUMMARY

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

The *Service Review Brief – Civil Services* was presented at the 25 January 2022 Council Meeting, and the consultant (Epic Projects & Consulting) was appointed and field work commenced in March 2022.

The final report, management response and associated recommendations were provided to Council at the 26 July 2022 meeting and to the Audit Committee at the 15 August 2022 meeting. As part of the management response, the Director Infrastructure and Operations in conjunction with other key staff provided a proposed action and implementation plan in response to the recommendations.

The purpose of this report is to present the progress of implementation and action plan contained in the *Service Review Biannual Report – Civil Services (Appendix 1)*. This is provided to the Audit Committee for their review in their capacity of providing advice to the Council on the adequacy and effectiveness of the systems and processes regarding financial management and reporting, internal control and risk management, internal audit and governance.

RECOMMENDATION

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

1. BACKGROUND

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

The *Service Review Brief – Civil Services* was presented at the 25 January 2022 Council Meeting.

12.7 Service Review Brief – Civil Services

Moved Cr Leith Mudge
S/- Cr Malcolm Herrmann

12/22

Council resolves:

1. That the report be received and noted
2. To adopt the draft *Service Review Brief – Civil Services* as contained in *Appendix 1*
3. That the Chief Executive Officer be authorised to make minor changes to the draft *Service Review Brief – Civil Services* arising from the Council's consideration of the matter.

| |
|---------------------|
| Carried unanimously |
|---------------------|

Following the Request for Quote procurement process being undertaken in February 2022, the consultant (Epic Project and Consulting) was appointed, with field work commencing in March 2022.

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

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

Review and analysis was undertaken over April and May 2022, with the findings and recommendations captured in the *Service Review 2021-22 – Civil Service Maintenance Function Report*. In response to this, the Director Infrastructure and Operations in conjunction with other key staff prepared a Management Response and a draft Action Plan. These recommendations and actions are contained within the *Service Review Biannual Report – Civil Services (Appendix 1)*.

The final report, recommendations, management response and action plan was presented at the 26 July 2022 Ordinary Council Meeting where it was resolved:

12.5 Service Review - Civil Services Maintenance

Moved Cr Linda Green
S/- Cr Leith Mudge

186/22

Council resolves:

1. That the report be received and noted
2. To receive and note the *Service Review 2021-22 – Civil Service Maintenance Function Report*, as contained in Appendix 1.
3. To adopt the *Service Review 2021-22 – Civil Service Maintenance Function – draft Action Plan*, containing the Service Review recommendations, management responses and agreed actions, as contained in Appendix 2
4. To note that that the implementation status of the agreed actions will be reported to Council on a biannual basis, nominally March and August.

| |
|---------------------|
| Carried unanimously |
|---------------------|

This report was also provided to Audit Committee at its 15 August 2022 meeting where it was resolved:

8.9. Service Review Report – Civil Services

Moved Peter Brass
S/- Natalie Johnston

AC48/22

The Audit Committee resolves:

1. To receive and note this report
2. To receive and note the *Service Review 2021-22 – Civil Service Maintenance Function Report*, as contained in Appendix 1.
3. To receive and note the *Service Review 2021-22 – Civil Service Maintenance Function – draft Action Plan*, containing the Service Review recommendations, management responses and agreed actions, as contained in Appendix 2
4. To note that that the implementation status of the agreed actions will be reported to Council on a biannual basis, nominally March and August.

| |
|---------------------|
| Carried Unanimously |
|---------------------|

As per the above resolutions, a biannual report has been drafted (**Appendix 1**) to present to both Audit Committee and Council.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

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

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

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

➤ Legal Implications

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

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

This report is provided to the Audit Committee for their review in their capacity of providing advice to the Council on the adequacy and effectiveness of the systems and processes regarding financial management and reporting, internal control and risk management, internal audit and governance.

➤ **Risk Management Implications**

Lack of effective strategic planning and resource allocation processes

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

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

➤ **Financial and Resource Implications**

The Service Review was a funded initiative in the *Annual Business Plan 2021-22*. The funding of \$26,000 related directly to the cost of appointing an external consultant.

The Corporate Planning & Performance Coordinator coordinated the procurement, conduct and reporting of the Service Review.

There are further resource implications associated with the implementation of the Report recommendations as contained in the action plan in **Appendix 1**. Any financial implications arising from the Report recommendations will be raised as budget review items or future consideration items, as required.

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

Implementation of the Service Review Report recommendations assists to facilitate improvements to the customer satisfaction of the Civil Services Maintenance activities.

➤ **Sustainability Implications**

Implementation of the Service Review Report recommendations assists to facilitate improvements to the effectiveness and efficiency of the Civil Services Maintenance activities

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

Consultation on the development of this report was as follows:

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

Council Workshops: The Service Review Framework was discussed in the 26 March 2021 Annual Business Plan and Budget workshop. Following the adoption of the Framework, a further workshop was held on 16 November 2021 to discuss the criteria for determining the function schedule for Service Reviews over the next 3 years.

Advisory Groups: Not applicable

External Agencies: Not applicable

Community: Not applicable

The final report, management response and associated recommendations were provided to Council at the 26 July 2022 meeting and to the Audit Committee at the 15 August 2022 meeting.

➤ **Additional Analysis**

Over the past 6 months, discussions and initial planning has commenced in many areas, however some actions have not been able to progress as planned due to departure of key members in the civil services team and the resulting resourcing/operational pressures. The current focus is on recruitment which will allow staff to further progress this implementation plan once a fully functioning team is in place.

Details of the specific action plan and progress against each item is contained within the *Service Review Biannual Report – Civil Services (Appendix 1)*.

3. OPTIONS

As this is an information report, the Committee is limited to receiving and noting the report.

4. APPENDIX

(1) *Service Review Biannual Report – Civil Services*

Appendix 1

Service Review Biannual Report – Civil Services

Service Review 2021-22 – Progress Report

Civil Services Maintenance Function

A Service Review of the Civil Services Maintenance function was undertaken over March to June 2022 by Epic Projects & Consulting.

The Final Report and associated recommendations were provided to Council at the 26 July 2022 meeting and to the Audit Committee at the 15 August 2022 meeting. The following report provides the progress of activities detailed in the Action Plan which was produced by the Director Infrastructure and Operations in conjunction with other key staff in response to the recommendations.

Executive Summary

Over the past 6 months, discussions and initial planning has commenced in many areas, however some actions have not been able to progress as planned due to departure of key members in the civil services team and the resulting resourcing/operational pressures. Our current focus is on recruitment which will allow us to further progress this implementation plan once we have a fully functioning team in place.

Service Review Recommendations

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

| No | Recommendation | H | M | L |
|-------|---|---|---|---|
| 1 | Develop prioritised program maintenance plans | - | X | - |
| 2 | Develop an expanded operational service standard suite for maintenance activities | X | - | - |
| 3 | Roll out of CONFIRM system to Civil Service Maintenance | X | - | - |
| 4 | Develop and promote cross functional teams working more closely together | X | - | - |
| 5 | Improved Budgeting and Measuring Costs | - | - | X |
| 6 | Improved Process for Section planning | - | X | - |
| 7 | Reward and Recognition | - | X | - |
| 8 | Continuous Improvement | - | - | X |
| 9 | Customer Communication | - | X | - |
| Total | | 3 | 4 | 2 |

Action Plan

| Action | 22-23 | 23-24 | 24-25 |
|--|-------|-------|-------|
| Prioritise the order in which specific Asset Class specific maintenance plans are to be developed. | x | - | - |
| Develop and implement the Asset Class specific maintenance plans. | | x | x |
| Prioritise the order in which specific Asset Class service standards are to be developed to subsequently inform asset maintenance plans. | x | - | - |
| Develop and adopt the Asset Class specific service standards. | | x | x |
| Expedite the transitioning to use of Confirm in the field through engaging with Strategic Assets and Information Services. | x | x | x |
| Establish Civil Services specific Confirm Working Group including all relevant stakeholders. | x | x | x |
| Some interim methods may be investigated to aid in forecasting more accurately the cost per service delivery type. | - | x | - |
| Following adoption of Service Standards, development of Maintenance Plans, and implementation of confirm, improve use of data for more refined cost forecasting. | | | x |
| Develop Annual Plans (Name to be determined) beginning with 2022-23. (First to be completed by end Q2 2022) | x | - | - |
| Work with Organisational Development to ensure alignment with broader AHC approach to Reward and Recognition. | - | x | - |
| Work with Communications and Engagement to determine what operational activities or achievements are of broader public interest and can be promoted. | - | x | - |
| Ensure teams designate specific time on a regular basis, to encourage identification and subsequent progression of work to formally improve work practices. (Particular regard to identification of savings, as well as improved efficiency and customer service). | x | x | x |
| The Infrastructure and Operations Directorate will work closely with Customer Service to determine any potential for further automated messaging to be put in place (not just Civil Services) and continue to explore ways to improve overall communication with customers). | x | - | - |
| Greater utilisation of Depot Administration resource to provide job specific information to customers. | - | x | - |
| Total | - | - | - |

Progress Update

The following tables show the action plan developed to address the recommendations in the table above, with the ID's linking back to those assigned in the "Audit Risk Register". Note: where an action addresses multiple recommendations they have been grouped together in the table below.

| ID | Action | Planned Date | Recommendation | | Progress Update | Status |
|-----------------|--|--------------|----------------|--------|---|---------------|
| | | | No | Rating | | |
| 1.1 & 2.1 | Prioritise the order in which specific Asset Class specific maintenance plans are to be developed. | 30/06/2023 | 1 | Medium | Due to current resourcing in the civil services team, and the departure of a key member of the service review implementation team, this item has been unable to progress. The focus within the department is now on recruitment, with a view to reprogramming actions once a new coordinator civil operations has been recruited. | Not Commenced |
| | | | 2 | High | | |
| 1.2 | Develop and implement the Asset Class specific maintenance plans. | 30/06/2025 | 1 | Medium | Due to current resourcing in the civil services team, and the departure of a key member of the service review implementation team, this item has been unable to progress. The focus within the department is now on recruitment, with a view to reprogramming actions once a new coordinator civil operations has been recruited. | Not Commenced |
| 2.2 | Develop and adopt the Asset Class specific service standards. | 30/06/2024 | 2 | High | Due to current resourcing in the civil services team, and the departure of a key member of the service review implementation team, this item has been unable to progress. The focus within the department is now on recruitment, with a view to reprogramming actions once a new coordinator civil operations has been recruited. | Not Commenced |
| 3.1 | Expedite the transitioning to use of Confirm in the field through engaging | 30/06/2023 | 3 | High | Discussions have commenced with the Strategic Assets team, including developing | In Progress |

| ID | Action | Planned Date | Recommendation | | Progress Update | Status |
|-----|---|--------------|----------------|--------|---|---------------|
| | | | No | Rating | | |
| | with Strategic Assets and Information Services. | | | | automated responses to customers for cases currently managed through field devices such as illegal dumping and dead animals. | |
| 4.1 | Establish Civil Services specific Confirm Working Group utilising the newly developed Project Management Framework (which will include all relevant stakeholders) | 30/06/2023 | 4 | High | Preliminary discussions with Civil, IT and Assets have occurred. | In Progress |
| 5.1 | Some interim methods may be investigated to aid in forecasting more accurately the cost per service delivery type. | 30/06/2024 | 5 | Low | This action is pending the adoption of asset specific service standards. | Not Commenced |
| 5.2 | Following adoption of Service Standards, development of Maintenance Plans, and implementation of confirm, improve use of data for more refined cost forecasting. | 30/06/2025 | 5 | Low | This action is pending the adoption of individual asset class service standards. | Not Commenced |
| 6.1 | Develop Annual Plans (Name to be determined) beginning with 2022-23. (First to be completed by end Q2 2022). | 30/06/2023 | 6 | Medium | Due to current resourcing in the civil services team, and the departure of a key member of the service review implementation team, this item has been unable to progress. The focus within the department is now on recruitment, with a view to reprogramming actions once a new coordinator civil operations has been recruited. | Not Commenced |
| 7.1 | Work with Organisational Development to ensure alignment with broader AHC approach to Reward and Recognition. | 30/06/2024 | 7 | Medium | This action is planned to commence in the 2023/24 financial year. | Not Commenced |
| 7.2 | Work with Communications and Engagement to determine what | 30/06/2024 | 7 | Medium | this action is planned to commence in the 2023/24 financial year. | Not Commenced |

| ID | Action | Planned Date | Recommendation | | Progress Update | Status |
|-----|--|--------------|----------------|--------|---|---------------|
| | | | No | Rating | | |
| | operational activities or achievements are of broader public interest and can be promoted. | | | | | |
| 8.1 | Ensure both office and field based teams designate specific time on a regular basis, to encourage identification and subsequent progression of work to formally improve work practices. (Particular with regards to identification of savings, as well as improved efficiency and customer service). | 30/06/2023 | 8 | Low | Due to current resourcing in the civil services team, and the departure of a key member of the service review implementation team, this item has been unable to progress. The focus within the department is now on recruitment, with a view to reprogramming actions once a new coordinator civil operations has been recruited. | Not Commenced |
| 9.1 | The Infrastructure and Operations Directorate will work closely with Customer Service to determine any potential for further automated messaging to be put in place (not just Civil Services) and continue to explore ways to improve overall communication with customers | 30/06/2023 | 9 | Medium | Due to current resourcing in the civil services team, and the departure of a key member of the service review implementation team, this item has been unable to progress. The focus within the department is now on recruitment, with a view to reprogramming actions once a new coordinator civil operations has been recruited. | Not Commenced |
| 9.2 | Greater utilisation of Depot Administration resource to provide job specific information to customers. | 30/06/2024 | 9 | Medium | Depot admin is regularly providing direct liaison, advice and response to customers around common issues. | In Progress |

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 17 April 2023
AGENDA BUSINESS ITEM**

| | |
|-----------------------------|--|
| Item: | 8.4 |
| Responsible Officer: | Kira-marie Laverty Corporate Planning & Performance Coordinator Office of the Chief Executive |
| Subject: | Annual Business Plan 2023-24 Draft for Consultation |
| For: | Decision |

SUMMARY

The *Annual Business Plan 2023-24* is a legislative requirement under s122 of the *Local Government Act 1999* (the “Act”). It is also a key element of Adelaide Hills Council’s *Corporate Planning and Performance Framework*.

The draft *Annual Business Plan 2023-24 (ABP)* has been developed to align to the draft *Long Term Financial Plan (LTFP)*, the *Asset Management Plans (AMP)* and the *Strategic Plan 2020-24 – A brighter future*. Council resolutions, staff and community feedback, and risk assessments have also informed projects and programs included in the ABP.

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

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

The purpose of this report is to provide the draft *Annual Business Plan 2023-24 (Appendix 1)* to Audit Committee for review in its capacity as advisors to Council on the consistency and adequacy of the plan in the context of maintaining financial sustainability.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the report be received and noted.**
- 2. To advise Council that the Committee has reviewed the draft *Annual Business Plan 2022-23 (ABP)*, as contained in Appendix 1, in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability.**
- 3. That, on the basis of the Committee’s review, to recommend the draft ABP to Council for community consultation.**

1. BACKGROUND

The draft ABP (**Appendix 1**) has been developed to be consistent with the financial and strategic goals outlined in the *Strategic Plan 2020-24 –A brighter future*, draft LTFP and AMP. It has also been aligned with Council's targets for its key financial sustainability indicators i.e. Operating Surplus, Net Financial Liabilities and Asset Renewal Funding ratios.

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

The elements being included for community consultation are:

- An overview – providing a high level summary of what is included in the plan
- Demographic information – infographic
- Overview of Council details and org structure
- The capital and operating strategic initiatives- these are included under each strategic goal they are aligned to along with a 3 year view of their funding, in this way helping to demonstrate what activities we are undertaking to achieve our Strategic Plan goals.
- Financial Summary – An overview of the budget and financials
- Operating budget by function
- Capital Summary – an overview of what is included in our capital works program
- Rates Summary – an overview of the rates changes and other important information from the rates policy.
- The *Uniform Presentation of Finances* which provides a summary of Council's proposed operating and capital investment activities together with financial sustainability ratios.
- Corporate performance indicators
- ESCOSA report and Council response
- The detailed Capital Works Program 2023-24 (this is a companion document to the ABP and is currently in development – it will be available for Council to review prior to consultation approval but is not included in this report to Audit Committee).

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

- Artwork/photographs used for the cover pages
- Mayor's introduction
- The full statutory financial statements in accordance with the Model Set of Accounts.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

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

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

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

The LTFP went through community consultation during March with results shared with Council at the 1 April 2023 ABP workshop. The final LTFP is scheduled for consideration at the 26 April Council Meeting.

➤ Legal Implications

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

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

- (3) Before a council adopts an annual business plan, the council must—
 - (a) prepare a draft annual business plan; and
 - (b) follow the relevant steps set out in its public consultation policy, taking into account the requirements of subsection (4).
 - (4) For the purposes of subsection (3)(b), a public consultation policy must at least provide for the following:
 - (a) the publication in a newspaper circulating within the area of the council and on a website determined by the chief executive officer of a notice informing the public of the preparation of the draft annual business plan and inviting interested persons—
 - (i) to attend—
 - (A) a public meeting in relation to the matter to be held on a date (which must be at least 21 days after the publication of the notice) stated in the notice; or
 - (B) a meeting of the council to be held on a date stated in the notice at which members of the public may ask questions, and make submissions, in relation to the matter for a period of at least 1 hour,

(on the basis that the council determines which kind of meeting is to be held under this subparagraph); or
 - (ii) to make written submissions in relation to the matter within a period (which must be at least 21 days) stated in the notice; and
 - (b) the council to make arrangements for a meeting contemplated by paragraph (a)(i) and the consideration by the council of any submissions made at that meeting or in response to the invitation under paragraph (a)(ii).
 - (5) The council must ensure that copies of the draft annual business plan are available at the meeting under subsection (4)(a)(i), and for inspection (without charge) and purchase (on payment of a fee fixed by the council) at the principal office of the council and on the website at least 21 days before the date of that meeting.
-
- (5a) The council must ensure that provision is made for—
 - (a) a facility for asking and answering questions; and
 - (b) the receipt of submissions,on its website during the public consultation period.
 - (6) A council may then, after considering—
 - (a) any submission made to the council during the public consultation period; and
 - (b) any new or revised information in the possession of the council that is relevant to the material contained in the draft annual business plan; and
 - (c) such other materials or information as the council thinks fit,adopt its annual business plan (with or without amendment).

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

- A newspaper ad announcing consultation as well as website/social media notifications
- A 1 hour session will be scheduled at the 23 May 2023 Council Meeting
- The community will be invited to submit their responses in writing, online via engagement HQ website, in writing or by phone.

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

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

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

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

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

➤ **Risk Management Implications**

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

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

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

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

➤ **Financial and Resource Implications**

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

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

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

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

➤ **Sustainability Implications**

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

The proposed average residential rate increase of 6.9% is part of the draft LTFP calculations and will maintain the financial sustainability of the Council. 6.9% is 0.5% below the estimated Local Government Price Index (LGPI) increase contained in the LTFP.

Audit Committee members will note that the approach this year is somewhat different to recent past years where the average residential rate increase has typically been projected at a rate equivalent to LGPI (or prior to that, CPI + 1%). In other words, efforts were made this year in light of higher than usual cost escalations, to mitigate the impact on the community in this regard.

Page 3 of Appendix 1 shows the following financial summary based on the average residential rate increase of 6.9%:

- Operating Surplus of \$1.443m
- Renewals Capital Expenditure of \$10.4m
- New & Upgrade Capital Expenditure of \$6.8m
- Net Borrowings of \$5.6m, resulting in forecast Borrowings at June 2024 of \$22.4m.

Financial sustainability is also demonstrated through our adherence to Council's agreed target ranges in all of the three key ratios – Operating Surplus Ratio, Net Financial Liabilities Ratio, and Asset Sustainability Ratio (**Appendix 1** – page 3).

In achieving these targets and aligning as closely as possible to the LTFP, there is a level of certainty provided to the community that financial sustainability will be maintained.

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

Consultation on the development of this report was as follows:

| | |
|----------------------------|--|
| <i>Council Committees:</i> | Not applicable |
| <i>Council Workshops:</i> | A Long Term Financial Plan workshop on 11 February 2023 which covered key elements of the financial sustainability and future budget. An ABP and budget workshop was held on 1 April 2023 to discuss key budget, strategic initiatives, rating and other related topics. |
| <i>Advisory Groups:</i> | Not applicable. |
| <i>External Agencies:</i> | The service delivery and budget implications of each of the regional subsidiaries have been considered in the development of the ABP and budget. |
| <i>Community:</i> | LTFP Community Consultation feedback was considered during the ABP development |

➤ **Additional Analysis**

Further adjustments

While the draft ABP is based on currently identified priorities and LTFP assumptions, there is a potential that there will be changes made prior to consideration by Council which reflect additional Council identified priorities and in light of upcoming releases of the latest economic data (such as the latest CPI announcement expected on 26 April 2023).

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

In terms of additional expenditure relating to priorities not included in the draft ABP presented with this report, the following is under consideration:

- Further progression of planning for the future development of the Adelaide Hills War Memorial Swimming Centre at Woodside
- Revision and update of the Council's 2019 Corporate Carbon Management Plan, particularly in response to the declared climate emergency and the current scenario for electricity procurement
- Provision to further support communities seeking to lead place making/improvements in local townships in light of growing demand for same
- Undertaking a high level opportunity study for potential commercial activities/alternative sources (non-rate) of revenue generation.

It is anticipated that an additional allocation of approximately \$120k in the operating budget may need to be allocated to the above. The Administration is presently working on identifying opportunities to offset this additional expenditure, however, given that significant administrative and service change savings have already been built into the plan, the above expenditure may impact on the operating surplus, while still maintaining financial sustainability ratios within the target ranges.

Should changes result in a variation that has a significant effect on the operating surplus or other ratios, the draft will be brought back to the May 2023 Audit Committee Meeting which will be during the community consultation process. In any case, the Audit Committee will be provided with an update in May 2023.

3. OPTIONS

The Committee has the following options:

- I. To advise Council that the Committee has reviewed the draft *Annual Business Plan 2023-24* in terms of the assumptions underpinning the Plan, its consistency with the Strategic Management Plans and the adequacy of the plans in the context of maintaining financial sustainability and recommend it for community consultation (Recommended)
- II. To recommend amendments to any/all of the draft *Annual Business Plan 2023-24* to Council prior to community consultation
- III. To not endorse the draft *Annual Business Plan 2023-24* for submission to the Council for community consultation (Not recommended)

4. APPENDIX

- (1) Draft Annual Business Plan 2023-24

Appendix 1

Draft Annual Business Plan 2023-24

Annual Business Plan 2023-24

Draft for Consultation



Adelaide Hills
COUNCIL

Welcome


This is our Annual Business Plan for 2023-24 which outlines how we plan to achieve our goals over the next financial year. These goals are linked directly to our *Strategic Plan 2020-24 – A Brighter Future*, but also come from our other plans and strategies. Our priorities for this year have been refined through community consultation held over the period 10 May to 31 May 2023.

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

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

Contents

| | |
|----|---|
| 3 | Overview |
| 6 | About us |
| 7 | Our Goals |
| 8 | Goal 1: A functional Built Environment |
| 12 | Goal 2: Community Wellbeing |
| 16 | Goal 3: A prosperous Economy |
| 19 | Goal 4: A valued Natural Environment |
| 22 | Goal 5: A progressive Organisation |
| 25 | Financial Overview |
| 33 | Capital Budget Overview |
| 34 | Rates Overview |
| | <i>Appendix 1: Uniform presentation of finances</i> |
| | <i>Appendix 2: Statement of Expected Rate Revenue</i> |
| | <i>Appendix 3: Corporate Performance Indicators</i> |
| | <i>Appendix 4: Rating Policy</i> |
| | <i>Appendix 5: ESCOSA report and Council Response</i> |



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

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

Overview

The Annual Business Plan 2023-24 shows our services, programs and projects for this financial year. It also shows how we will allocate our resources to achieve the goals we set out in our *Strategic Plan 2020-24 – A Brighter Future*, while ensuring Council's long term financial sustainability.

Our focus in 2023-24 is to continue to support and strengthen the Adelaide Hills community, environment and economy.

Some key projects and activities we will be undertaking include:

- Continued development of the Fabrik Arts and Heritage Hub
- Participation in the federally funded Local Roads and Community Infrastructure program to further invest in our region's assets
- Development of a new Strategic Plan which sets Council's goals and objectives over the next 4 years
- Development of a new dog and cat facility
- A trial of modified frequency of general waste pickup and enhanced frequency and collections areas of green waste bin collections

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

Planned Activities

- In addition to our regular service delivery, our strategic initiatives contribute towards achieving our long term goals
- These include:
 - **34** capital initiatives (\$6.8m)
 - **17** operating initiatives (\$1.4m)

Capital Budget

- **\$6.8** million for capital expenditure on new or upgraded assets
- **\$10.4** million for capital renewal

Operating Budget

- Proposed Operating Surplus of **\$1.443m** which is in line with 2023-24 Adopted Long Term Financial Plan

Borrowing

- Net Borrowings of **\$5.6m**, resulting in forecast Borrowings at June 2024 of **\$22.4m**

Rates

- Average increase in general rates of **6.9%** which will allow for continued financial sustainability, maintain our much needed services, and fund new initiatives for community facilities and trails development.

For an average value residential property this equates to an annual increase of approximately \$159.

Financial Sustainability

- Adjusted Operating surplus ratio of **2.6%** which is in line with Council's target of 1% to 5%
- Net financial liabilities ratio **53%** in line with Council's target of 25% to 75%
- Asset sustainability ratio **100%** in line with Council's target of 95% to 105%

We Are Unique

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



618km of Sealed Roads
399km of Unsealed Roads



124km of Footpath



3 Libraries
3 Community Centres



39 Playgrounds
100+ Pieces of equipment



Inspect approx.
12,200 properties
(bushfire prevention)



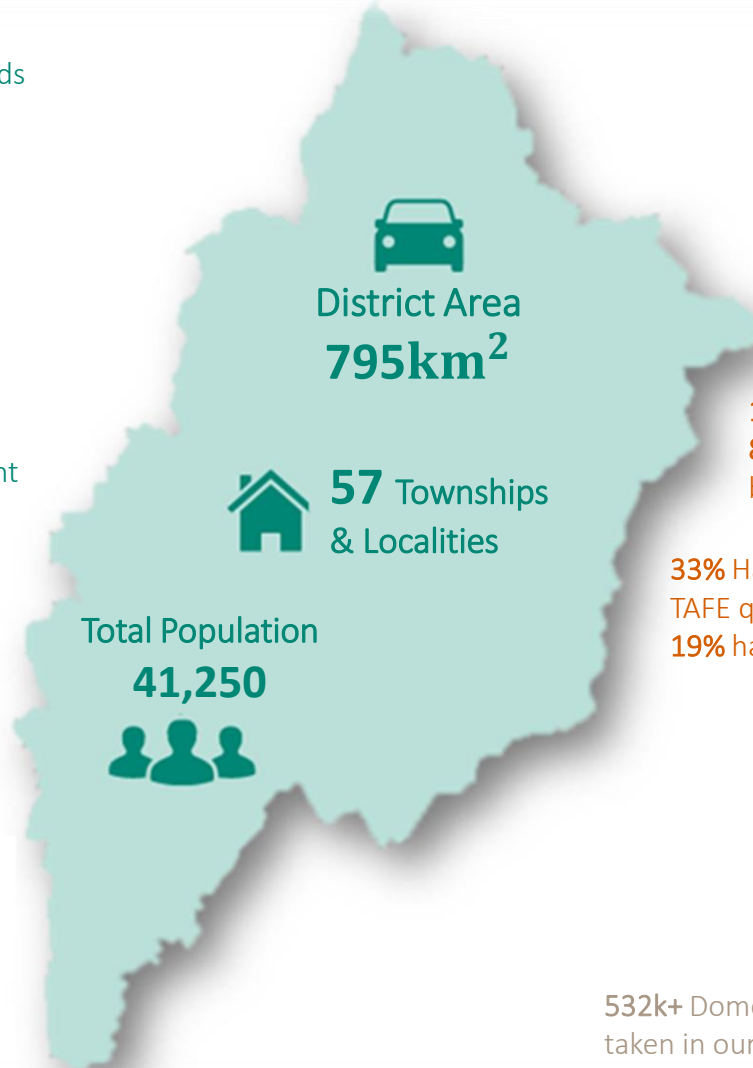
373 Council Owned
Buildings



Waste and Recycling
cost over \$5m



8,855 Dog Registrations
1,396 Cat Registrations



Median Age
44



Volunteers
30%



3.8% Need
Help at Home



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



33% Have a university or
TAFE qualification
19% have a trade qualification



4,243 Businesses



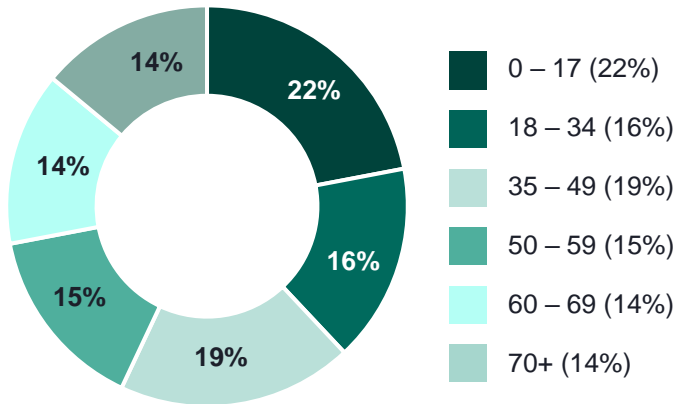
11,720 Local jobs



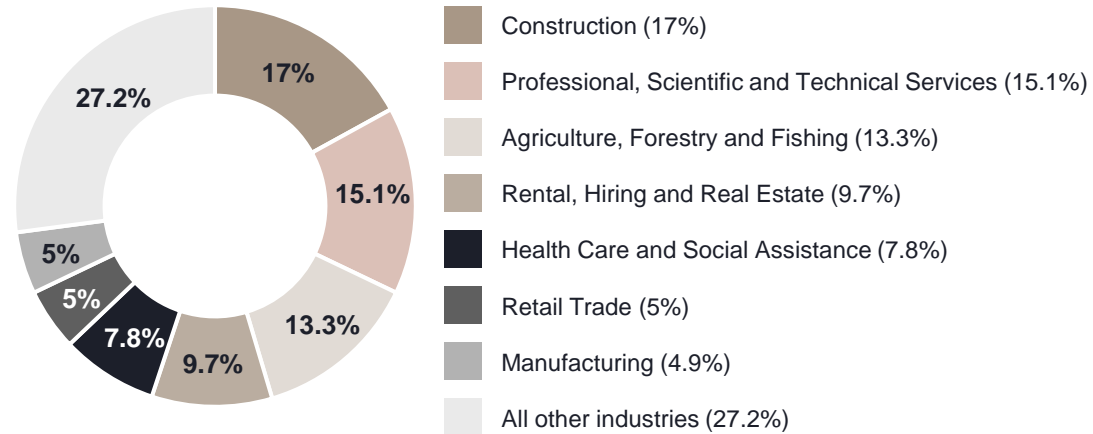
532k+ Domestic Day Trips were
taken in our region in 2021-22



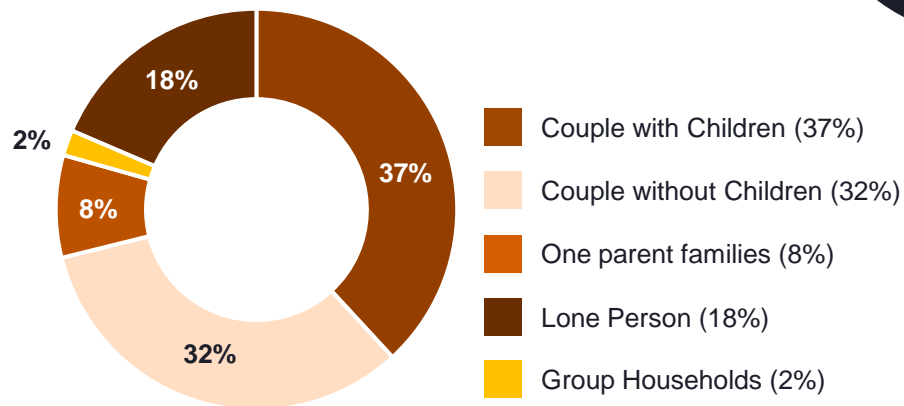
Age Profile of the Adelaide Hills



Number of registered businesses by industry



Household Types



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

About us

Council and Committees

The Elected Council's role is to provide for the governance and stewardship of the Council area. It does this through representing the interests of the community; providing and coordinating public services and facilities; encouraging and developing initiatives to improve the community's quality of life; and exercising, undertaking its functions under legislation and its strategic management plans.

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

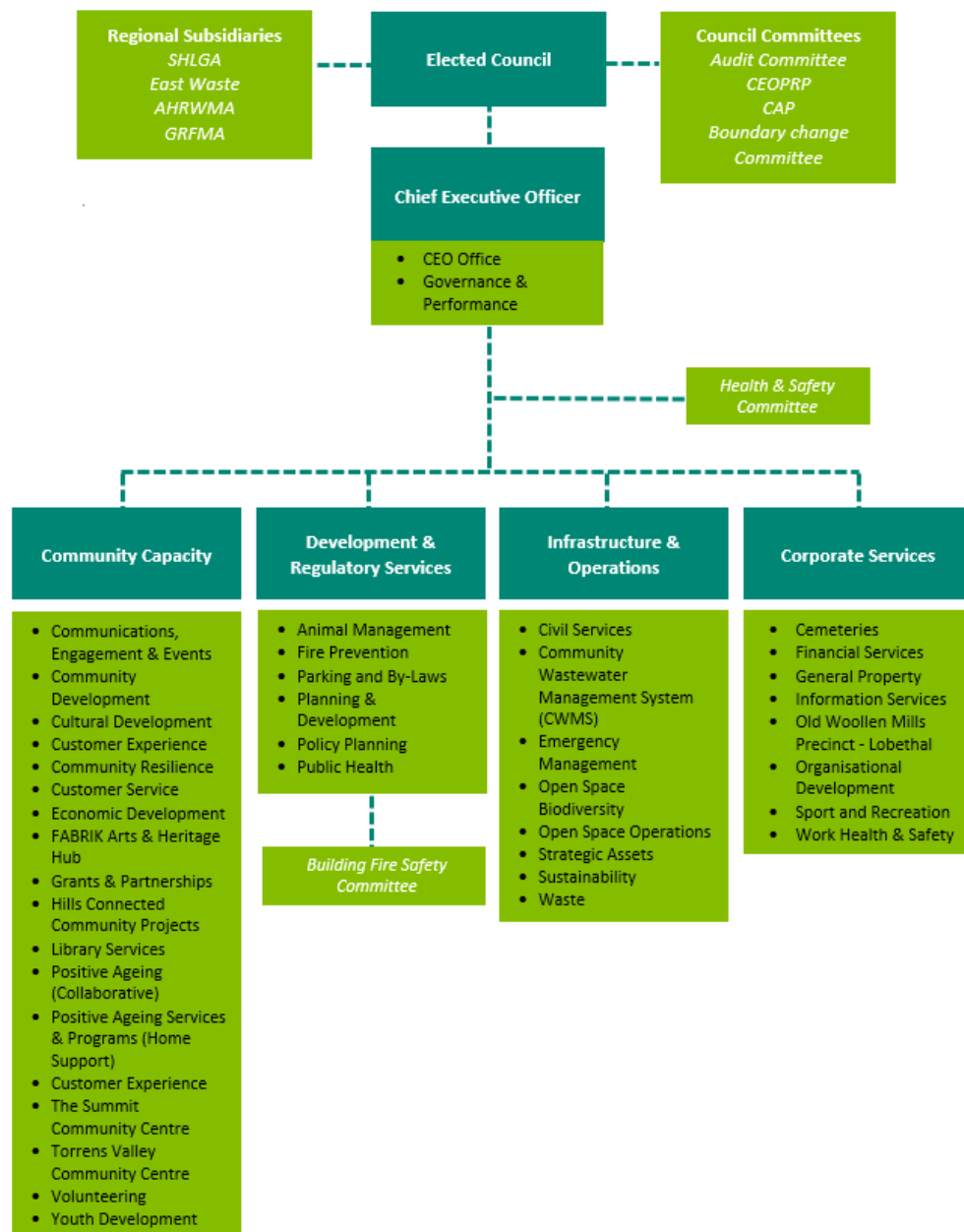
Regional Subsidiaries

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

Administration

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

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



Our Goals

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

A functional Built Environment

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

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

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

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

Community Wellbeing

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

C2 A connected, engaged and supported community

C3 A community that grows together

C4 An active, healthy, thriving and resilient community

C5 Respect for Aboriginal Culture and values

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

A prosperous Economy

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

E2 Provide local infrastructure to drive growth and productivity

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

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

A valued Natural Environment

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

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

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

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

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

A progressive Organisation

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

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

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

O4 We actively represent our community

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

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



A functional Built Environment



Our Aspiration

Ensure that all decisions regarding the built environment recognise our unique character and natural environment to maintain and enhance liveability for our community.

Some of the key highlights we have planned for 2023-24 include:

- Delivery of road safety activities under the federally funded black spot program
- Installation of further Electric Vehicle charging stations
- Stormwater master planning and implementation for the management of stormwater in the Balhannah township.

Local Roads and Community Infrastructure Program (LRCIP) 2023-24

Council is applying for Federal funding for local road and community infrastructure projects that involve the construction, maintenance and/or improvements to council-owned assets (including natural assets) that are generally accessible to the public.

When funding is secured, Council will identify key priority projects which will deliver benefits to the community and region, such as improved accessibility, visual amenity and safety benefits.

How we will measure our success

Our success will be demonstrated through service based performance measures and customer feedback in delivering what our community needs and what we aspire to achieve under our Capital Works Program, Civil Zone Maintenance Program, Asset Management Plans, and energy usage targets.

Our suite of Corporate Performance Indicators (*Appendix 3*) will be used in our reporting to Council each quarter, and in our Annual report for 2023-24.

Our Services

- **Planning & Development** – Assessment of development applications and activities within the region. Inspection of approved buildings and swimming pools and taking compliance action where required. Reviewing safety of publicly accessible buildings.
- **Policy Planning** – undertaking policy and project work such as amendments to the new Planning and Design Code, and preparation of urban design guidelines.
- **Customer Service** – frontline customer service including processing of development applications.
- **Property Services** - Ongoing maintenance and management of Council's real estate assets including some 380+ parcels of land and 180+ buildings.
- **Cemeteries** – Ongoing maintenance and management of 16 Council owned cemeteries within the region.
- **Strategic Assets** – Develops and refines the Asset Management Plans and the future renewal Capital Works Programs. Manages Council's Geographic Information Systems and associated corporate data.
- **Open Space Operations** – Carries out Capital Works upgrades for projects such as playgrounds.
- **Civil Services** – Ongoing management, maintenance and replacement planning of public infrastructure including roads, bridges, signage, stormwater, kerbs and footpaths.
- **Community Wastewater Management Systems (CWMS)** – Management of CWMS and associated infrastructure e.g. septic tanks, treatment ponds.

Our Objectives and Priorities

Objectives

Priorities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Built Environment - Strategic Initiatives

Strategic Initiatives are specially funded and prioritised activities, projects and programs of work that are planned over the next 3 years. “Capital” initiatives are generally related to new physical assets and infrastructure investment, while “Operating” initiatives are related to administrative projects, community programs and other activities and tasks.

| Project ID | Strategic initiatives (Operating and Capital) | Area | Objective and/or Priority | Type | Budget 2023-24 (\$'000) | Long term financial plan (\$'000) | |
|------------|--|-----------------------------------|---------------------------|-----------|-------------------------|-----------------------------------|---------|
| | | | | | | 2024-25 | 2025-26 |
| B1003 | New Bus Shelter Installation Program | Infrastructure & Operations | B1.3 | Capital | 20 | - | - |
| B1004 | New and upgraded footpaths | Infrastructure & Operations | B1.5 | Capital | 404 | 292 | 237 |
| B1007 | Recreation Trails & Cycling Routes Framework Implementation | Corporate Services | B1.1 | Capital | 140 | 150 | 160 |
| B1009 | DDA Upgrades Minor access upgrades region wide (compliance) | Infrastructure & Operations | B1.5 | Capital | 21 | 21 | 21 |
| B2001 | Federation Park and Oval masterplan implementation | Infrastructure & Operations | B2 | Capital | - | - | 50 |
| B2008 | Local Heritage (Privately Owned) Planning and Design Code Amendment | Development & Regulatory Services | B2 | Operating | 30 | - | - |
| B3002 | Implement irrigation systems (renewal / upgrades) | Infrastructure & Operations | B3.1 | Capital | 100 | 100 | 100 |
| B3003 | Investigate and Implement central irrigation control system (region wide) | Infrastructure & Operations | B3 | Capital | 24 | 24 | 24 |
| B3004 | Prepare turf and irrigation design/management plans for key bore water use areas | Infrastructure & Operations | B3 | Operating | 20 | - | - |
| B3005 | Carbon Management Plan - Energy Upgrades, Battery & Efficiency Actions | Infrastructure & Operations | B3.2 | Capital | 50 | 50 | - |
| B3011 | Carbon Offsets Policy | Infrastructure & Operations | B3 | Operating | 5 | - | - |
| B4006 | Asset management - Confirm Web and Connect Licenses and Field Devices | Corporate Services | B4 | Capital | 40 | - | - |
| B4009 | Building Upgrades - minor | Corporate Services | B4 | Capital | 133 | 158 | 162 |
| B4010 | Cemeteries Upgrades | Corporate Services | B4 | Capital | 40 | 41 | 42 |
| B4011 | Community Wastewater Management System Capacity Upgrades (Birdwood & Woodside gravity mains) | Infrastructure & Operations | B4 | Capital | 338 | 347 | - |

Legend: **G** Grant funding



Built Environment - Strategic Initiatives *continued...*



| Project ID | Strategic initiatives (Operating and Capital) | Area | Objective and/or Priority | Type | Budget 2023-24 (\$'000) | Long term financial plan (\$'000) | |
|------------|--|-----------------------------|---------------------------|---------------------|-------------------------|-----------------------------------|---------|
| | | | | | | 2024-25 | 2025-26 |
| B4014 | Road Safety Program including co-contribution to Road Blackspot (G) | Infrastructure & Operations | B4 | Capital Expenditure | 1,310 | 158 | 158 |
| | | | | Capital Income | -1,110 | - | - |
| B4015 | Installation of further Electric Vehicle charging stations | Infrastructure & Operations | B4.5 | Capital | 125 | TBC | TBC |
| B4016 | Purchase of Electric Vehicles cars for fleet | Infrastructure & Operations | B4 | Capital | 100 | 140 | - |
| B4020 | Reporting on embodied energy of materials used in Council activities | Infrastructure & Operations | B4 | Operating | - | - | 30 |
| B4042 | Operational worksite review including forward planning | Corporate Services | B4.3 | Capital Income | - | -1,000 | - |
| | | | | Capital Expenditure | 800 | - | - |
| B4043 | Hamilton Hill, Dunfield Estate & Crest Maintenance | Infrastructure & Operations | B4 | Operating | 55 | 61 | 92 |
| B4044 | Feasibility Studies for future projects | Corporate Services | B4 | Operating | 100 | 100 | 100 |
| B4045 | Stormwater projects | Infrastructure & Operations | B4.1 | Capital | 445 | 522 | 544 |
| B4050 | Merchants Hill retaining wall | Infrastructure & Operations | B4 | Capital | 48 | - | - |
| B4051 | Croft road resealing | Infrastructure & Operations | B4 | Capital Income | -600 | - | - |
| | | | | Capital Expenditure | 1,200 | - | - |
| B4052 | Renew the fuel monitoring and delivery system | Infrastructure & Operations | B4.3 | Capital | - | 40 | - |

Legend: **G** Grant funding **TBC** To be Confirmed



Our Aspiration

An inclusive and prosperous community with the capacity to flourish and fulfil their potential through opportunities to engage, connect, participate and enhance wellbeing.

Some of the key highlights we have planned for 2023-24 include:

- Continued development of the Fabrik Arts and Heritage site as a facility offering exceptional cultural experiences, providing social, educational and economic outcomes for the region.
- Upgrades of the Gumeracha Library facilities
- Implementation of the Community and Recreation Facilities Framework & the Play Space Framework
- Implementation of the Towards Community Led Resilience Program

How we will measure our success

We demonstrate our success by:

- The achievement of targets for our service standards
- Surveying participants in our community programs to ascertain whether they are better off as a result of participation
- Seeking feedback about our customers' experiences through online and mobile surveys
- Reporting on library visitation, usage and borrowings

Our suite of Corporate Performance Indicators (*Appendix 3*) will be used in our reporting to Council each quarter, and in our Annual report for 2023-24.



Our Services

- **Fabrik Arts and Heritage Hub** – Providing community exhibitions, workshops and events. Supporting community with creative recovery after the Cudlee Creek Bushfire and COVID-19 pandemic. Continuing to promote and preserve our vibrant cultural and historical hub.
- **Libraries** - Providing access to information resources for learning or leisure. Providing opportunities for community to engage, learn and connect.
- **Customer Services** – Providing ready access to Council services and responding to customer enquiries through three physical service centres, a phone contact centre and an online request portal.
- **Volunteering** – Encouraging voluntary participation across the Adelaide Hills through provision of opportunities, training and support for volunteer involving groups.
- **Property Services** – Management and maintenance of Council's community facilities.
- **Public Health** – Inspections of food businesses, waste water and public swimming pools to provide safe public environments.
- **Parking and By-law Enforcement** – Monitoring and regulating parking and particular public activities to ensure safe and accessible environments.
- **Cultural Development** – Focusing on cultural diversity, Aboriginal respect and recognition, and the arts in all its forms.
- **Youth Development** – Providing a range of programs and activities to support and develop youth in our community.
- **Positive Ageing** – Providing home and social support, particularly under the Commonwealth funded Commonwealth Home Support Program. Developing and implementing targeted strategies and programs in our region.
- **Community Centres** – Providing opportunities to improve health and wellbeing, participate in lifelong learning and sharing skills with others.
- **Communications, Engagement and Events** – Ensuring communication between the Council and community is accurate, relevant, valuable and engaging. Promoting and supporting community events.
- **Community Development** – Overseeing community wellbeing and disability access and inclusion programs, as well as a number of regional support programs, including provision of funding to The Hut Community Centre and the Adelaide Hills Community Passenger Transport Network.
- **Sport & Recreation Planning** – Management and utilisation of Council's sport, recreation and open space assets; and support of clubs and the community's recreational activities throughout the region.
- **Grants & Partnerships** – Grant giving programs supporting community based initiatives. Partnerships with other stakeholders to deliver local and regional outcomes.

Our Objectives and Priorities

| Objectives | <i>C1 - A community for everyone that is inclusive, welcoming and accessible</i> | <i>C2 - A connected, engaged and supported community</i> | <i>C3 - A community that grows together</i> | <i>C4 - An active, healthy, thriving and resilient community</i> | <i>C5 - Respect for Aboriginal Culture & values</i> | <i>C6 - Celebrate our community's unique culture through arts, heritage & events</i> |
|------------|---|---|---|---|---|---|
| Priorities | <p>C1.1 Provide welcoming spaces and places for the community through our libraries, community centres, and Council and community facilities</p> <p>C1.2 Support and promote opportunities for social inclusion and celebration of our cultural diversity</p> <p>C1.3 Make the district more accessible and welcoming for all with a focus on youth participation, positive ageing, disability inclusion and multiculturalism</p> <p>C1.4 Advocate and Seek opportunities to improve transport options for those who need it most</p> <p>C1.5 - Encourage more housing opportunities where provided for in the Development Plan</p> | <p>C2.1 - Work with community to provide a range of programs and opportunities to connect and engage around shared interests</p> <p>C2.2 - Support our ageing community to access services and continue to participate and contribute to community life</p> <p>C2.3 - Facilitate opportunities for our youth to develop skills, build resilience and be actively involved in and connected to their community.</p> <p>C2.4 - Increase participation from the broadest range of our community and engage with them to shape policies, places and decisions that affect them</p> <p>C2.5 - Continue to work with government agencies and non-governmental organisations to support the community recovery from natural disasters and the COVID-19 pandemic.</p> | <p>C3.1 - Provide and support programs and services that encourage and enhance personal growth, lifelong learning and professional development</p> <p>C3.2 - Support volunteering both organisationally and in the community as an essential element in delivering community outcomes and building wellbeing</p> <p>C3.3 - Empower our community groups and leaders to shape and determine change in their community through the provision of training opportunities, grants that meet strategic priorities, building relationships and supporting communities to be cohesive in progressing local projects.</p> <p>C3.4 - Build partnerships with community and other stakeholders to enhance our capacity to provide and support opportunities for them to thrive</p> | <p>C4.1 - Support community wellbeing through our contribution to public health planning, disaster recovery activities and the implementation of strategies that aim to measure and enhance wellbeing.</p> <p>C4.2 - Support the provision of formal and informal sport, recreation and play spaces for the community to enjoy</p> <p>C4.3 - Recognise that trails are a destination in their own right and support both commuter and recreational trail opportunities</p> <p>C4.4 - Support clubs and groups to continue to provide sport and recreation activities to the community</p> <p>C4.5 - Take an all hazards approach to emergency management so we can support the emergency services and the community before, during and after disaster events.</p> | <p>C5.1 - Partner with the Aboriginal and Torres Strait Islander community to develop our second Reconciliation Action Plan (Innovate) and actively participate in Reconciliation Week</p> <p>C5.2 - Celebrate and recognise Aboriginal culture and heritage through participation in and the delivery of programs and activities that engage our community in cultural experience and learning</p> | <p>C6.1 - Develop Fabrik as a vibrant cultural hub for the Adelaide Hills, fostering community connections and creativity and presenting the significant history of the Woollen Mill site</p> <p>C6.2 - Develop, support or bring events to our district that have social, cultural, environmental or economic benefits</p> <p>C6.3 - Recognise, encourage and support artists, emerging artists, writers and performers through promotion of the Arts and supporting opportunities to exhibit and perform</p> <p>C6.4 - Foster the development of Public Art that adds value to public spaces and supports place making in our community</p> |

Community Wellbeing - Strategic Initiatives

Strategic Initiatives are specially funded and prioritised activities, projects and programs of work that are planned over the next 3 years. “Capital” initiatives are generally related to new physical assets and infrastructure investment, while “Operating” initiatives are related to administrative projects, community programs and other activities and tasks.

| Project ID | Strategic initiatives (Operating and Capital) | Area | Objective and/or Priority | Type | Budget 2023-24 (\$'000) | Long term financial plan (\$'000) | |
|------------|--|-----------------------------|---------------------------|-----------------------|-------------------------|-----------------------------------|---------|
| | | | | | | 2024-25 | 2025-26 |
| C1004 | Libraries print release and photocopy service | Community Capacity | C1.1 | Capital | - | 7 | 7 |
| C4006 | Play Space Framework Implementation | Corporate Services | C4 | Capital | - | 273 | 280 |
| C4012 | Climate Change Adaption Plan Projects - All hazards emergency management | Infrastructure & Operations | C4.5 | Capital | 20 | - | - |
| C4021 | Community & Recreation Facilities Framework Implementation | Corporate Services | C4 | Capital | 72 | 158 | 162 |
| | | | | Operating | 187 | 192 | 197 |
| C4022 | Towards Community Led Resilience Program (G) | Community Capacity | C4.5 | Employee Expenditure | 289 | 152 | - |
| | | | | Operating Expenditure | 295 | 53 | - |
| | | | | Operating Income | -584 | -205 | - |
| C5003 | Actions from adoption of Aboriginal Place Naming Action Plan | Community Capacity | C5 | Capital | 5 | 5 | 5 |
| C6001 | Fabrik Activation Capital (G) | Corporate Services | C6 | Capital | 1,061 | - | - |
| C6003 | Capital Divestment - Capital Cost | Corporate Services | C6 | Capital | - | - | -1,230 |
| C6006 | Tour Down Under | Community Capacity | C6.2 | Operating | 61 | 63 | 64 |

Legend: **G** Grant funding



A prosperous Economy



Our Aspiration

Our region's economy is diverse and sustainable with a reputation for quality, niche products, services and experiences underpinned by a culture of creativity and innovation.

Some of the key highlights we have planned for 2023-24 include:

- Support the Tour Down Under in 2024
- Look for opportunities to sponsor and/or collaborate on significant new event/s for the district
- Collaborate with Adelaide Hills Tourism to promote and support tourism across our region
- Continue to support the Home Based Business Network with the provision of events

How we will measure our success

Council plays a limited but crucial role in the success of the local economy. We monitor broader indicators like local employment levels, indices of socio-economic advantage and disadvantage, gross regional product and visitor numbers.

Our particular initiatives seek to address areas where local government can support broader economic outcomes and we measure the effectiveness of these by the local business sector biennially, and surveying participants in our initiatives to find out if they are better off as a result.

Our suite of Corporate Performance Indicators (*Appendix 3*) will be used in our reporting to Council each quarter, and in our Annual report for 2023-24.

Our Services

- **Economic Development** - Undertaking activities in line with the Economic Development Plan including:
 - Promoting tourism and supporting operators, through funding the work of Adelaide Hills Tourism,
 - Identifying and promoting local regional development opportunities through providing core funding to the local Regional Development Australia board,
 - Responding to the needs of established or potential local business operators,
 - Identifying and promoting opportunities for government investment in key local infrastructure developments, and
 - Undertaking niche projects to address particular economic development needs.
- **Property Services** – Facilitating appropriate events, outdoor dining, roadside trading and mobile food vans on Council managed land and roads.
- **Fabrik Arts and Heritage** – Establishing a thriving arts and heritage hub to support creative industries and the broader local economy through increased tourism.
- **Public Health** – Monitoring and addressing food safety and public health to ensure a safe environment and food businesses. Providing clinics to enable the community to access vaccinations easily.
- **Communications, Engagement and Events** – Managing, promoting and supporting events which have social and economic benefits to the district.
- **Development Advice & Approvals** – Assisting businesses and landowners when wishing to develop their properties.

Our Objectives and Priorities

Objectives

Priorities

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

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

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

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

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

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

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

E2 - Provide local infrastructure to drive growth and productivity

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Economy - Strategic Initiatives

Strategic Initiatives are specially funded and prioritised activities, projects and programs of work that are planned over the next 3 years. “Capital” initiatives are generally related to new physical assets and infrastructure investment, while “Operating” initiatives are related to administrative projects, community programs and other activities and tasks.

| Project ID | Strategic initiatives (Operating and Capital) | Area | Objective and/or Priority | Type | Budget 2023-24 (\$'000) | Long term financial plan (\$'000) | |
|------------|---|-----------------------------|---------------------------|-----------|-------------------------|-----------------------------------|---------|
| | | | | | | 2024-25 | 2025-26 |
| E2001 | Review and upgrade Council signage and branding | Community Capacity | E2 | Capital | 15 | 5 | - |
| E4001 | Additional Tree safety work required to support the Tour Down Under | Infrastructure & Operations | E4 | Operating | 30 | 31 | 32 |

Legend: **G** Grant funding





Our Aspiration

The natural environment of the Adelaide Hills contributes significantly to the character of the region and is greatly valued by our local community and visitors.

Some of the key highlights we have planned for 2023-24 include:

- Exploring options for a new dog and cat facility
- Undertaking a trial on Kerbside bin system collection frequency changes and a trial on increased rural green waste bins
- Local Climate Adaptations for landscape conservation
- Post prescribed burn weed management

How we will measure our success

The services we provide and the influence we have in the community will demonstrate our success in maintaining a healthy and resilient region. In particular this will be shown through community education outcomes, achieving biodiversity targets, and service driven performance in managing animals, waste and resources, and our natural spaces.

Our suite of Corporate Performance Indicators (*Appendix 3*) will be used in our reporting to Council each quarter, and in our Annual report for 2023-24.

Our Services

- **Sustainability** – Including climate change considerations into Council decision making, providing strategies for carbon neutrality, water management and renewable energy in response to climate change impacts.
- **Open Space Biodiversity** – Undertaking activities such as weed management, habitat conservation and expansion, research and knowledge development, and supporting community in their related activities.
- **Animal Management** - Promoting responsible dog and cat ownership, responding to nuisance and hazards caused by other animals including livestock, eradicating European wasp nests and conducting a Feral Cat Study.
- **Open Space Operations** – Maintaining parks and reserves, biodiversity activities, and fire breaks/ tracks.
- **Fire Prevention** – Legislative function of ensuring identified properties are prepared for the bushfire season. Assessing the extent of bushfire hazards within the Council area and providing advice to land owners in respect of bushfire prevention and management.
- **Wastewater Systems Compliance** – Working with landowners to ensure their on-site wastewater systems are compliant and operating correctly to minimise impact on the water catchment.
- **Waste** - Providing waste collections and recycling services to 16,500 properties, green waste organics kerbside collections in townships, 'at call' hard waste collection, and operates the Heathfield Resource Recovery Centre for community use.

Our Objectives and Priorities

Objectives

Priorities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Natural Environment - Strategic Initiatives

Strategic Initiatives are specially funded and priority activities, projects and programs of work that are planned over the next 3 years. “Capital” initiatives are generally related to new physical assets and infrastructure investment, while “Operating” initiatives are related to administrative projects, community programs and other activities and tasks.

| Project ID | Strategic initiatives (Operating and Capital) | Area | Objective and/or Priority | Type | Budget 2023-24 (\$'000) | Long term financial plan (\$'000) | |
|------------|--|-----------------------------------|---------------------------|-----------|-------------------------|-----------------------------------|---------|
| | | | | | | 2024-25 | 2025-26 |
| N1006 | Best practice procedure for maintenance of AHC riparian zones | Infrastructure & Operations | N1.1 | Operating | - | 6 | - |
| N2008 | Develop informative and attractive signage in Council reserves/playgrounds | Corporate Services | N2 | Capital | 10 | 10 | 10 |
| N2010 | Post prescribed burn weed management | Infrastructure & Operations | N2.3 | Operating | 55 | 53 | 50 |
| N2011 | New Dog and Cat facility | Development & Regulatory Services | N2 | Capital | 200 | 270 | - |
| N3001 | Local Climate Adaptations for landscape conservation | Infrastructure & Operations | N3 | Operating | 10 | 10 | 11 |
| N3002 | Resilient community facilities and open space including water fountains | Infrastructure & Operations | N3 | Capital | 30 | 31 | 32 |
| N4002 | Kerbside bin system collection frequency change and rural FOGO trial | Infrastructure & Operations | N4.1 | Capital | 30 | - | - |
| | | | | Operating | 90 | 30 | - |

Legend: **G** Grant funding



A progressive Organisation



Our Aspiration

Council is recognised for its skilled and agile workforce, for its representative and accountable governance, its commitment to cost effectiveness and efficient service delivery.

Some of the key highlights we have planned for 2023-24 include:

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

How we will measure our success

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

Our suite of Corporate Performance Indicators (Appendix 3) will be used in our reporting to Council each quarter, and in our Annual report for 2023-24.

Our Services

- **Customer Experience** – Driving organisational improvement and innovation to improve the customer experience.
- **Information, Communication and Technology** – Providing support for over 1300 devices, 250 system users and 100 public access devices for libraries and community centres. Manages system security, asset maintenance and renewal.
- **Financial services** – Providing accounting and financial activities including procurement support, payments, collection of rates and debt recovery, treasury management and support to Council in financial decision making.
- **Organisational Development and Work Health & Safety** – Providing support to our people covering organisational development, human resource management, work health and safety and payroll.
- **Governance** – Supporting the Mayor, Councillors, CEO, the Administration and community with their legislated roles and responsibilities including coordination of Council & Committee meetings, elections, risk management, audit and review activities, and corporate planning and reporting activities.
- **Property Services** – Ongoing maintenance and management of Council's service centres and operational sites.
- **Information Systems** – Systems for the capture, dissemination, storage, security, accessibility and management of information received and generated by Council.
- **Emergency Management** – Working collaboratively to prevent, prepare, respond and recover from natural disasters and other hazards.

Our Objectives and Priorities

| Objectives | Priorities | | | | | |
|------------|--|---|---|--|---|---|
| | <i>O1 - We have the right people with the right knowledge and skills in the right jobs and they are supported and developed</i> | <i>O2 - Our customers find it easier to interact and do business with Council and have an improved customer experience</i> | <i>O3 - Our organisation is financially sustainable for both current and future generations</i> | <i>O4 - We actively represent our community</i> | <i>O5 - We are accountable, informed, and make decisions in the best interests of the whole community</i> | <i>O6 - Technology and innovation is utilised to better meet our community's expectations and deliver value for money</i> |
| Priorities | O1.1 - Progressively enhance our safe systems of work to maintain emotional and physical safety of our people | O2.1 - Develop our digital channels to better meet customers' current and future needs | 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 | O4.1 - Optimise opportunities for the community to access and provide input into the decision-making processes | O5.1 - Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations | O6.1 - Progressively strengthen Council's systems security to minimise the impact of cyber attack |
| | O1.2 - Continue to develop a positive culture through supporting an equitable, diverse and continuously improving work environment | O2.2 - Modernise our services and enhance the customer experience by making service delivery faster, more convenient and more proactive | O3.2 - Ensure that renewal of assets and the associated maintenance is based on current asset management plans which consider reviewed service levels and whole of life costing | O4.2 - Attract and develop a diverse and capable elected body that represents, promotes and reflects the composition of the community | O5.2 - Make evidence-based decisions and prudently assess the risks and opportunities to our community before taking action. | O6.2 - Utilise technology to enable more evidence based and efficient delivery of services to the community |
| | O1.3 - Support our people leaders in further developing the skills necessary to lead engaged and productive teams | O2.3 - Build the capabilities of our people through a focus on two-way communication, cooperation and placing customers at the centre of everything we do | O3.3 - Actively pursue alternative funding opportunities to reduce reliance on rates income | O4.3 - Advocate to, and exert influence with, our stakeholders on behalf of our community to promote the needs and ambitions of the region | O5.3 - Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community | O6.3 - Provide more resilient business systems by utilising cloud technologies where appropriate |
| | O1.4 - Continue to support all staff through training, mentoring, coaching and development to enable the achievement of organisational and community goals | O2.4 - Continuously strive to measure and improve performance and service delivery across all functions | O3.4 - Assess the range and level of services undertaken to ensure they fulfil Council's legislative and strategic intent | O4.4 - Explore council boundary reform options that best serve the community | | O6.4 - Utilise our online engagement tools to reach a wider range of community members to obtain their views and input. |
| | | | | | | O6.5 - Support the delivery of services to the community through improved utilisation and connectivity of existing business systems |
| | | | | | | O6.6 - Ensure the way in which we provide our digital services delivers an enhanced experience for our community |

Organisation - Strategic Initiatives

Strategic Initiatives are specially funded and priority activities, projects and programs of work that are planned over the next 3 years. “Capital” initiatives are generally related to new physical assets and infrastructure investment, while “Operating” initiatives are related to administrative projects, community programs and other activities and tasks.

| Project ID | Strategic initiatives (Operating and Capital) | Area | Objective and/or Priority | Type | Budget 2023-24 (\$'000) | Long term financial plan (\$'000) | |
|------------|--|-----------------------------------|---------------------------|-----------|-------------------------|-----------------------------------|---------|
| | | | | | | 2024-25 | 2025-26 |
| O1005 | GPS for Operational Vehicles | Infrastructure & Operations | O1.1 | Capital | 40 | - | - |
| O4005 | Representation Review | CEOs Office | O4.4 | Operating | 15 | 15 | - |
| O5005 | Resource to manage building & swimming pool compliance inspections | Development & Regulatory Services | O5 | Operating | 89 | 92 | - |
| O5006 | Strategic Plan development | CEOs Office | O5 | Operating | 20 | - | - |
| O6007 | Community perception survey | Community Capacity | O6 | Operating | - | 11 | - |

Legend: **G** Grant funding



Financial Overview

Key financial information for 2023-24 is summarised below:



| Budget Summary | | \$'000 |
|--|--|---------------|
| ● General Rates Income | | 44,583 |
| ● All Other Operating Income (including initiatives) | | 11,914 |
| Total Operating Income | | 56,497 |
| ● Core Operating Expenses (excluding Initiatives) | | 53,684 |
| ● Operating Initiatives | | 1,370 |
| Total Operating Expenditure | | 55,054 |
| Operating Surplus | | 1,443 |
| ● Gross Capital Renewal Program Expenditure | | 10,424 |
| ● Gross capital expenditure on new /upgraded assets | | 6,815 |
| Total Gross Capital Expenditure | | 17,239 |
| Estimated New Borrowings | | 6,000 |

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

Long Term Financial Plan

The *Local Government Act 1999* requires the Council to prepare and maintain a *Long Term Financial Plan* (LTFP) as part of its suite of strategic management plans.

Prior to the development of the *Annual Business Plan* a detailed review of the LTFP was undertaken in consultation with the community. The revised LTFP was adopted at Council's 26 April 2023 meeting and can be found at ahc.sa.gov.au.

The key objective of our LTFP is to demonstrate that the Council is financially sustainable over the 10 year term of the LTFP, while achieving the objectives outlined in the *Strategic Plan*. This includes:

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

The LTFP has been used to set the context and targets for the development of the 2023-24 Budget

Elements of the Budget: Income and Expenses

Income

Rate revenue accounts for approximately 80% of Council's operating income, while grants, fees and charges make up the majority of the other operating income. We continue to pursue grant income and partnerships with external funders where possible to minimise the requirement for revenue via rates.

Fees and Charges

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

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

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

Expenses

42% of the Council's operating expenditure is attributable to the payment of salaries and wages and around 37% is applied to materials, contracts and other expenses.

Key financial targets and financial sustainability

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

| Indicator | Adopted Target | 2022-23 Budget |
|----------------------------------|----------------|----------------|
| Operating Surplus Ratio | 1 - 5% | 2.6% |
| Adjusted Operating Surplus Ratio | 1 - 5% | 2.6% |
| Net Financial Liabilities Ratio | 25 - 75% | 53% |
| Asset Renewal Funding Ratio | 95- 105% | 100% |

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

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

Impact on ratepayers

The overall amount existing ratepayers will pay in general rates will increase on average by 6.9%. For a residential property of average value, this equates to an increase of approximately \$159 for the 2023-24 year. Rate increases may vary from the average where there has been new development, capital improvements or other significant change to the value of the property.

To reduce the impact of significant valuation changes for 2023-24 Council proposes:

- Applying a rate rebate to limit the maximum general rate increase to 15% across residential and primary production land use categories
- Make the rebate automatic (similar to the 2022-23 financial year) but also retaining an application process
- Retaining the exclusion of the cap for valuation increases due to improvements, changes in land use and rateability
- Adjusting the exclusion of change of ownership properties to those properties sold after 30 June 2022

Significant influences for the 2023-24 budget

A number of factors have influenced the preparation of Council's *2023-24 Annual Business Plan*. These include:

- Current financial climate resulting in ongoing cost pressures on interest rates, fuel, electricity, and other Council expenditure which traditionally tracks above the Consumer Price Index (CPI). Currently CPI increases are at historic high levels.
- Consideration of waste costs and volumes relating to recyclables, hard and green waste, including an increase in free green organic drop off days and anticipated movements in the solid waste levy imposed by the State Government
- Provision for Enterprise Development Agreements for staff which determines conditions of employment and provide for annual salary and wages increases, largely based on CPI and a separate increase of 0.5% in the Superannuation Guarantee levy
- Maintaining asset management (renewal) expenditure at a sufficient level to ensure long term maintenance of Council infrastructure, property and IT assets
- Increased maintenance requirements due to an increase in capital works and construction of new assets over recent years
- Ensuring key strategies from Council's *Strategic Plan* and Functional Strategies are costed appropriately
- The cessation of some of the Arts and Heritage Hub activities as a result of a significant upgrade of the site impacting on both revenue and expenditure
- A hardening insurance market resulting in premiums increasing significantly in excess of CPI

In addition, the Campbelltown City Council's (CCC) Woodforde/Rostrevor boundary reform proposal, if successful, has the potential to materially impact Council's financial sustainability. The latest advice received from the Boundaries Commission of SA is that they are seeking a cost estimate for the Inquiry. Once the estimate is obtained it will be provided to CCC and the inquiry will only proceed if CCC provides a clear direction to do so, on consideration of the cost estimate, which they will be required to fund.

No financial or resource implications have been built into the 2023-24 budget at this stage.





Additional costs included in the 2023-24 budget

A number of additional costs have impacted on Council's Operating Surplus including:

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

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

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

Other Service changes undertaken in recent years impacting on costs

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

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

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

For the 2023-24 financial year Council has implemented specific saving strategies in the order of \$830k to assist in keeping rate increases to the minimum possible whilst also implementing agreed new strategies.

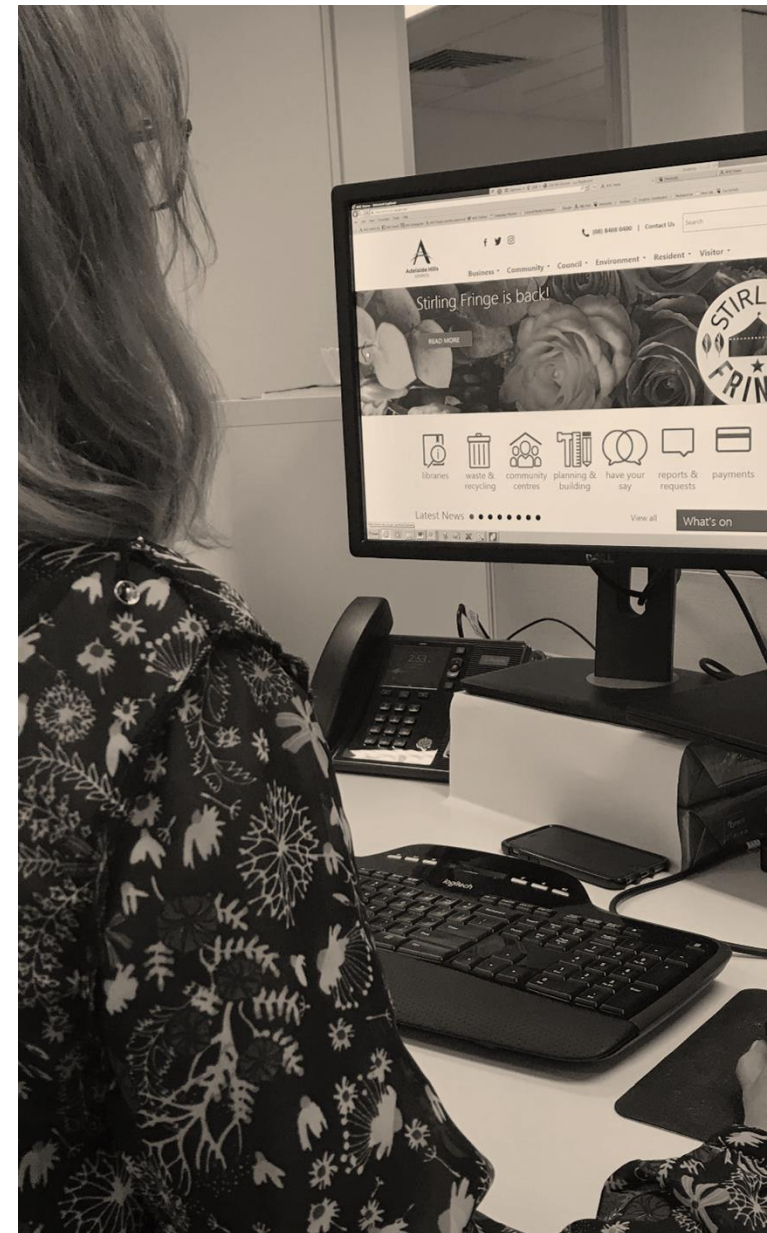
Savings Strategies included in the 2023-24 budget

To help address these emerging cost pressures and new strategies, further savings and efficiencies have been identified which will improve Council's Operating Surplus over the period of the LTFP.

Items included under the saving and efficiency strategies include:

- The reduction of materials, contract and other expenses budgets where contracts and costs are not linked to CPI or regular increases
- Adjustments to the operating hours for customer service in line with comparable organisations and service providers
- Reduction in funding for digital content, digital resources and CD collections in Libraries
- Changes in service levels for cleaning back of house areas and vermin baiting
- Reduction of technology costs associated with printing, desktop computing and mobile services to align with service delivery and usage patterns
- Reduction in subscription costs and funding relating to corporate membership fees including Murray Darling Association
- Insourcing opportunities including continuation of tree management and maintenance activities, signage provision for planning public notifications and club workshop training
- Vacancy management budget adjustments
- Leave management budget adjustments
- Other saving opportunities including reductions in media monitoring, major event attraction including limiting the commitment to Tour Down Under, signage, waste education (redirected to waste pilot) and river trash racks

These estimated savings of approximately \$830k have been factored into the draft 2023-24 *Annual Business Plan*.





Borrowings

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

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

Where there is a persuasive argument relating to intergenerational equity, Council will consider the appropriate use of borrowings. This will be managed within financial targets with the intention that future cash flows are sufficient to recoup borrowings with minimal impact on general operations over the medium term.

Estimated New Fixed Term Borrowing as shown in the following table for 2023-24 is \$6.0m and together with a minor increase in Council's Cash Advance Debenture results in an estimated borrowings at 30 June 2024 of \$23.4m.

| Borrowing | \$'000 |
|---|---------------|
| Forecast Opening Balance of Borrowings July 2023 | 16,791 |
| Estimated New Borrowing for 2023-24 | 6,000 |
| Repayment of principal for 2023-24 | (561) |
| Estimated movement in Cash Advance Debenture for 2023-24 | 169 |
| Forecast Closing Balance of Borrowings June 2024 | 22,399 |
| Split as follows: | |
| Cash Advance Debenture (Short Term Borrowings) | 8,656 |
| Fixed Term Borrowings | 13,168 |
| Lease Liabilities | 575 |
| Forecast Closing Balance of all Borrowings June 2024 | 22,399 |

Operating Budget by Directorate and Function

| Directorate | Function | Revenue | | | Expenditure | | | Net Cost / (Revenue) 2023-24 Budget \$'000 | Staff FTE 2023-24 Budget |
|-----------------------|---------------------------------------|----------------------------------|-----------------------------|-----------------------------------|----------------------------------|-----------------------------|-----------------------------------|--|--------------------------------|
| | | 2023-24 LTFP Target \$'000 | 2023-24 Budget \$'000 | Variance Fav/(Unfav) \$'000 | 2023-24 LTFP Target \$'000 | 2023-24 Budget \$'000 | Variance Fav/(Unfav) \$'000 | | |
| CEO | CEO Office | 0 | 0 | 0 | 356 | 365 | (9) | 365 | 1.0 |
| | Governance and Performance | 37 | 37 | 0 | 2,187 | 2,193 | (6) | 2,157 | 4.0 |
| | CEO Total | 37 | 37 | 0 | 2,543 | 2,558 | (15) | 2,522 | 5.0 |
| Community Capacity | Communications, Engagement & Events | 0 | 0 | 0 | 754 | 761 | (7) | 761 | 4.2 |
| | Community Development (M&P) | 0 | 0 | 0 | 442 | 444 | (2) | 444 | 2.3 |
| | Cultural Development | 0 | 0 | 0 | 195 | 195 | (1) | 195 | 1.0 |
| | Customer Experience | 0 | 0 | 0 | 145 | 142 | 2 | 142 | 1.0 |
| | Community Resilience | 584 | 533 | (51) | 584 | 555 | 29 | 22 | 3.2 |
| | Customer Service | 0 | 0 | 0 | 908 | 899 | 9 | 899 | 8.6 |
| | Director's Office Community Capacity | 0 | 0 | 0 | 359 | 359 | 0 | 359 | 1.7 |
| | Economic Development | 95 | 110 | 15 | 597 | 608 | (11) | 498 | 2.0 |
| | FABRIK Arts & Heritage Hub | 80 | 80 | 0 | 452 | 454 | (1) | 374 | 2.9 |
| | Grants & Partnerships | 0 | 0 | 0 | 216 | 215 | 1 | 215 | 0.0 |
| | Hills Connected Communities Projects | 67 | 72 | 4 | 68 | 70 | (3) | (1) | 0.6 |
| | Library Services | 349 | 343 | (6) | 2,096 | 2,075 | 21 | 1,732 | 15.4 |
| | Positive Ageing (Collaborative) | 86 | 90 | 4 | 86 | 84 | 2 | (6) | 0.7 |
| | Positive Ageing (Home Support) | 1,122 | 1,152 | 30 | 1,181 | 1,186 | (5) | 34 | 6.1 |
| | The Summit Community Centre | 16 | 16 | 0 | 206 | 204 | 3 | 188 | 1.6 |
| | Torrens Valley Community Centre | 40 | 40 | 0 | 208 | 209 | (1) | 169 | 1.6 |
| | Volunteering | 0 | 0 | 0 | 92 | 90 | 3 | 90 | 0.7 |
| | Youth Development | 2 | 2 | 0 | 180 | 181 | (1) | 179 | 1.0 |
| | Community Capacity Total | 2,441 | 2,437 | (4) | 8,768 | 8,732 | 37 | 6,294 | 54.5 |
| Corporate Services | Cemeteries | 369 | 369 | 0 | 167 | 165 | 2 | (204) | 1.0 |
| | Director's Office Corporate Services | 6 | 6 | 0 | 411 | 416 | (5) | 410 | 1.2 |
| | Financial Services | 47,730 | 47,752 | 22 | 2,086 | 2,064 | 22 | (45,688) | 9.8 |
| | General Property | 126 | 83 | (43) | 1,838 | 1,821 | 17 | 1,738 | 7.0 |
| | Information Services | 0 | 0 | 0 | 2,783 | 2,796 | (13) | 2,796 | 12.0 |
| | Old Woollen Mills Precinct - Lobethal | 340 | 340 | 0 | 248 | 248 | 0 | (92) | 1.0 |
| | Organisational Development & WHS | 1 | 0 | (1) | 809 | 813 | (4) | 813 | 6.3 |
| | Sport and Recreation | 11 | 11 | 0 | 795 | 795 | (1) | 784 | 3.4 |
| | Corporate Services Total | 48,582 | 48,560 | (21) | 9,137 | 9,119 | 18 | (39,442) | 41.7 |

Operating Budget by Directorate and Function

| Directorate | Function | Revenue | | | Expenditure | | | Net Cost / (Revenue) | Staff FTE |
|---|--|----------------------------------|-----------------------------|-----------------------------------|----------------------------------|-----------------------------|-----------------------------------|-----------------------------|-------------------|
| | | 2023-24 LTFP Target \$'000 | 2023-24 Budget \$'000 | Variance Fav/(Unfav) \$'000 | 2023-24 LTFP Target \$'000 | 2023-24 Budget \$'000 | Variance Fav/(Unfav) \$'000 | 2023-24 Budget \$'000 | 2023-24 Budget |
| Development & Regulatory Services | Animal Management | 561 | 550 | (11) | 513 | 509 | 4 | (41) | 2.9 |
| | Director's Office DRS | 0 | 0 | 0 | 381 | 387 | (6) | 387 | 2 |
| | Fire Prevention | 15 | 15 | 0 | 92 | 92 | (0) | 77 | 0.6 |
| | Parking and By-Laws | 50 | 60 | 11 | 225 | 225 | (1) | 165 | 1.8 |
| | Planning & Development | 705 | 703 | (1) | 2,351 | 2,389 | (38) | 1,686 | 16.3 |
| | Policy Planning | 0 | 0 | 0 | 174 | 151 | 23 | 151 | 1 |
| | Public Health | 179 | 179 | 0 | 577 | 563 | 14 | 384 | 3.8 |
| | Development & Regulatory Services Total | 1,510 | 1,509 | (1) | 4,312 | 4,316 | (4) | 2,809 | 28.5 |
| Infrastructure & Operations | Civil Services | 2,064 | 2,064 | 0 | 5,523 | 5,528 | (5) | 3,464 | 44.2 |
| | CWMS | 1,779 | 1,743 | (36) | 1,120 | 1,081 | 39 | (661) | 1.2 |
| | Director's Office Infrastructure & Operations | 0 | 0 | 0 | 331 | 337 | (6) | 337 | 2 |
| | Emergency Management | 0 | 0 | 0 | 121 | 119 | 2 | 119 | 0.2 |
| | Open Space - Operations | 0 | 0 | 0 | 5,643 | 5,723 | (80) | 5,723 | 27.8 |
| | Open Space - Biodiversity | 0 | 0 | 0 | 751 | 692 | 59 | 692 | 3.6 |
| | Strategic Assets | 0 | 0 | 0 | 11,028 | 11,023 | 5 | 11,023 | 3.8 |
| | Sustainability | 0 | 0 | 0 | 270 | 269 | 1 | 269 | 1.4 |
| | Waste | 157 | 148 | (9) | 5,578 | 5,557 | 21 | 5,409 | 1.4 |
| | Infrastructure & Operations Total | 3,999 | 3,954 | (45) | 30,364 | 30,328 | 36 | 26,374 | 85.6 |
| ORGANISATION TOTAL | | 56,569 | 56,497 | (71) | 55,125 | 55,054 | 72 | (1,443) | 215 |

Capital Budget Overview

The 2023-24 Capital Budget continues to focus on the renewal of infrastructure. The Council has in excess of \$600m (Current Replacement Values) of infrastructure assets that it manages, to ensure that our current and future communities have access to the ongoing services these assets provide.

This year our capital works program will include:



- **\$10.424m** Capital renewal detailed in the Capital Expenditure Renewal Summary Table (to the right)
- **\$6.815m** in capital expenditure on new or upgraded assets, detailed in the strategic initiative pages

The total of \$17.239m for the capital works program is less than the Long Term Financial Plan target of \$19.600m and is considered to be the appropriate level of sustainable investment to meet the Council strategic goal to have a proactive long term view regarding the renewal and maintenance of its infrastructure.

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

To see a detailed listing of our Capital projects, refer to the *Capital Works Program 2023-24* published on our website.

Capital Expenditure Renewal Summary

| Asset Category | 2023-24 Allocation \$'000 | LTFP Target Renewal \$'000 | Variance to LTFP Fav/(Unfav) \$'000 |
|--|------------------------------|-------------------------------|---|
| Bridges | 310 | 313 | 3 |
| Buildings | 360 | 550 | 190 |
| CWMS | 75 | 597 | 522 |
| Footpaths | 421 | 424 | 3 |
| Kerb & Water | 67 | 68 | 1 |
| Other* | 226 | 198 | (28) |
| Road Pavement | 2,080 | 1,618 | (462) |
| Road Seal | 1,995 | 1,992 | (3) |
| Shoulders | 284 | 284 | 0 |
| Sport and Recreation (including Playgrounds) | 240 | 554 | 314 |
| Stormwater | 115 | 113 | (2) |
| Unsealed Roads | 834 | 1,302 | 468 |
| Plant and Fleet | 1,844 | 1,844 | 0 |
| Information, Communication & Technology | 465 | 505 | 40 |
| Minor Plant & Equipment (including Library) | 60 | 62 | 2 |
| Project Delivery Costs | 1,048 | 1,048 | 0 |
| RENEWALS | 10,424 | 11,472 | 1,048 |

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

Rates Overview

In setting the rates for 2023-24, Council proposes to change its current method of rating so that there is a differential rate for each land use together with a fixed charge, applied against the capital value of properties. Council considers this to be a fair and equitable method of rating for the Adelaide Hills Council.

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

The 2023-24 budget was developed from Council's LTFP which had a rate revenue target that incorporated a general rates increase of 6.9% and estimated new development of 0.9%. The 6.9% has been set at 0.5% below the estimated 12-month Local Government Price Index (LGPI) increase to ensure that the increase is below forecast CPI increases. This is considered appropriate to maintain an Operating Surplus in line with financial sustainability indicator targets, while keeping the impact on Council ratepayers to an acceptable level.

The new development (0.9% mentioned above) is defined as capital improvements to existing properties and changes to value as a result of land divisions and will be confirmed by the Valuer-General as part of completing the valuation of the Council area. This is primarily related to the Woodforde, Mount Torrens and Inverbrackie developments.

The valuation of the Council area by the Valuer-General is ongoing with variability in valuation increases seen across all land uses. As such, Council is proposing to reduce the impact of significant valuation changes for 2023-24 by:

- Differentiating all land uses to enable differences in valuation for land use categories to be taken into account
- Setting the maximum general rate increase at 15%
- Applying a rate rebate to residential and primary production land use categories where the increase exceeds 15%
- Make the rebate automatic (similar to the 2022-23 financial year) but also retaining an application process
- Excluding the rebate on properties where there is any change of rateability, land use, improvements or change in ownership of properties from the previous year

The table below provides a summary of the average rate increases that have been applied in recent years as well as the proposed increase for 2023-24 as discussed above.

| Description | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|--|--------------|-------------|-------------|--------------|-------------|-------------|-------------|
| To meet inflation (CPI) | 1.25% | 2.3% | 1.8% | 2.4% | 1.5% | 4.7% | 6.9% |
| To fund increased capital renewal | 1.0% | 1.0% | 1.0% | 0.55% | 1.0% | 0.2% | - |
| Solid Waste Levy | - | - | \$10 (0.5%) | - | - | - | - |
| TOTAL INCREASE | 2.25% | 3.3% | 3.3% | 2.95% | 2.5% | 4.9% | 6.9% |



Summary Basis of Rating (*Rating Policy*)

Key elements of the Policy include:

Rating Structure

- The Council is proposing that differential rates be applied to all rateable properties based on their predominant land use. This is a change in rating structure from previous years and will allow Council to ensure that the proposed average rate increase for existing ratepayers is consistent across all land uses before other factors relating to the cost of services and comparability to other councils are considered for individual land uses.
- A fixed charge rating structure that includes a fixed charge applying to all properties. This charge is to increase from \$733 to \$784 which represents a 6.9% increase in line with the average increase previously highlighted.

Stirling Separate Rate

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

Regional Landscape Levy

The Regional Landscape (RL) Levy is a State Tax paid by all ratepayers and is collected by Council on behalf of the Hills and Fleurieu Regional Landscape Board. For 2023-24 there is a significant increase of 47% in this tax imposed on Council's ratepayers by the Board.

Other Rates and Levies

A separate rate to provide for the sealing in 2014-15 of the northern end of Verrall Road, Upper Hermitage. This rate is levied on those properties that actually adjoin this section of road. The 2023-24 financial year is the last year of this separate rate.

Help when you need it

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

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

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



Impact of Office of Valuer-General Valuation Changes

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

Early data received from the Valuer-General indicates that there is still significant variability in valuation increases within the Council area across all land uses as well as townships/suburbs.

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

As a response to the impact of these market adjusted valuation changes from the Valuer-General, Council's proposed rating policy position for the 2023-24 Annual Business Plan consultation is to apply a rebate to reduce the impact of significant valuation changes for 2023-24.

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

The table below summarises key details of the rebate.

| Rebate to limit the maximum general rate increase to 15% |
|--|
| Applied automatically but also retaining an application process |
| Maximum general rate increase 15% |
| Applied to residential and primary production land use categories |
| Does not apply to properties sold after 30 June 2022 |
| Does not apply to properties with a change in land use or rateability from 2022-23 |
| Does not apply to properties with new development / improvements since the 2022-23 valuation |

Rate Statistics

Council has just over **19,000** assessments split by land use as follows:



13 680 +
Residential



670 +
Commercial and
Industrial Light



< 50
Industrial Other



3,000 +
Primary
production



720 +
Vacant



290
Other



700 +
Non-rateable

Rates Modelling

The valuation of the Council area by the Valuer-General is ongoing and information provided to date reflects an average increase of over 13% in valuation for existing properties. This valuation information is still being updated as well as being subject to Valuer-General and internal quality assurance processes and revisits.

Analysis indicates that:

- Residential properties, representing over 70% of the overall valuation, has an average valuation **increase** of nearly 13%
- Primary production properties, being 17% of total assessments, have an average valuation **increase** of just under **14%**
- Commercial and Industrial Light properties have had an average valuation **increase** of just under **25%**
- Industrial Other properties have had an average valuation **increase** of just under **20%**
- Vacant land valuations have **increased** on average by **12%**.

The percentage of total rate revenue required from each land use category will be used to determine the rate in the dollar (differential rate) for each category to provide an overall increase in general rate revenue of 6.9% excluding new development.

Allocation of Rates Burden

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

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

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

Differential Rates

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

In formulating the rating structure, Council has considered issues of consistency and comparability of other Councils and across council areas in the imposition of rates on various sectors of the business and wider community.

Currently Council's average residential rate is high by comparison to other Councils whereas the average commercial and industrial rate is low.

As a result Council proposes phasing in higher differential rates as follows:

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

The percentage of total rate revenue required from each land use category will be used to determine the rate in the dollar (differential rate) for each category.

Fixed Charge

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

For the 2023-24 year, it is proposed to increase the fixed charge from \$733 to \$784, representing a 6.9% increase in line with the overall average increase in rates.

Community Wastewater Management System

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

Council is currently undertaking its annual detailed assessment of the cost of providing CWMS services, in accordance with the guidelines set by the Essential Services Commission of South Australia (ESCOSA). This will identify whether current charges are at the levels necessary to achieve full cost recovery. For the 2022-23 financial year, as a result of preliminary analysis, CWMS revenue and associated fees will be no more than 2022-23 financial year to achieve the full cost recovery.



Appendix 1: Uniform Presentation of Finances

Adelaide Hills Council

BUDGETED UNIFORM PRESENTATION OF FINANCES 2023-24 Adopted Budget

| 2022-23 Budget \$'000 | | 2023-24 Proposed Budget \$'000 |
|---|---|---|
| INCOME | | |
| 44,369 | Rates | 48,357 |
| 1,369 | Statutory charges | 1,509 |
| 888 | User charges | 957 |
| 6,253 | Grants, subsidies and contributions | 5,086 |
| 5 | Investment income | 25 |
| 233 | Reimbursements | 196 |
| 221 | Other income | 267 |
| 100 | Net gain - equity accounted Council businesses | 100 |
| 53,437 | Total Income | 56,497 |
| EXPENSES | | |
| 20,856 | Employee costs | 23,057 |
| 20,712 | Materials, contracts & other expenses | 20,309 |
| 10,446 | Depreciation, amortisation & impairment | 11,106 |
| 594 | Finance costs | 582 |
| 0 | Net loss - equity accounted Council businesses | 0 |
| 52,608 | Total Expenses | 55,054 |
| 830 | NET BUDGETED SURPLUS / (DEFICIT) BEFORE CAPITAL AMOUNTS | 1,443 |
| Net Outlays on Existing Assets | | |
| (10,740) | Capital Expenditure on Renewal and Replacement of Existing Assets | (10,424) |
| 636 | Proceeds from Sale of Replaced Assets | 899 |
| 10,446 | Depreciation | 11,106 |
| 342 | NET OUTLAYS ON EXISTING ASSETS | 1,581 |
| Net Outlays on New and Upgraded Assets | | |
| (8,629) | Capital Expenditure on New and Upgraded Assets & Remediation costs | (6,815) |
| 5,621 | Capital Grants and Monetary Contributions for New and Upgraded Assets | 2,150 |
| 1,494 | Proceeds from Sale of Surplus Assets | 0 |
| (1,514) | NET OUTLAYS ON NEW AND UPGRADED ASSETS | (4,665) |
| (342) | NET LENDING/ (BORROWING) RESULT FOR FINANCIAL YEAR | (1,641) |
| (24,015) | Net Financial Liabilities at Beginning of Year | (24,886) |
| (429) | Decrease / (increase) in Other | (440) |
| (100) | Non Cash Equity Movement | (100) |
| (24,886) | Net Financial Liabilities at End of Year | (27,067) |

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

Financing Transactions

| | | |
|----------------|--|----------------|
| (342) | NET LENDING/ (BORROWING) RESULT FOR FINANCIAL YEAR | (1,641) |
| 670 | Proceeds from Bonds & Aged Care Facilities deposits | - |
| (719) | Increase/(Decrease) in Short Term Draw Down | 169 |
| 2,700 | (Increase)/Decrease in Cash & Investments | - |
| - | Estimate of Capital Carry Forward to be transferred to next Year | (3,000) |
| (2,922) | (Increase)/Decrease in Working Capital | - |
| (271) | Principal Repayments on Borrowings | (561) |
| (429) | Repayment of Lease Liabilities | (440) |
| (403) | Reinstatement/Restoration Provision Payment | (427) |
| (1,184) | Retirement Village Debenture Payment on Sale | - |
| (100) | Non Cash Equity Movement | (100) |
| (3,000) | Reduction in Borrowings/(New Borrowings) for Financial Year | (6,000) |

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



Appendix 2: Statement of Expected Rate Revenue

Statement of Expected Rate Revenue

Please note: These figures represent a considered estimate of Expected Rate Revenue based on the most current information available at the time of going out to consultation on the DRAFT Annual Business Plan and Budget (ABP&B). This information is updated regularly and therefore these figures may be subject to confirmation at the time of actual adoption of the ABP&B.

| Expected Rates Revenue | | | | |
|---|-------------------------|-------------------------|-------------|--|
| | 2022/23 (as adopted) | 2023/24 (estimated) | Change | Comments |
| General Rates Revenue | | | | |
| General Rates (existing properties) | | \$44,603,077 (a) | | The proposed rates increase for 2023/24 is 6.9% on average. |
| General Rates (new properties) | | \$374,353 (b) | | |
| General Rates (GROSS) | \$41,544,000 | \$44,977,430 (c) | | |
| Less: Mandatory Rebates | (\$303,000) | (\$323,906) (d) | | |
| General Rates (NET) | \$41,241,000 | \$44,653,524 (e) | 8.3% | |
| (e)=(c)+(d) | | | | |
| Other Rates (inc. service charges) | | | | |
| Regional Landscape Levy | \$1,117,410 | \$1,642,580 (f) | | The Regional Landscape Levy is a state tax collected on behalf of the Hills & Fleurieu Regional Landscape Board by the Dept of Environment, Water & Natural Resources. It is not retained by council. |
| CWMS | \$1,693,900 | \$1,716,340 (g) | | To be determined once CWMS Pricing Review has been completed |
| Stirling Business Separate Rate | \$95,000 | \$110,000 (h) | | A separate rate for businesses in Stirling will be applied to carry out the activity of promoting and enhancing business viability, profitability, trade & commerce within the zone. |
| Verrall Road Separate Rate | \$5,148 | \$5,148 (i) | | \$858 per property. |
| | \$44,152,458 | \$48,127,592 | | |
| Less: Discretionary Rebates | (\$66,000) | (\$70,554) (j) | | |
| Total Council Rate Revenue | \$42,969,048 | \$46,414,458 (k) | 8.0% | Excluding the Regional Landscape Levy |
| (k)=(e)+(g)+(h)+(i)+(j) | | | | |

| Estimated growth in number of rateable properties | | | | |
|--|---------------|-----------------|------------|---|
| Number of rateable properties | 18,200 | 18,364 | (l) | 0.9% |
| | <i>Actual</i> | <i>Estimate</i> | | |
| 'Growth' is defined in the regulations as where new properties have been created which has added rateable properties to council's ratepayer base. Growth can also increase the need and expenditure related to infrastructure, services and programs which support these properties and residents. | | | | |
| | | | | Growth is expected to account for around 0.9% of the estimated increase in general rates to be collected. |

| Estimated average General Rates per rateable property | | | | |
|---|----------------|----------------|------------|--|
| Average per rateable property | \$2,283 | \$2,449 | (m) | 7.3% |
| (o)=(c)/(n) | | | | |
| Councils use property valuations to calculate each rateable property's contribution to the required rate revenue total. Councils do not automatically receive more money because property values increase but this may alter how rates are apportioned (or divided) across each ratepayer (ie. some people may pay more or less rates, this is dependent on the change in value of their property relative to the overall valuation changes across the council area). The total General Rates paid by all rateable properties will equal the amount adopted in the budget. | | | | |
| | | | | These 'averages' are based on the total of all rateable properties and are therefore not necessarily indicative of either the rate or change in rates that all ratepayers will experience. |

Notes

| | | |
|---|-----------------------------------|---|
| (d) Councils are required under the Local Government Act to provide a rebate to qualifying properties under a number of categories: | | |
| Health Services - 100 per cent | Religious purposes - 100 per cent | Royal Zoological Society of SA - 100 per cent |
| Community Services - 75 per cent | Public Cemeteries - 100 per cent | Educational purposes - 75 per cent |
| The rates which are foregone via Mandatory Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate). | | |
| (e) Presented as required by the <i>Local Government (Financial Management) Regulations 2011</i> reg 6(1)(ea) | | |
| Please Note: The percentage figure in (e) relates to the change in the total amount of General Rates revenue to be collected from <u>all</u> rateable properties, not from <u>individual</u> rateable properties (ie. individual rates will not necessarily change by this figure). | | |
| (f) Councils are required under the <i>Landscape South Australia Act 2019</i> to collect the levy on all rateable properties on behalf of the State Government. The levy helps to fund the operations of regional landscape boards who have responsibility for the management of the State's natural resources. | | |
| (g) Community Wastewater Management Systems are provided by council to some areas within the council district. To fund the provision of this service, Council imposes an annual service charge to recover the cost of establishing, maintaining, improving and replacing infrastructure. | | |
| (j) A council may grant a rebate of rates or service charges in a number of circumstances. The rates which are foregone via Discretionary Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate). | | |
| (k) Expected Total Council Rate Revenue excludes other charges such as penalties for late payment and legal and other costs recovered. | | |
| (l) 'Growth' as defined in the <i>Local Government (Financial Management) Regulations 2011</i> reg 6(2) | | |

Statement on Expected Rate Revenue

Please note: These figures represent a considered estimate of Expected Rate Revenue based on the most current information available at the time of going out to consultation on the DRAFT Annual Business Plan and Budget (ABP&B). This information is updated regularly and therefore these figures may be subject to confirmation at the time of actual adoption of the ABP&B.

Expected Rates Revenue

| | Total expected revenue | | | No. of rateable properties | | Average per rateable property | | |
|---|------------------------|---------------------|-------------|----------------------------|---------------|-------------------------------|----------------|------------------|
| | 2022/23 | 2023/24 | Change | 2022/23 | 2023/24 | 2022/23 | 2023/24 | Change |
| Land Use (General Rates - GROSS) | | | | | | | | |
| Residential | \$31,423,974 | \$33,816,381 | 8% | 13,658 | 13,756 | \$2,301 | \$2,458 | (p) \$157 |
| Commercial - Shop | \$570,487 | \$664,907 | 17% | 254 | 254 | \$2,246 | \$2,618 | (p) \$372 |
| Commercial - Office | \$92,700 | \$108,043 | 17% | 58 | 58 | \$1,598 | \$1,863 | (p) \$265 |
| Commercial - Other | \$695,262 | \$810,334 | 17% | 322 | 322 | \$2,159 | \$2,517 | (p) \$357 |
| Industry - Light | \$50,756 | \$59,157 | 17% | 33 | 33 | \$1,538 | \$1,793 | (p) \$255 |
| Industry - Other | \$146,565 | \$179,678 | 23% | 47 | 47 | \$3,118 | \$3,823 | (p) \$705 |
| Primary Production | \$7,290,468 | \$7,868,381 | 8% | 3,008 | 3,041 | \$2,424 | \$2,588 | (p) \$164 |
| Vacant Land | \$898,114 | \$1,068,954 | 19% | 643 | 676 | \$1,397 | \$1,582 | (p) \$185 |
| Other | \$375,674 | \$401,596 | 7% | 177 | 177 | \$2,122 | \$2,269 | (p) \$146 |
| Total Land Use | \$41,544,000 | \$44,977,430 | 8.3% | 18,200 | 18,364 | \$2,283 | \$2,449 | (p) \$167 |

Council uses a differential rating system, using Land Use Codes as the factor to apply such differential rates.

In applying differential general rates, council has considered and is satisfied that the rating system addresses the issue of consistency and comparability across all council areas, particularly as it relates to the various sectors of the business and wider community.

Fixed Charge

| | Total expected revenue | | | Charge | | |
|---------------------|------------------------|--------------|--------|---------|---------|----------|
| | 2022/23 | 2023/24 | Change | 2022/23 | 2023/24 | Change |
| Fixed Charge | \$13,035,900 | \$13,966,700 | 7.1% | \$733 | \$784 | (q) \$51 |

A fixed charge ensures all rateable properties pay a base amount towards the cost of administering council activities and maintaining the services and infrastructure that supports each property.

Rates based on capital values are then applied in addition to the fixed charge.

Council cannot raise more than 50% of its general rate revenue from the fixed charge component.

In 2023/24 council proposes to raise 32% of its general rate revenue by way of the fixed charge.

This revenue amount is **included** in the General Rates GROSS figure at (c).

Adopted valuation method

Capital Value

Council has the option of adopting one of three valuation methodologies to assess the properties in its area for rating purposes:

Capital Value – the value of the land and all improvements on the land;

Site Value – the value of the land and any improvements which predominantly affect the amenity of use of the land, such as drainage works, but excluding the value of buildings and other improvements (Note: Site Value will cease to be an option from 1 Sept 2023); or

Annual Value – a valuation of the rental potential of the property.

Council continues to use Capital Value as the basis for valuing land within the council area. Council considers that this method of valuing land provides the fairest method of distributing the rate burden across all ratepayers on the following basis:


- The equity principle of taxation requires that taxpayers of greater wealth pay more tax than those of lesser wealth.
- Property value is a relatively good indicator of wealth and capital value, which closely approximates the market value of a property and provides the best indicator of overall property value.

Notes

(p) Average per rateable property calculated as General Rates for category, including any fixed charge but excluding any separate rates, *divided* by number of rateable properties within that category in the relevant financial year.

(q) A fixed charge can be levied against the whole of an allotment (including land under a separate lease or licence) and only one fixed charge can be levied against two or more pieces of adjoining land (whether intercepted by a road or not) if they are owned by the same owner and occupied by the same occupier.

If two or more pieces of rateable land within the area of the council constitute a single farm enterprise, only one fixed charge may be imposed against the whole of the land.



Appendix 3: Corporate Performance Indicators

| ID | Corporate Performance Indicator | Target | Strategic Objective | Reporting Frequency |
|---|---|-----------------------------------|---------------------|---------------------|
| Goal 1: A functional Built Environment | | | | |
| CPI-B01 | Inspections of footpaths in high priority zones | 100% | B1 | Annually |
| CPI-B02 | Delivery of capital works program | 90% | B1 | Quarterly |
| CPI-B03 | Compliance inspections after development completion notification, completed within 10 business days. | 100% | B2 | Quarterly |
| CPI-B04 | Compliance inspections completed within 5 business days of notification of alleged unlawful development | 80% | B2 | Biannually |
| CPI-B05 | Comparison of Council's Energy Usage (Kwh) against previous financial year | Less than previous financial year | B3 | Annually |
| CPI-B06 | Tonnes of recycled plastic content in products purchased by Council | 25 | B3 | Annually |
| CPI-B07 | Operational tasks completed within the Civil Zone Maintenance Program | 80% | B4 | Quarterly |
| Goal 2: Community Wellbeing | | | | |
| CPI-C01 | Positive ageing wellbeing score | 7 Average | C2 | Quarterly |
| CPI-C02 | Community Centre participants who feel better connected to others or community | 85% | C2 | Bi-annual |
| CPI-C03 | Community centre participants who would use the knowledge/skills gained in the future | 80% | C3 | Bi-annual |
| CPI-C04 | Number of volunteer hours contributed to AHC programs each year | 4800 | C3 | Quarterly |
| CPI-C05 | Library visits per capita compared with Australian Library and Information Association (ALIA) Standards | exceed the enhanced ALIA target | C3 | Annually |
| CPI-C06 | Library loans per capita compared with Australian Library and Information Association (ALIA) Standards | exceed the enhanced ALIA target | C3 | Annually |
| CPI-C07 | Attendance at programs, events and workshops at Fabrik Arts and Heritage Hub | 8,000 | C6 | Annually |
| CPI-C08 | Percent of available studio spaces occupied | 50 | C6 | Annually |
| CPI-C09 | Number of events and programs celebrating cultural diversity | 8 | C6 | Annually |

| ID | Corporate Performance Indicator | Target | Strategic Objective | Reporting Frequency |
|---|--|---|---------------------|---------------------|
| Goal 3: A prosperous Economy | | | | |
| CPI-E01 | Net Easy Score of respondents who rated ease of getting assistance from Council as Easy or Very Easy v Difficult or Very Difficult | >0 | E1 | Every 2 Years |
| CPI-E02 | Visitor numbers (visitor domestic day trips) | 1.2mil | E1 | Annually |
| CPI-E03 | Average number of days for Building Consents | 20 business days | E2 | Quarterly |
| CPI-E04 | Percentage of new development application decisions upheld in Council/CAPs favour under appeal | 85% | E2 | Quarterly |
| CPI-E05 | Percentage of Planning Consents completed within statutory timeframes | 85% | E2 | Quarterly |
| CPI-E06 | Number of local jobs in AHC area compared to previous financial year | Maintain 2019-20 Financial Year = 11200 | E3 | Annually |
| Goal 4: A valued Natural Environment | | | | |
| CPI-N01 | Number of biodiversity sites monitored using the BushRAT methodology (actual versus planned) | 60 NVMS sites (14% of total) per annum and 5 reserves | N2 | Annually |
| CPI-N02 | Weed Control in biodiversity sites - no. of sites complete (actual versus planned) | 31 sites per annum | N2 | Annually |
| CPI-N03 | Percent of nuisance and litter queries resolved | 90% | N2 | Quarterly |
| CPI-N04 | Percent of private properties inspected prior to bushfire season that comply with fuel load management requirements | At least 90% | N2 | Annually |
| CPI-N05 | Tonnes of green organics collected on Green organic days | 150 | N4 | Quarterly |
| CPI-N06 | Percentage change in tonnes of waste disposed to landfill compared to previous financial year | Reduction in waste percentage | N5 | Annual |
| CPI-N07 | Number of community education actions delivered (Waste Management Strategy 2016-2021) – Actioned vs Planned | 6 | N5 | Quarterly |

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



Appendix 4: Rating Policy

COUNCIL POLICY

| | |
|---|----------------------|
|  <p>Adelaide Hills COUNCIL</p> | <p>RATING</p> |
|---|----------------------|

| | |
|--|--|
| Policy Number: | FIN-02 |
| Responsible Department(s): | Financial Services |
| Other Relevant Policies: | None |
| Relevant Procedure(s): | None |
| Relevant Legislation: | <i>Local Government Act 1999</i> <i>Valuation of Land Act 1971</i> <i>Landscape South Australia Act 2019</i> <i>Aged Care Act 1997 (Commonwealth)</i> <i>Community Housing Providers (National Law) (South Australia) Act 2013</i> <i>Community Titles Act 1996</i> <i>Education and Childrens Act 2019</i> <i>Health Care Act 2008</i> |
| Policies and Procedures Superseded by this policy on its Adoption: | Rating, 28 June 2016, Item 14.9, 1.11, 122 Rating, 27 June 2017, Item 14.3, 1.11, 130/17 Rating, 26 June 2018, Item 12.3, 1.11 , 138/18 Rating, 25 June 2019, Item 12.2, 1.11, 156/19 Rating, 30 June 2020, Item 7.1, 1.11, 124/20 Rating, 22 June 2021, Item 12.6, 1.11, 123/21 Rating 28 June 2022, Item 12.2 1.11 152/22 |
| Adoption Authority: | Council |
| Date of Adoption: | |
| Effective From: | 1 July 2023 |
| Minute Reference for Adoption: | |
| Next Review: | June 2024 |

Version Control

| Version No. | Date of Effect | Description of Change(s) | Approval |
|-------------|----------------|---|---------------------|
| 1.1 | 25/2/2020 | Amendments to clause 3.10 to provide consistency with changes to Council Petitions Policy | Council - Res 47/20 |
| | | | |
| | | | |
| | | | |

RATING POLICY

1. INTRODUCTION

Delivering services and facilities relies on the rates collected from ratepayers within a council's boundaries. Council rates are a form of property taxation, and as the main source of funding for councils, rates are essential in enabling council to deliver all the services and facilities that the community relies on.

Rates are administered by each council in line with the *Local Government Act 1999* (the Act) which allows council some flexibility to make decisions that suit its local community.

2. PURPOSE

The purpose of this policy is to outline Council's approach towards rating its community in line with the requirements of the *Local Government Act 1999* (SA) (the Act).

Section 123 of the Act requires Council to have a rating policy that must be prepared and adopted as part of the Annual Business Plan each financial year in conjunction with the declaration of rates.

3. DEFINITIONS

Act refers to the *Local Government Act 1999* (SA).

CADR refers to the cash advance debenture rate for that financial year.

Capital value refers to the value of the land including improvements.

Community need refers to those services and activities that are aligned to the achievement of one or more of Council's strategies resulting in a direct benefit to the residents of Adelaide Hills Council and a significant proportion of users are Adelaide Hills residents.

Council refers to the elected Council body.

CWMS refers to the Community Wastewater Management System within the Council area.

Disadvantaged persons refers to persons who are disadvantaged by reason of poverty, illness, frailty, or mental, intellectual or physical disability.

Differential rate refers to a rate that may be applied to a category of land that is different to the rate applied to other land categories.

Disadvantaged persons refers to persons who are disadvantaged by reason of poverty, illness, frailty, or mental, intellectual or physical disability.

Exemption refers to free from an obligation or liability to which others are subject to.

Fixed charge refers to a charge that must apply equally to each separate piece of rateable land in the area under Section 152(1) of the Act.

General rate refers to a rate that applies to rateable land.

Prescribed percentage (P) is calculated as $P = \frac{\text{CADR} + 3\%}{12}$

Rebate refers to an amount paid by way of reduction, return or refund on what has already been paid or contributed.

Separate rate refers to a charge levied on ratepayers in addition to general rates and used to fund specific activities.

4. POLICY STATEMENT

Council's powers to raise rates are found in Chapter 10 of the Act which provides the framework within which the Council must operate, but also leaves room for the Council to make a range of policy choices.

At all times, the rating policy should be fair and equitable, recognising that all ratepayers have access to core goods and services and should contribute towards the costs.

This Council's policy directions are guided by the theme "A brighter future" and is central to achieving our vision for:

- A prosperous economy
- A functional built environment
- A valued natural environment
- Community wellbeing
- A progressive organisation

5. PRINCIPLES OF TAXATION

Rates are not fees for services. They constitute a system of taxation on the community for Local Government purposes.

This Policy represents the Council's commitment to balancing the five main principles of taxation with the need to raise revenue for the purpose of providing the goods and services the community requires.

Benefits received – ratepayers who receive more benefits (services provided, or resources consumed) should pay a higher share of tax.

Capacity to Pay – a ratepayer who has less capacity to pay should pay less, and ratepayers of similar means should pay similar amounts.

Administrative simplicity – minimal costs are involved in applying and collecting the tax and the tax is difficult to avoid.

Economic efficiency – whether or not the tax distorts economic behaviour.

Policy consistency – the tax should be internally consistent, and based on transparent, predictable rules that are easily understood and accepted by ratepayers.

In applying these principles, any decision with respect to rating should consider:

- the financial effects of the decisions made today on the future generations of tomorrow.
- the achievement of Council's policy outcomes as referenced in Council's adopted policies.

A Council's operating deficit implies that today's ratepayers are paying less than the cost of the services they are consuming, and this is inequitable to the ratepayers of the future.

6. VALUATION OF LAND

Council is permitted to adopt one of three valuation methodologies to value the properties in its area (Section 151 of the Act):

- **Capital Value** – the value of land, buildings and other improvements.
- **Site Value** – the value of the land excluding structural improvements.
- **Annual Value** – the value of the rental potential of the property.

The Council has adopted the use of capital value as the basis for valuing land. Council considers that this method provides the fairest way to distribute the rates burden across all ratepayers on the following basis:

- the 'capacity to pay' principle of taxation requires that ratepayers of similar wealth pay similar taxes and ratepayers of greater wealth pay more tax than ratepayers of lesser wealth;
- the 'property value' is a relatively good indicator of wealth (when lifetime incomes, including incomes from capital gains, are taken into account). Capital value approximates the market value of a property and provides the best indicator of overall property value.

Council does not determine property valuations but chooses to exercise the right under Section 167 of the Act to adopt the capital valuations as assessed by the Valuer-General through the State Valuation Office.

7. OBJECTIONS TO VALUATION

Ratepayers who wish to dispute the valuation of their property may lodge an objection in writing to the Valuer-General within 60 days after the date of service of the first rates notice.

The Valuer-General may extend the 60 day objection period where it can be shown there is reasonable cause to do so by the person making the objection.

Council plays no role in the objection process. It is important to note that the lodgement of an objection to the valuation does not change the due date for the payment of rates.

8. EXEMPTIONS

Council's practice is to identify and value all land in the council area. Once identified, each separate piece of land is assessed for rateability. Section 147 of the Act specifies those types of property which will be exempt from council rates.

- Crown Land – public properties used or held by the Crown for a public purpose,
- University Land – properties occupied by a University,
- Recreation Grounds – properties satisfying the criteria set out in the *Recreation Grounds Rates and Taxes Exemption Act 1981*,
- Council Land – public properties occupied or held by the Council,
- Emergency Services – properties satisfying the criteria set out in the *Fire and Emergency Services Act 2005*,
- Another Act – properties specifically exempt from council rates by virtue of another Act (either Commonwealth or State).

Council is mindful that wherever properties become exempt from paying council rates, or where a rebate is applied, those rates foregone must be contributed by the rest of the ratepayer community.

The principles of equity dictate that Council remains diligent in only awarding exemptions where they are warranted.

It is Council's practice to adopt valuations for all exempt properties. Where an exempt property becomes rateable part way through the financial year, rates will be calculated and recovered.

9. COMPONENTS OF RATES

Fixed Charge or Minimum Rate

Council has discretion to apply either (but not both):

- a fixed charge (applying equally to all rateable properties); or
- a minimum rate (to lower-value properties)

Adelaide Hills Council will apply a fixed charge this financial year as in previous years.

Council considers a fixed charge to be the most fair and equitable means of ensuring that all ratepayers contribute equally to the administration of council's services and the development and maintenance of the community's infrastructure.

In addition, the fixed charge provides a mechanism to adjust the rates contributions across high and low valued properties. This redresses the balance and equity of the rates system.

Council is unable to raise more than 50% of total rate revenue by the imposition of a fixed charge component of general rates as per Section 151(10) of the Act.

Differential Rating

The largest component of rates levied is calculated by reference to the value of property. Property values reflect, among other things, the relative availability of, and access to council services. This applies to all types of land use, and to land in all locations.

The Act allows Council to 'differentiate' rates based on the use of the land, locality of the land, the use and locality of the land or on some other basis determined by Council.

The Council is proposing that differential rates be applied to all rateable properties based on their predominant land use. This is a change in rating structure from previous years where Council had a separate higher differential rate for Commercial and Industrial that was based on the differential rate for Residential, Primary Production, Vacant Land and Other land uses. This change to differentially rate each land use separately will allow Council to ensure that the proposed average rate increase for existing ratepayers is consistent across all land uses before other factors relating to the cost of services for individual land uses are considered.

In formulating the rating structure, Council has considered issues of consistency and comparability of other Councils and across council areas in the imposition of rates on various sectors of the business and wider community. Currently Council's average residential rate is high by comparison to other Councils whereas the average commercial, industrial and vacant rate is low. As a result Council proposes phasing in higher differential rates in relation to Commercial, Industrial and Vacant Land land use categories across a three year period.

The percentage of total rate revenue required from each land use category will be used to determine the rate in the dollar (differential rate) for each category.

Definitions of the use of the land are prescribed by regulation and are categorised as:

- Residential
- Commercial – Shop
- Commercial – Office
- Commercial - Other
- Industrial – Light
- Industrial - Other
- Primary Production
- Vacant Land
- Other

In accordance with Section 148 of the Act, Council assesses any piece or section of land subject to separate ownership or separate occupation.

If a ratepayer believes that a particular property has been wrongly classified as to its land use, then an objection may be made with Council.

Commercial and Industrial Light Differential Rate

It is proposed that those properties categorised as commercial or industrial light will pay a higher differential rate in the dollar than residential with the increase of 35% relative to the current differential rate to be phased in over three years.

Council has considered the higher amount payable by the commercial and industrial light sectors with reference to the commercial and industrial light differential rates of other councils, costs of the economic development function as well as the services and activities that the sector does not regularly use.

Industrial Other Differential Rate

It is proposed that those properties categorised as Industrial Other will pay a higher differential rate in the dollar than residential with an increase of 60% relative to the current differential rate to be phased in equally over three years.

Council has considered the higher amount payable by the Industrial Other land use with reference to the industrial differential rates of other councils, costs of the economic development function, increased environmental impact as well as the higher impact on Council infrastructure.

Vacant Land (within townships) Differential Rate

It is proposed that those properties categorised as Vacant Land within township zones as defined by Council will pay a higher differential rate in the dollar than residential with an increase of 30% relative to the current differential rate to be phased in equally over three years.

Council has considered the higher amount payable by Vacant Land within township zones with reference to the vacant land differential rates of other councils and discouraging ratepayers from long-term speculating (seeking future commercial gains) rather than developing the land for the benefit of the whole community.

Separate Rate

Under Section 154 of the Act, a Council may declare a separate rate on rateable land within a part of the area of the council for the purpose of planning, carrying out, making available, supporting, maintaining or improving an activity that is, or is intended to be, of particular benefit to the land, or the occupiers of the land, within that part of the area, or to visitors to that part of the area.

Council has determined that the use of the separate rate provisions of the Act will be limited to the use of a separate rate for:

- Marketing and promoting the Stirling Business Area
- Sealing of Verrall Road, Upper Hermitage
- Recovery of the funding requirements of the Hills Fleurieu Regional Landscape Board

Stirling Business Separate Rate

A separate rate for businesses in Stirling will be applied to carry out the activity of promoting and enhancing business viability, profitability, trade and commerce within the zone.

This rate is levied on all properties within the precinct known as the Stirling Suburban Mainstreet Zone, as defined, excluding land attributed a land use category (residential) and government owned land.

Council also sets a maximum amount ('top') and a minimum amount ('tail') per property each financial year for this separate rate with the top and tail adjusted each year with reference to the Consumer Price Index.

The amount raised is distributed to the Stirling Business Association to promote Stirling as a destination, the 'Gateway to the Hills'.

Verrall Road Separate Rate

A separate rate for Verrall Road, Upper Hermitage at a value of \$858 will be applied for a period of 10 years to 2023-24. As such, this is the last year that the Verrall Separate Rate will be levied.

This rate provides for the sealing of the northern end of the road in 2014-15 and is levied on all properties that use that section of road.

Regional Landscape Levy

On 1 July 2020, the *Landscape South Australia Act 2019* came into effect replacing the former *Natural Resources Management Act 2004*. Natural Resource Management (NRM) levies have been replaced with Regional Landscape (RL) levies.

The levy helps to fund the operations of regional landscape boards that have responsibility for the management of the State's natural resources. These responsibilities include regional landscape planning, water allocation planning, community capacity building, education and compliance activities.

The Regional Landscape (RL) Levy is a state tax paid by all ratepayers and is collected on behalf of the Hills and Fleurieu Regional Landscape Board by the Department for Environment and Water who will invoice council quarterly for the respective share of the levy.

The levy applies to all rateable land in the council area and is fixed and calculated to raise exactly the same amount as the council's share to be contributed.

Community Wastewater Management System

Council provides Community Wastewater Management Systems (CWMS) to some areas within the council district. Under Section 155 of the Act, the treatment or provision of water, is a prescribed service.

To fund the provision of this service Council imposes a service charge to recover the cost to the council of establishing, operating, maintaining, improving and replacing the infrastructure in its area (including future capital works and depreciation of any assets).

Annually, an independent consultant is engaged to provide a review of:

- Council's compliance with the Essential Services Commission' (ESCOSA) Minor to Intermediate Retailers Price Determination and the National Water Initiative (NWI) Pricing Principles,

- The pricing model for future CWMS price setting.

This review includes the annual service charge for both occupied and vacant properties.

10. MAXIMUM INCREASE IN GENERAL RATES CHARGES

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

In terms of legislation, Section 153(3) of the Act requires a council to decide each year whether to apply a maximum rate increase to a ratepayer's principal place of residence.

As Council considers that rate relief is required across a number of land uses and therefore more than a ratepayers principal place of residence, Council will not apply a maximum under Section 153(3) but rather implement a discretionary rate rebate under Section 166 (1) (I) as referenced below.

11. RATE REBATES

The Act provides for ratepayers to apply for a mandatory and/or discretionary rebate on council rates as follows:

Mandatory rebates

A rebate of rates will be granted to ratepayers who satisfy the eligibility criteria for a mandatory rebate under Section 159 to Section 165 of the Act.

A 100% rebate must be applied to land used for:

- Health services
- Religious purposes
- Public cemeteries
- The Royal Zoological Society.

A 75% rebate must be applied to land used by:

- Community services
- Educational purposes.

Where a "community services organisation" is eligible for the mandatory rebate, and Council has declared a distinct residential rate, then the residential rate must be applied to the land to which the rebate applies in accordance with Section 161(2) of the Act.

Where the Council is satisfied from its own records, or from other sources, that a person or body meets the necessary criteria for a mandatory rate rebate, the Council will grant the rebate accordingly.

Where the Council is not satisfied based upon the information in its possession or otherwise does not hold relevant information it will require the person or body to lodge an application

form with such information as stipulated and any other information that the Council may reasonably require.

Applicants who satisfy the criteria for a mandatory rebate will be granted the rebate at any time provided the application is lodged prior to 30 June of the rating year and entitlement to the rebate existed at 1 July of the rating year.

Council will confirm the continuation of a person or body's eligibility for a mandatory rebate on a regular basis (at least biennially) to ensure that rebates are only granted where they are warranted.

This will require the relevant person or body to lodge another application form with such information as stipulated and any other information that the Council may reasonably require to confirm the continuation of eligibility.

Where applications do not meet the eligibility criteria for a mandatory rebate, an applicant may apply for a rebate of rates under the discretionary rebate criteria.

Discretionary rebates

As identified in Section 166 of the Act, Council may grant a discretionary rebate of rates up to and including 100% of the relevant rates under a number of criteria and for a period not exceeding the timeframes.

Having considered this, Council is of the view that except in very specific circumstances outlined below, the maximum discretionary rebate should be 75% to ensure ratepayers contribute an amount towards basic service provision.

Section 166 covers a large number of different rebate categories, referred to as cases in the Act. Council in determining its rates structure has considered the following cases are relevant in setting its policy position.

Assisting or supporting a business in its area.

Council has determined pursuant to Section 166(1)(b) that those primary production properties genuinely in the business of primary production but not benefitting from a notional capital value for their property can apply for a 10% rebate on the differential rate.

Council considers this primary production rebate as part of its Annual Business Plan and Budget process.

As this rebate was implemented in 2008-09 to address the removal of a primary production differential rate, it is considered that this rebate should continue to be made to those ratepayers in the business of primary production who do not have a notional capital value assessment of their property and who have applied for and been granted this rebate in the previous year.

Community Service or Need or Disadvantaged Persons

Section 166(1) identifies a number of discretionary rebates of rates made under Section 166(1)(d) to (j) covering activities linked to community services, need or assistance or relief to disadvantaged persons.

Council has determined that applications in relation to those rebates identified under Section 166(1) should be brought to Council for decision and also that Council would receive a listing of these discretionary rate rebates for the next rating period annually.

Council in accordance with Section 166(1) will take the following matters into account in deciding whether to grant a discretionary rebate for land uses covered by Section 166 (1) (d to j):

- (a) the nature and extent of Council services provided in respect of the land for which the rebate is sought in comparison to similar services provided elsewhere in the Council's area; and
- (b) the community need that is being met by activities carried out on the land for which the rebate is sought; and
- (c) the extent to which activities carried out on the land for which the rebate is sought provides assistance or relief to disadvantaged persons and
- (d) specific policy positions considered relevant by Council.

Council's specific policy positions to meet discretionary rate rebates eligibility are as follows:

- An organisation needs to meet one of the criteria listed under Section 166 d) to j).
- An organisation needs to be not-for-profit.
- A rebate of 100% will only be granted where a community organisation seeking a rebate provides a service that would be required to be provided by Council if not undertaken by the organisation.
- A rebate of 75% will be granted if the organisation provides a community service that supports the disadvantaged or sections of the community that require assistance, as defined,
- Where an organisation does not meet the above criteria, it is still eligible for a 75% rebate where it meets all of the following criteria:
 - limited capacity to raise funds;
 - meets a "community need", as defined; and
 - undertakes services and activities that are not primarily the responsibility of Federal or State Government.

Special Discretionary Rebate

Council can use a discretionary rate rebate to address properties with substantial valuation increases under Section 166 (1)(l) of the Act where the rebate is considered by the Council to be appropriate to provide relief against what would otherwise amount to a substantial change in rates payable by a ratepayer due to:

- (i) a redistribution of the rates burden within the community arising from a change to the basis or structure of the council's rates; or
- (ii) a change to the basis on which land is valued for the purpose of rating, rapid changes in valuations, or anomalies in valuations.

Council has determined that a rebate will be applied to cap any increase in the general rates payable at 15% subject to specific criteria:

- The rebate applies to only residential and primary production land use categories.
- The rebate will be automatically applied to eligible assessments in order to minimise the administrative effort required.
- Adjusting the exclusion of change of ownership properties (excluding family transfers) to those properties sold after 30 June 2022.

The rebate will not apply where the increase in rates payable is the result of:

- An increase in valuation that recognises a capital improvement worth more than \$20,000 on the property (regardless of when the development was undertaken), unless the ratepayer is located within the Cudlee Creek bushfire scar or the January 2021 Cherry Gardens Bushfire scar as determined by Council or,
- Where there has been a change in land use of the property or,
- A change in ownership or licence to occupy during the previous financial year.

A capital improvement includes any addition, alteration or new development on the property.

As per the Act, a rebate may be granted for a period exceeding one year, but not exceeding three years. After three years, the rebate will be removed and the rates payable will reset to levels that would ordinarily apply in the absence of the rebate.

All Discretionary Rate Rebates

Persons who, or bodies which, seek a discretionary rebate will be required to submit an application form to the Council and provide the necessary supporting documentation.

All persons who or bodies which wish to apply to the council for a discretionary rebate of rates must do so on or before 30 April prior to the rating year unless the application is a result of a change in eligibility for a mandatory rebate or rate exemption.

In those circumstances where an application relates to a change in rebate/rate exemption in a relevant rating year, then the application will be applied for the full rating year if received within 2 months of the change in rebate/exemption being advised. The Council reserves the right to refuse to consider applications received after the specified date.

Persons or bodies who previously received a discretionary rebate greater than 75% may apply for a phasing in period (up to 2 years) in circumstances where the above change impacts significantly on the persons or bodies' financial capacity. In these circumstances, an application will be considered if received within 2 months of the change in rebate being advised. The Council reserves the right to refuse to consider applications received after the specified date.

Where there is no maximum timeframe specified for a rebate provided under Section 166, Council will grant a discretionary rebate to the last rating period commencing within a Council term to allow for a regular review of discretionary rate rebates.

A summary of all discretionary rebates applied for under Section 166 (1) (d) to (j), including whether they have been successful or not and the associated reasons will be reported to Council on an annual basis.

Each rebate that is granted either reduces the Council's revenue and hence its capacity to provide services, or else it effectively increases the amount that must be collected from other ratepayers. The principles of equity dictate that Council remains diligent in only awarding rebates and exemptions where they are warranted.

If a ratepayer wishes to apply for a discretionary rate rebate, they may apply by contacting the Council's Rate Administrator.

All rebates

As Council's CWMS service charges are set to recover the cost to the council of establishing, operating, maintaining, improving and replacing infrastructure (taking into account depreciation of any assets and including future capital works) no rebates are provided by Council.

If an entitlement to a rebate ceases or no longer applies during the course of a financial year, council will recover rates proportionate to the remaining part of the financial year.

If a person or body has the benefit of a rebate of rates and the grounds on which the rebate has been granted cease to exist, the person or body must immediately inform the Council of that fact and (whether or not the Council is so informed) the entitlement to a rebate ceases. If a person or body fails to do so that person or body is guilty of an offence.

The Council will, in writing, advise an applicant for the rebate of its determination of that application. The advice will state:

- if the application has been granted, the amount of the rebate; or
- if the application has not been granted, the reasons why.

Any person or body who is aggrieved by a determination of the delegated officer in respect of an application for a rebate may seek a review of that decision in accordance with Council's Internal Review of Council Decisions Policy.

Single Farming Enterprise

The Local Government Act 1999 provides that "if two or more pieces of rateable land within the area of the Council constitute a single farm enterprise, only one fixed charge may be imposed against the whole of the land".

A Single Farm Enterprise is defined in the Local Government Act -

"A reference to a single farm enterprise is a reference to two or more pieces of rateable land

(a) which –

- (i) are farm land; and*
- (ii) are farmed as a single enterprise; and*
- (iii) are occupied by the same person or persons,*
whether or not the pieces of land are contiguous; or

(b) which –

- (i) as to all the pieces except one, are farm land farmed as a single enterprise occupied by the same person or persons; and
- (ii) as to one piece contiguous with at least one of the other pieces, is the principal place of residence of that person or one of those persons."

In effect, this means that land can be recognised as a "single farming enterprise" and not attract a fixed charge to each of the assessments, provided:

- that if the occupier of all the land concerned is the same person, (this means that if there is a house being occupied that is not the principal place of residence, it cannot be part of the single farm enterprise)
- all of the land is used to carry on the business of primary production, and
- managed as a single unit for that purpose,

Primary producers can apply to the Council for the 'single farming enterprise' provisions of the Local Government Act.

Ratepayers should also be aware that if the grounds on which they have applied for a single farm enterprise cease to exist, the person or body who have the benefit of the provisions must immediately inform the Council of the fact.

12. RATE RELIEF

Council applies rate remissions and postponement in accordance with the Act.

Senior Postponement

In accordance with Section 182A of the Act, eligible Seniors Card holders can apply to postpone any part or all of their annual council rates in excess of \$500 on a long-term basis. The deferred amount is subject to a monthly interest charge, with the accrued debt being payable on the transfer or sale of the property. In addition, and pursuant to Section 182A(3)(b) of the Act, Council may consider—where financial hardship provisions apply—an applicant's request to include a postponement of the payment of arrears rates if they are eligible for Seniors Postponement.

Postponement is similar to a reverse mortgage by relying on the equity in the property. A ratepayer who has a Seniors Card may apply for a postponement on the property they own if it is their principal place of residence and if no other person, other than their spouse/partner has an interest as owner of the property and there is sufficient equity available.

Where an application for postponement under Section 182A is granted, a presumption of on-going annual postponement will be assumed.

However, some, or all of the debt outstanding may be paid at any time at owner's discretion.

Financial Hardship

Ratepayers who are suffering financial hardship should contact Council's Rates Administrator to discuss the matter. All enquiries are treated confidentially and any application will be considered on its merits. Options to address financial hardship can include:

Flexible payment options

In addition to quarterly instalments, ratepayers can arrange with Council to pay their rates weekly, fortnightly or monthly to provide for a smaller, more regular payment option via BPAY, phone or internet.

Waiving of Fines and Interest

When a ratepayer has committed to a payment plan and adheres to a regular payment, Council may consider the waiving of fines and interest.

Discretionary Postponement of Rates for a Period

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

Postponement enables ratepayers to defer payment of rates until such time as the property is sold or their circumstances change. Discretionary postponements are only intended to provide temporary, flexible support to those experiencing hardship.

If a postponement is granted, council may consider the waiving of fines and interest for the same period.

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

Postponement of Rates on a long term basis

Under Section 182 of the Local Government Act a council may also consider the postponement of rates on a long-term basis with the accrued debt being payable on the transfer or sale of the property or any other conditions as determined by the council. Such a postponement may, if the council thinks fit, be granted on condition that the ratepayer pay interest on the amount affected by the postponement at a rate fixed by the council (but not exceeding the cash advance debenture rate).

As such Council will consider postponement of rates on a long term basis in the rare circumstances where a ratepayer has demonstrated serious and long term hardship and where there is no chance of improvement in the ratepayers' financial circumstances. Any such application must be made in writing and will require the ratepayer to undertake financial counselling as part of the application process. If granted, Council may require regular financial counselling to confirm that the ratepayers' financial circumstances has not changed.

Remission of rates

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

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

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

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

13. PAYMENT OF RATES

Rates are declared annually, and may be paid, at your discretion, either in one lump sum, or in quarterly instalments that fall due in September, December, March and June.

14. LATE PAYMENT OF RATES

Council has determined that penalties for late payments will be imposed in accordance with the provisions of S181(8) of the Act.

Fines and interest for late payment are levied in accordance with the provisions of S181(8) and S181(17) of the Act.

If an instalment of rates is not paid on or before the date on which it falls due:

- the instalment will be regarded as being in arrears
- a fine of 2% of the amount of the instalment is payable
- on the expiration of each full month from that date, interest of the prescribed percentage of the amount in arrears (including the amount of any previous unpaid fine and interest from any previous month) accrues.

Council may take legal action to recover any overdue amounts, fines and interest.

If an amount payable by way of rates in respect of land has been in arrears for three or more years, Council may sell the land in accordance with Section 184 of the Act.

When Council receives a payment in respect of overdue rates Council applies the money received in accordance with the Act as follows:

- First – to satisfy any costs awarded in connection with court proceedings;
- Second – to satisfy any interest costs;
- Third – in payment of any fines imposed;

- Fourth – in payment of rates, in chronological order (starting with the oldest account first).

15. NON- PAYMENT OF RATES

A separate Debt Recovery Policy has been adopted by Council and is available for review on the Adelaide Hills Council website.

It should be noted that under Section 184(1) of the Act, if an amount payable by way of rates has been in arrears for three years or more the council may sell the property.

16. CONTACTING COUNCIL'S RATES ADMINISTRATOR

If you believe that Council has failed to properly apply this policy, you should contact the Council's Rates Administrator to discuss the matter.

If you are still dissatisfied then you should write to the Council's Chief Executive Officer at PO Box 44, Woodside SA 5244.

For further information, queries, or to lodge an application for a rate rebate, rate postponement or remission please contact the Council's Rates Administrator on:

Phone: 8408 0400
E-mail: mail@ahc.sa.gov.au
Post: PO Box 44, Woodside SA 5244

17. DELEGATIONS

As highlighted in this policy, Council has determined a policy position in relation to discretionary rates pursuant to Section 166(1) (b) relating to a primary production rebate and a revaluation relief special discretionary rate rebate under Section 166 (1)(l) of the Act to reduce the impact of significant valuation changes for 2022-23.

These policy positions and the application of the relevant rebates will be actioned accordingly by the Administration under delegation as part of the rates generation process where Council considers that the ratepayer meets the eligibility criteria or upon receipt of an application from the ratepayer.

The delegation for discretionary rate rebates as identified in Section 166 (1a) covering a number of discretionary rebates of rates made under Section 166(1)(d) to (j) relating to activities linked to community services or community need or assistance or relief to disadvantaged persons has not been delegated by Council and as such these applications will be brought to Council for decision.

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.

18. 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.

Supplementary Information to Rating Policy

Differential Rates

Section 153 of the Act allows councils to 'differentiate' rates based on the use of the land, the locality of the land, the use and locality of the land or on some other basis determined by the council. The application of a Differential General Rate is generally intended to alter the amount payable by particular land uses.

Council has determined to apply the same rate in the dollar, based on capital value, to all categories of ratepayer, except commercial and industrial ratepayers who pay a differential rate in the dollar that is 15% higher than the rate in the dollar charged for other categories of ratepayer.

Council has considered the higher amount payable by the Commercial & Industrial sector with reference to the Economic Development function as well as the services and activities that the sector does not regularly use.

Council has considered the principle of rate stability when assessing the rates burden across the above categories. Other considerations were given to the change in capital value across the land use categories and the rates income provided by each.

It is estimated that the Commercial & Industrial Differential General Rates will raise net rate revenue in the order of \$1.5m in 2022-23.

It is estimated that the Residential & Non Commercial and Industrial Differential General Rate will raise net general rate revenue in the order of \$39.5m in 2022-23.

Council has applied the following rates in the dollar across recent years to determine the total rate levied against an assessment:

| Financial Year | Commercial & Industrial | All Other Land Uses including Residential |
|----------------|-------------------------|---|
| 2023-24 | | |
| 2022-23 | 0.002455 | 0.002135 |
| 2021-22 | 0.002821 | 0.002453 |
| 2020-21 | 0.002821 | 0.002453 |
| 2019-20 | 0.002839 | 0.002469 |
| 2018-19 | 0.002784 | 0.002421 |
| 2017-18 | 0.002748 | 0.002390 |
| 2016-17 | 0.002806 | 0.002440 |

Fixed Charge

Under the *Local Government Act 1999* (the Act), Council has some mechanisms available to enable all ratepayers to contribute more equitably to the administration of Council's services and the development and maintenance of the community's infrastructure. Council considers a fixed charge (applying equally to all rateable properties) to be the most fair and equitable means of achieving this.

The Council is unable to raise more than 50% of total rate revenue by the imposition of a fixed charge component of general rates as per Section 151(10) of the Act.

Council has applied the following fixed charges across recent years as part of the total rate levied against an assessment:

| Financial Year | Fixed Charge | Increase from Previous Year | % of Rate Revenue |
|----------------|--------------|-----------------------------|-------------------|
| 2023-24 | | | |
| 2022-23 | \$733 | 4.90% | 31.5% |
| 2021-22 | \$699 | 2.50% | 31.5% |
| 2020-21 | \$682 | 2.95% | 31.9% |
| 2019-20 | \$662 | 2.8% + \$10 | 32.0% |
| 2018-19 | \$634 | 3.3% | 31.8% |
| 2017-18 | \$613.50 | 2.25% | 31.8% |
| 2016-17 | \$600 | | 31.8% |



Appendix 5: ESCOSA Report And Council Response

ESCOSA Recommendations and Council Response

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

Legend: 😊 = Complete ✅ = Planned / In progress





ESCOSA Recommendations and Council Response

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





ESCOSA Recommendations and Council Response

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

ESCOSA Recommendations and Council Response

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

ESCOSA Recommendations and Council Response

| Recommendation & Response | Implementation Activities | Implementation Timeline | | | |
|--|---|---|---|---|---|
| | | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
| Recommendation 9 - Review the rationale for the quantum of any maximum rate increase (or cap) it seeks to impose (currently at 15 percent) in its next annual business plan, with consideration of the community’s capacity to pay for higher increases. | | | | | |
| <p>Council reviews its rating policy annually as part of the Long Term Financial Plan and Budget process, which includes the consideration of the rating cap and its impact both positive and negative on its ratepayers.</p> <p>This requires a careful assessment as a cap means that the majority of ratepayers will pay more than they would be required in order to subsidise those who are entitled to receive the rate cap.</p> <p>A ratepayer’s capacity to pay for their rates is something Council is not easily able to assess. To assist those who don’t have the capacity to pay, Council has alternative arrangements that are tailored to the individual’s financial situation as covered in Council’s <i>Rating Policy</i> (Appendix 4 of <i>2023-24 Annual Business Plan</i>)</p> | <p>Continue to review the rating cap and Council’s rating policy when considering the annual rate increase in the Long Term Financial Plan and Budget process</p> |  |  |  |  |

OFFICIAL



Advice

Local Government Advice

Adelaide Hills Council

February 2023

OFFICIAL

Enquiries concerning this advice should be addressed to:

Essential Services Commission
GPO Box 2605
Adelaide SA 5001

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: advice@escosa.sa.gov.au
Web: www.escosa.sa.gov.au

Table of contents

| | |
|--|----|
| Glossary of terms | ii |
| 1 The Commission's key advice findings for the Adelaide Hills Council..... | 3 |
| 2 About the advice..... | 4 |
| 2.1 Summary of advice | 4 |
| 2.2 Detailed advice findings | 6 |
| 2.2.1 Advice on material plan amendments in 2022-23 | 7 |
| 2.2.2 Advice on financial sustainability | 8 |
| 2.2.3 Advice on current and projected rate levels | 10 |
| 2.3 The Commission's next advice and focus areas | 11 |

Glossary of terms

| ABS | Australian Bureau of Statistics |
|-----------------------------------|---|
| AMP | Asset management plan |
| Commission | Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i> |
| CPI | Consumer Price Index (Adelaide, All Groups) |
| Council | Adelaide Hills Council |
| CWMS | Community Wastewater Management System |
| ESC Act | <i>Essential Services Commission Act 2002</i> |
| F&A | <u>Local Government Advice: Framework and Approach – Final Report</u> |
| FTE | Full Time Equivalent |
| IAMP | Infrastructure and asset management plan (also called an AMP) |
| LG Act | <i>Local Government Act 1999</i> |
| LGA SA Financial Indicators Paper | Local Government Association of South Australia, Financial Sustainability Information Paper 9 - Financial Indicators Revised May 2019 |
| LGGC | Local Government Grants Commission |
| LTFP | Long-term financial plan |
| Regulations | <i>Local Government (Financial Management) Regulations 2011</i> |
| RBA | Reserve Bank of Australia |
| SACES | The South Australian Centre for Economic Studies |
| SMP | Strategic management plan |
| SG | Superannuation Guarantee |
| The scheme or advice | Local Government Advice Scheme |

1 The Commission's key advice findings for the Adelaide Hills Council

The Essential Services Commission (**Commission**) considers the Adelaide Hills Council (**Council**) to be in a sustainable financial position with historical and projected operating surpluses and the forecast renewal of its infrastructure assets to continue to underpin its strong financial performance, without the need for further significant rate increases.

The Commission suggests the following steps to ensure that the Adelaide Hills Council budgets prudently, reports its cost savings and efficiencies, plans its asset needs appropriately and continues to limit the extent of further rate increases.

Budgeting considerations

1. **Continue** to review its inflation forecasts in its budget each year.
2. **Focus** on constraining cost growth in its budgeting, where possible, particularly related to employee expenses.

Ensuring the right asset management plans are in place

3. **Complete** the asset management plan for building assets and consider potentially other assets not currently covered by a plan (such as sport and recreation facilities), with consideration of desired service levels, as appropriate.
4. **Complete** its planned Stormwater Asset Management Plan, with consideration of desired service levels, as appropriate.
5. **Finalise** its Community Wastewater Management System Asset Management Plan and reflect related cost changes in the 2023-24 Long-term Financial Plan, to include input from the community, including desired service levels.

Providing evidence of ongoing cost efficiencies

6. **Report** its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

Refinements to asset management planning

7. **Review** the estimates of asset lives and valuations feeding into the forecast rate of asset consumption in its long-term financial plan and asset management plans.

Containing rate levels

8. **Review** and consider limiting future increases above inflation on its residential rates to help reduce any emerging affordability risk in the community.
9. **Review** the rationale for the quantum of any maximum rate increase (or cap) it seeks to impose (currently at 15 percent) in its next annual business plan, with consideration of the community's capacity to pay for higher increases.

2 About the advice

The Essential Services Commission (**Commission**), South Australia's independent economic regulator and advisory body, has been given a role by the State Government to provide advice on material changes proposed by local councils in relation to elements of their strategic management plans (**SMPs**) and on the proposed revenue sources, including rates, which underpin those plans.¹

One of the main purposes of the Local Government Advice Scheme (**advice or the scheme**) is to support councils to make 'financially sustainable' decisions relating to their annual business plans and budgets in the context of their long-term financial plans (**LTFPs**) and infrastructure and asset management plans (**IAMPs**)² – both required as part of a council's SMP.³ Financial sustainability is considered to encompass intergenerational equity,⁴ as well as program (service level) and rates stability in this context.⁵ The other main purpose is for the Commission to consider ratepayer contributions in the context of revenue sources, outlined in the LTFP.⁶ In addition, the Commission has discretion to provide advice on any other aspect of a council's LTFP or IAMP it considers appropriate, having regard to the circumstances of that council.⁷

The first cycle of the scheme extends over four years from 2022-23 to 2025-26, and the Commission has selected 15 councils for advice in the first scheme year (2022-23), including the Adelaide Hills Council (**Council**).

This report provides the Local Government Advice for the Adelaide Hills Council in 2022-23.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2023-24 Annual Business Plan (including any draft Annual Business Plan) and subsequent plans until the next cycle of the scheme.⁸ It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website⁹), nor is it compelled under the LG Act to follow the advice. The Commission thanks the Adelaide Hills Council for providing relevant information to assist the Commission in preparing this advice.

2.1 Summary of advice

In general, the Commission finds the Adelaide Hills to be in a sustainable financial position with historical and projected operating surpluses and the forecast renewal of its infrastructure assets to continue to underpin its strong financial performance, without the need for further significant rate increases.

The Council has consistently run relatively small average operating surpluses over time, indicating that the operating income it collects is generally exceeding its operating expenses by a conservative margin. This demonstrates financial prudence (for given operating expense growth) since the Council is not

¹ Amendments to the *Local Government Act 1999* (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local councils for the Local Government Scheme Advice. The Commission must provide advice to each council in accordance with the matters outlined in s122(1e), (1f) and (1g).

² Commonly referred to as asset management plans.

³ The objectives of the advice with reference to a council's LTFP and IAMPs are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a council's SMP, including the LTFP and IAMPs.

⁴ 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.

⁵ Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

⁶ LG Act s122(1f)(a) and (1g)(a)(ii).

⁷ LG Act, s122(1f)(b) and (1g)(b).

⁸ LG Act, s122(1h).

⁹ The Commission must publish its advice under LG Act s122(1i)(a).

accumulating excessive surpluses. At the same time, the Council has increased its rate levels consistently above inflation.

Community service levels appear to have been maintained through the Council's focus on renewing its asset base, but it has also added to its asset base in recent years, with an accompanied expansion of service levels. However, its asset management planning is not yet as comprehensive as it should be, with significant asset classes such as stormwater and buildings not yet covered by an adopted plan.

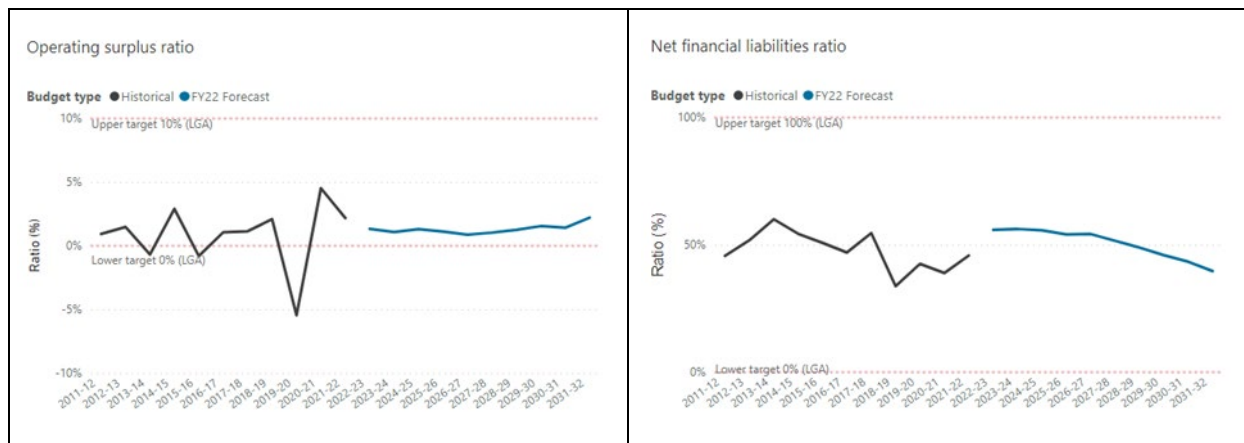
The Council's forward projections from 2022-23 forecast continued financial and service level sustainability through:

- ▶ rate revenues that generally increase in line with the RBA-based inflation forecasts
- ▶ total operating expenses estimated to increase generally in line with forecast inflation, and
- ▶ the continued prioritisation of its asset expenditure on renewal or replacement needs and lower expenditure on new or upgraded assets.

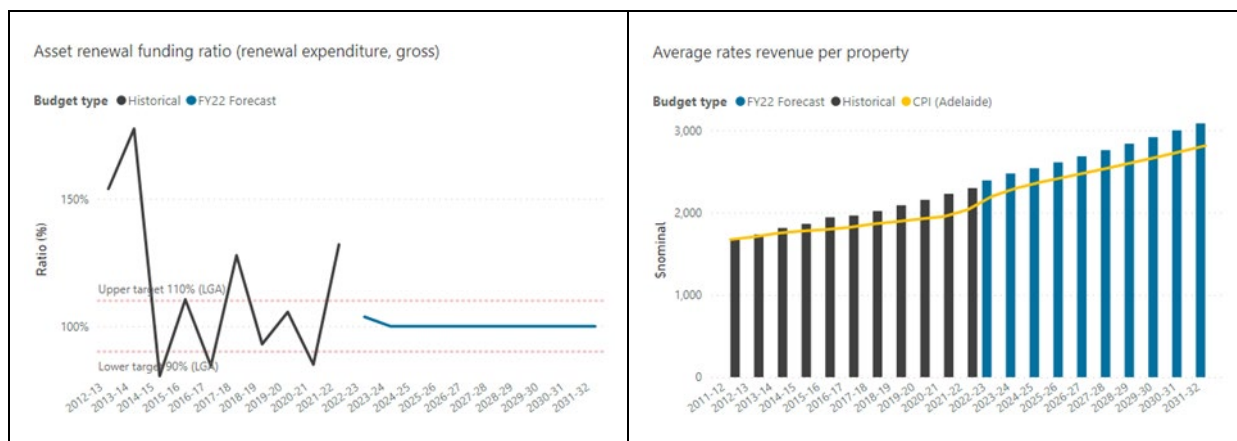
The Commission considers that there may be opportunities to achieve greater savings and efficiencies in its recurrent budget and encourages the Council to review and report on this. This includes a review of the asset-related assumptions feeding into its estimated depreciation expenses. In general, a focus on cost constraint should help the Council to identify opportunities to reduce any affordability risk emerging for residential ratepayers, who bear most of the rate burden.

The Commission has also made various recommendations to the Council in relation to the development of its asset management plans (AMPs), and the disclosure of information in its annual business plan. These recommendations, if accepted and acted upon, should improve the transparency of the Council's financial plans and decision-making processes.

The charts below of the Council's past and projected operating surplus ratio, net financial liabilities ratio, asset renewal funding ratio, and average rate revenue per property, together support the Commission's findings. The 'heat map' diagram on the next page summarises the Commission's findings with reference to whether the Council has met the suggested Local Government Association (LGA) target ranges for the three main financial sustainability indicators¹⁰ and the level of cost control and affordability risk identified for the Council over time.



¹⁰ The suggested LGA target ranges for the ratios are discussed in more detail in the attachment.



Summary of the Adelaide Hills Council's financial sustainability performance and the Commission's risk assessment

| Financial sustainability indicators: | Last 10 years from 2011-12 (Actual performance) | 2021-22 estimate | Next 10 years from 2022-23 (Council forecasts) |
|---|--|--|---|
| Operating surplus ratio (target 0- 10%) | Ratio within target range, on average, with mostly operating surpluses —————> | Ratio forecast to continue to be met —————> | |
| Net financial liabilities ratio (target 0-100%) | Ratio met historically and in forecast period —————> | | |
| Asset renewal funding ratio (target 90-110%) | Ratio above target range on average to 2021-22 —————> | | Ratio to meet target range in forecast period —————> |
| Identified Risks: | | | |
| Cost control risk | Operating expenses per property average growth 3.2% p.a. to 2020-21 (CPI 1.7%) ———> | Low cost growth (relative to inflation) | Operating expenses per property average growth forecast 2.6% p.a. to 2031-32, below CPI (2.8%) |
| Affordability risk | Rate revenue per property average growth 3.2% p.a. to 2020-21 and high residential rates but with positive capacity to pay indicators —————> | High rates increase | Projected rate revenue per property average growth 2.9% p.a. on high rate levels to 2031-32 —————> |

- Ratio outside suggested LGA target range or higher risk
- Ratio close to suggested LGA target range or medium risk
- Ratio within suggested LGA target range or lower risk

2.2 Detailed advice findings

The next sections summarise the Commission's more detailed observations and advice findings regarding the Adelaide Hills Council's material changes to its 2022-23 plans (compared with the

previous year's plans), its financial sustainability (in the context of its long-term operating performance, net financial liabilities, and asset renewals expenditure) and its current and projected rate levels.

In providing this advice, the Commission has followed the approach it previously explained in the Framework and Approach – Final Report (F&A). The attachment explores these matters further.¹¹

2.2.1 Advice on material plan amendments in 2022-23

The Adelaide Hills Council's 2022-23 LTFP includes increases to the following financial items to 2030-31, compared with the 2021-22 LTFP forecasts:¹²

- ▶ Employee costs are forecast to increase by 5.1 percent in total over the projected years, due to higher inflation and increases to superannuation.
- ▶ Capital expenditure on new and upgraded assets are forecast to increase by \$14.5 million, driven by increases in expenditure on buildings, roads, and stormwater assets.
- ▶ Revenue for new and upgraded assets has increased by \$2.1 million due to an increase in grants revenue of \$2 million for 2022-23 only.

The Commission notes that the Adelaide Hills Council's revisions to its operating income and operating expense forecasts, and other expenditure and revenues, are consistent with its revised forecasts for higher inflation.

In the current inflationary environment, the assumptions concerning price rises over the next 10 years will require annual review, particularly given the potential for higher short-term inflation before a return to long run averages. However, the Commission notes that the Council should still endeavour to find savings in real terms to reduce any inflationary impact on its community. To these ends, the Commission has found that it would be appropriate for the Council to:

1. **Continue** to review its inflation forecasts in its budget each year.
2. **Focus** on constraining cost growth in its budgeting, where possible, particularly related to employee expenses.

Concerning the significant revisions to its planned capital expenditure, the Commission notes that the Council has not yet adopted AMPs for buildings¹³ and stormwater infrastructure. In total, the Council had around \$66 million in building assets and \$44 million in stormwater assets on 30 August 2021, representing around 11 and 7 percent of its total asset value respectively.¹⁴

The Council's Annual Business Plan 2022-23 states that the Council will conduct ongoing management, maintenance and replacement planning of public infrastructure including stormwater.¹⁵ The Council is scheduled to complete the Stormwater Management Plan by April 2023 after completing three

¹¹ The attachment will be available on the Commission's website with the advice.

¹² The overlapping forecast period in both LTFPs.

¹³ Adelaide Hills Council, *Annual Business Plan 2021-22*, July 2021, p. 12, available at <https://www.ahc.sa.gov.au/assets/downloads/council/Plans/Annual-Business-Plan/Annual-Business-Plan-2021-22.pdf>.

¹⁴ Adelaide Hills Council, *2020-21 Financial Statements*, p. 22, available at <https://www.ahc.sa.gov.au/assets/downloads/council/Reports/Annual-Reports/Annual-Report-2020-21-Final.pdf>.

¹⁵ Adelaide Hills Council, *Annual Business Plan 2022-23*, July 2022, p. 9, available at <https://www.ahc.sa.gov.au/assets/downloads/council/Plans/Annual-Business-Plan/Annual-Business-Plan-2022-23.pdf>.

consultation stages.¹⁶ It is also undertaking community consultation on its draft AMP for Community Wastewater Management Systems (CWMS).

Noting the legislative requirement to develop and adopt an IAMP relating to the management and development of its infrastructure and major assets for at least 10 years,¹⁷ the Commission has found that it would be appropriate for the Adelaide Hills Council to:

3. **Complete** the asset management plan for building assets and consider potentially other assets not currently covered by a plan (such as sport and recreation facilities), with consideration of desired service levels, as appropriate.
4. **Complete** its planned Stormwater Asset Management Plan, with consideration of desired service levels, as appropriate.
5. **Finalise** its Community Wastewater Management System Asset Management Plan and reflect related cost changes in the 2023-24 Long-term Financial Plan, to include input from the community, including desired service levels.

2.2.2 Advice on financial sustainability

Operating performance

The Council's operating surplus ratio¹⁸ averaged 0.7 percent over the 10 years to 2020-21 and is forecast to continue to remain at a modest surplus level. The Council has estimated an average ratio of 1.3 percent to 2031-32 in its 2022-23 LTFP, with total income projected to continue to be marginally higher than total expenses. The Commission notes that the Council has sought to avoid running excessive operating surpluses, which demonstrates prudent financial management, in the context of the growth in expenses experienced.

In the 10 years to 2020-21, the Council's average annual increase in expenses per property was 3.2 percent, with 0.5 percent average annual growth in property assessments.¹⁹ This compares with average annual inflation of 1.7 percent. Operating income per property grew by an average of 3.6 percent per annum.

The expense growth was underpinned by average annual growth of 4.9 percent in employee expenses (with full time equivalent numbers increasing by 2.3 percent per annum) and 3.5 percent growth in depreciation expenses.

Looking forward, the Council is projecting lower average expense and income per property growth of 2.6 and 2.7 percent per annum respectively (to 2031-32). This is lower than RBA-based forecast Consumer Price Index (CPI) inflation growth (2.8 percent) and assumes continued growth in rateable property numbers averaging 0.5 percent each year.²⁰

¹⁶ Refer: <https://engage.ahc.sa.gov.au/draft-stormwater-management-plan-aldgate-bridgewater-crafers-and-stirling>.

¹⁷ LG Act s122 (1a).

¹⁸ The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The general target is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised*, May 2019 (**LGA SA Financial Indicators Paper**), p. 6).

¹⁹ Based on the compound average annual growth rate formula (which is the adopted approach to calculating average annual growth rates throughout the Commission's advice).

²⁰ The forecast average annual growth in the CPI from 2022-23 to 2031-32 is estimated to be 2.8 percent based on the RBA forecasts for the CPI (Australia-wide) to June 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2025-26.

The Council identified that it would undertake a strategy to manage its operating performance efficiently.²¹ Therefore, the Commission considers that the Council should be well placed to:

6. **Report** its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

Net financial liabilities

The net financial liabilities ratio has ranged between 34 and 60 percent between 2011-12 and 2021-22. This is within the suggested LGA target range of 0 to 100 percent.²² It will continue to meet the suggested LGA target range under its 2022-23 LTFP forecasts (forecast to average 51 percent to 2031-32). The Council's total borrowings and liabilities are forecast to increase significantly until 2026-27, and then decrease moderately for the remainder of the LTFP period.

Asset renewals expenditure

While showing some volatility from year to year, the Council's asset renewal funding ratio²³ has averaged 113 percent between 2012-13 and 2020-21.²⁴ This is above the suggested LGA target range (between 90 to 110 percent) suggesting that the Council has spent more on the renewal of its assets than its IAMPs have recommended. Average spending on the renewal of assets averaged \$9.1 million per annum over this period.

In 2013-14, the ratio spiked at 178 percent with the Council seeking to address an infrastructure renewal backlog with higher renewal expenditure (\$12.3 million in that year in nominal terms).²⁵ However, in the five years to 2021-22, the ratio averaged 109 percent, which is back within the suggested LGA target range.

The Council is forecasting its asset renewal funding ratio to continue to perform within the suggested LGA target range (and remain at 100 percent) to 2031-32. Average spending on the renewal of assets will be \$11.5 million, compared with \$3.1 million on new and upgraded assets.

The Council's depreciation expenses, which should represent the rate of asset consumption, are forecast to continue to exceed its renewal spending in forward projections. Higher depreciation forecasts may lead to higher than necessary levels of rates since the Council incorporates the estimates into its expense projections which in turn, impacts its operating balance.

To ensure a closer alignment between depreciation expenses and asset renewals expenditure over the longer term, it would be appropriate for the Council to:

7. **Review** the estimates of asset lives and valuations feeding into the forecast rate of asset consumption in its long-term financial plan and asset management plans.

²¹ Adelaide Hills Council, *Annual Business Plan 2022-23*, July 2022, p. 30.

²² The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities. The suggested LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

²³ Since 2013, the asset renewal funding ratio has been defined as: Asset Renewal Expenditure ÷ IAMP Renewal Expenditure. The suggested LGA target range for the ratio is 90 to 110 percent. Ideally, this ratio will show the extent to which a council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan.

²⁴ The ratio was reported from 2012-13.

²⁵ Adelaide Hills Council, *2013-14 Annual Report*, p. 3, available at <https://www.ahc.sa.gov.au/assets/downloads/council/Reports/Annual-Reports/COUNCIL-Annual-Report-2013-2014.pdf>.

2.2.3 Advice on current and projected rate levels

The Council's rate revenue growth has averaged 3.2 percent, or \$62 per annum for each property over the past 10 years,²⁶ compared with average annual CPI growth of 1.7 percent over this period.²⁷

The Council budgeted for an average rate increase of 4.9 percent or \$110 for its existing ratepayers in 2022-23,²⁸ in line with its 2022-23 LTFP projections. To 2031-32, the Council's average projected growth in rates revenue per rateable property is 2.9 percent per annum.²⁹ This is in line with the RBA-based forecast.

Affordability risk among the community for the further rate increases appears relatively low, based on a range of factors, including the existing non-residential rate levels, an assessment of the economic resources available to the community³⁰ and the community survey results which indicated some support for the rate increases in 2022-23.³¹ Based on the Council's survey concerning its 2022-23 operating budget (including the rate contributions), 70 percent of community respondents either supported the budget (25 percent) or were neutral towards it (45 percent). Around one third (30 percent) opposed it.³² The Commission notes that the number of survey responses were relatively low.

However, one of the respondents did also raise concern about the Council's proposed maximum rate increase of 15 percent (as a cap) being too high, especially relative to the average rate increase (4.9 percent).³³

The current economic environment is putting more pressure on most communities' capacity to pay for further rate increases. Therefore, despite the strong socioeconomics of the area and the level of neutrality and support for its 2022-23 budget, on balance, the Commission considers that it would be appropriate for the Council to:

8. **Review** and consider limiting future increases above inflation on its residential rates to help reduce any emerging affordability risk in the community.
9. **Review** the rationale for the quantum of any maximum rate increase (or cap) it seeks to impose (currently at 15 percent) in its next annual business plan, with consideration of the community's capacity to pay for higher increases.

²⁶ From 2011-12 to 2020-21.

²⁷ CPI (All groups). Average annual growth in the LGPI published by the South Australian Centre for Economic Studies was similar (at 1.9 percent) to CPI growth over this period. Available at <https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index>.

²⁸ Adelaide Hills Council, *Annual Business Plan 2022-23*, July 2022, p. 35. Individual rate level changes may be higher or lower depending on the rates category and property value.

²⁹ Since the Council does not provide the estimation number of rateable properties, the Commission extrapolated the numbers based on 'rates growth of new development' as shown in the indexation forecasts.

³⁰ The Adelaide Hills Council area is ranked 71 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics Socio-Economic Indexes for Areas Index of Economic Resources (2016), where a lower ranking (eg, 1) denotes relatively lower access to resources in general, compared with other areas, available at: <https://www.abs.gov.au/ausstats/subscriber.nsf/log?openagent&2033055001%20-%20lga%20indexes.xls&2033.0.55.001&Data%20Cubes&5604C75C214CD3D0CA25825D000F91AE&0&2016&27.03.2018&Latest>.

³¹ Adelaide Hills Council, *Agenda for Special Council Meeting 14 June 2022: Item 7.1*, p. 27.

³² Adelaide Hills Council, *Agenda for Special Council Meeting 14 June 2022: Item 7.1. Draft Annual Business Plan 2022-23 Community Engagement Outcome Report*, p. 27, available at <https://www.ahc.sa.gov.au/assets/meetings/2022/06-June/special-council-meeting-14-jun-2022/agendas/220614-Special-Council-Agenda-PUBLIC.pdf>.

³³ Adelaide Hills Council, *Agenda for Special Council Meeting 14 June 2022: Item 7.1*, p. 27.

2.3 The Commission's next advice and focus areas

In the next cycle of the scheme, the Commission will review and report upon the Council's:

- ▶ ongoing performance against its LTFP estimates and relevant assumptions in its LTFP (including inflation)
- ▶ achievement of cost savings and efficiencies, and its reporting of these achievements
- ▶ completion and adoption of its AMPs for stormwater, CWMS and buildings and potentially other assets
- ▶ actions to address any misalignment between the capital expenditure on renewal/replacement of assets and the level of depreciation expenses in its LTFP and various AMPs, and
- ▶ actions to address the emerging affordability risks for residential ratepayers identified, including its policy on maximum rate increases.



The Essential Services Commission
Level 1, 151 Pirie Street Adelaide SA 5000
GPO Box 2605 Adelaide SA 5001

T 08 8463 4444

E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au