Unconfirmed

AUDIT COMMITTEE MINUTES
# MINUTES INDEX - 1 MARCH, 2017

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Minutes of the Confidential Meeting of the Audit Committee held in the Mobilong Suite, Local Government Centre 2 Seventh Street, Murray Bridge, on Wednesday 1 March, 2017, commencing at 1 pm.

Members:
Mr Peter Brass – Presiding Member
Cr Tyson Matthews – Elected Member representative
Cr Fred Toogood – Elected Member representative
Mr Peter Canaway – Independent representative
Mr Daryl Webb – Independent representative

Observers:
Mr Michael Sedgman, Chief Executive Officer
Mr Anthony Brown, General Manager Corporate Services
Mr Andrew Meddle, General Manager Sustainable Communities
Mr Justin Robbins, Chief Financial Officer
Mr Matt James, Manager City Infrastructure
Ms Ros Kruger, Executive Officer

1. WELCOME
   Audit Committee Chair – Peter Brass

2. APOLOGIES
   Cr Fred Toogood – Elected Member representative
   Mr Simon Bradley, General Manager Infrastructure and Environment

3. CONFIRMATION OF MINUTES
   Recommendation:
   That the minutes of the Meeting of Audit Committee held on the 26 October, 2016 as circulated to Members, be taken as read.

   Peter Canaway moved
   That the recommendation be adopted – namely,
   That the minutes of the Meeting of Audit Committee held on the 26 October, 2016 as circulated to Members, be taken as read.

   Seconded by Daryl Webb and CARRIED
4. BUSINESS

4.1 REVIEW OF FINANCIAL POLICIES

Author Anthony Brown

Legislative () Corporate () Other ()

Purpose
To seek a recommendation from the Audit Committee for Council endorsement of the following financial policies:

- General Ledger Policy (new)
- Internal Control Policy (reviewed)
- Lerwin Aged Care Facility Debt Recovery Policy (reviewed and updated)
- Lerwin Aged Care Facility Refundable Accommodation Deposits Governance Policy (reviewed and updated)
- Property Identification Policy (reviewed and updated)

Background
The above policies are scheduled for review. The review has been undertaken by the Chief Financial Officer and the Senior Management Accountant.

- The General Ledger Policy is a new policy to close out a requirement of the Financial Control Audit.
- Only minor grammatical improvements have been made to the Internal Control Policy.
- The Lerwin Aged Care Facility Debt Recovery Policy has been substantially rewritten to be in a consistent format to other policy documents and to reflect best practice. The substance of the policy however remains unchanged.
- Only minor grammatical improvements have been made to the Lerwin Aged Care Facility Refundable Accommodation Deposits Governance Policy.
- The Property Identification Policy has been updated to reflect recent changes to the Local Government 1999, Australian Standards in relation to road naming and numbering, signage and rural and urban property addressing and also the Rural Property Addressing Program which was introduced to assist with the easier identification of rural properties for Emergency Services. (NB - this was withdrawn at the meeting)

Proposal
To seek a recommendation from the Audit Committee for Council endorsement of the attached polices which have been reviewed and amended where applicable and also to endorse the new policy - General Ledger Policy - as required to close out the Financial Control Audit.

Legislative Requirements
Section 125 of the Local Government Act 1999 requires a council to have an Internal Control Policy.

Council Policy
Council policies are to be reviewed according to their respective dates.
Financial Implications
Adopting appropriate policies reduces Council’s financial risk.

Risk
Council must comply with the Local Government Act 1999 in respect to policies.

WHS
Not applicable

Asset Management
Not applicable

Implementation Strategy
When endorsed by Council, the policies will be circulated to all relevant administration staff for action.

Communication Strategy
All Council policies are available on Council’s website.

Strategic Plan
Goal 5 - Our Commitment
5.4 - Transparent

Recommendation
1. That item number 4.1 on Audit Committee agenda of 1 March 2017 be received and the Audit Committee recommends the policies in Attachment 1 - 5 be endorsed by Council.

Attachments

1. Attachment 1 - General Ledger Policy
2. Attachment 2 - Internal Control Policy
3. Attachment 3 - Lerwin Aged Care Facility Debt Recovery Policy
4. Attachment 4 - Lerwin Aged Care Facility Refundable Accommodation Deposits Governance Policy

Peter Canaway moved
1. That item number 4.1 on Audit Committee agenda of 1 March 2017 be received and the Audit Committee recommends the policies in Attachment 1 - 4 be endorsed by Council, namely:
   - General Ledger Policy with amendment of wording “be reviewed and authorised by an appropriate person” (point 3)
   - Internal Control Policy with amendment to refer to tolerable limits and likelihood and consequence
   - Lerwin Aged Care Facility Debt Recovery Policy
   - Lerwin Aged Care Facility Refundable Accommodation Deposits Governance Policy with amendment of wording to reflect “reviewed and authorised” with other minor amendments as discussed.

Seconded by Darryl Webb and CARRIED
General Ledger Policy

COUNCIL POLICY

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POLICY STATEMENT

This policy is to ensure that the appropriate procedures in relation to the maintenance and recording of transactions into the general ledger are in place to comply with Section 124 of the Local Government Act 1999 which states:

(1) A Council must:
   (a) Keep such accounting records as correctly and adequately record and explain the revenues, expenses, assets and liabilities of the Council
   (b) Keep its accounting records in such manner as will enable –
      i. The preparation and provision of statements that present fairly financial and other information; and
      ii. The financial statements of the Council to be conveniently and properly audited.

The general ledger is used to record all financial transactions relating to the Rural City of Murray Bridge. It is further subdivided into assets, liabilities, equity, income and expenses. The general ledger is used to summarise the large number of transactions into categories and subsequently used to produce:

- Internal reporting for management; and
- External financial reporting

The management of the general ledger includes:

- Changes to the general ledger framework;
- General ledger account reconciliations; and
- Processing journals

OBJECTIVES

This policy outlines the management of the general ledger by council staff involved in the recording of financial transactions, changes to the general ledger or the subsequent generation of general ledger reports and reconciliations.

SCOPE

This policy applies to the Finance team at the Rural City of Murray Bridge.

The electronic version accessible on Council’s Intranet and Council’s electronic record system is the controlled version. Printed copies are considered uncontrolled – before using a printed copy verify that it is the current version.
General Ledger Policy

IMPLEMENTATION

Changes to the General Ledger Framework
Changes to the general ledger framework or chart of accounts are to be:

- Approved by the Chief Financial Officer
- Assessed as to the impact upon processes and financial reporting;
- Amended by an approved person;
- Filed in a central repository.

General Ledger Account Reconciliations
All general ledger account reconciliations will:

- Be performed in a timely manner;
- Have corrective action performed in a timely manner;
- Be reviewed and authorised by an appropriate person with the necessary skills that is independent of the preparer;
- Have supporting documentation for any reconciling items;
- Be stored in a central repository.

Processing Journals
All manual journals must have the following characteristics before being posted:

- The sum of the debits and credits shall be equal for each transaction to be processed;
- Each journal shall have supporting documentation to evidence the purpose of the transaction that would satisfy an independent reviewer and auditor;
- Each journal must include a summarised explanation of the transaction which is entered into the accounting system;
- Each journal shall be reviewed and authorised by an independent approver with the required skill to understand the transaction prior to being posted.

All manual journals must have the following characteristics after being posted:

- Each journal will have a unique document number issued by the system and recorded by the preparer on each journal;
- Each journal will be filed in the central repository in numerical order.
INTERNAL CONTROL POLICY

INTERNAL CONTROL POLICY
Reference Number       #743236
Responsible Business Unit Organisational Services – Finance
Responsible Officer General Manager Corporate Services
Legislation           Section 125 Local Government Act 1999
                      Section 129 Local Government Act 1999
Relevant Delegations  Chief Executive Officer
                      General Manager Corporate Services
Related Policies       Best Practice Model – Financial Internal Controls for SA
Management Guidelines Councils
Frameworks            
Link to Strategic Plan Objective 5.1 - Ensuring Delivery
Council resolution    
Date Adopted          14 March 2017 (Audit Committee 1 March 2017)
Review Date           2021
Previous Revisions    332.3.7 – 10 December 2007

POLICY STATEMENT
Internal control is part of the Council’s corporate governance framework and covers areas including strategic management, business development, project management and finance. It comprises procedures to mitigate risks and provide reasonable assurance that operations are efficient and effective, assets are safeguarded, legislation and Council policies/ruled are complied with and financial reporting is accurate and reliable.

Internal controls are also the plans and/or programs implemented to safeguard Council from potential fraudulent activity.

The Council is committed to maintaining an effective internal control environment.

OBJECTIVES
The Council’s objectives for this policy are:

a) Risks relating to the stewardship of public resources are adequately managed through effective internal controls to ensure the likelihood of the residual risk occurring and the impact of the risk are within tolerable limits.

b) A framework for effective internal control systems which convey to managers that they are responsible for ensuring that internal controls are established, documented, maintained and adhered to across the Council and to all employees that are responsible for adhering to those controls.

c) To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Council objectives through operational efficiency.

SCOPE
This policy applies to Elected Members and all employees of the Rural City of Murray Bridge.

PRINCIPLES
The system of internal controls extends beyond the matters which relate directly to the functions of the accounting systems and relates to every aspect of the Council’s operations.

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INTERNAL CONTROL POLICY

The essential elements of an effective internal control framework are:

- Structure and culture of the Council
- Delegations of Authority
- Policies and Procedures
- Trained and properly qualified staff
- Review process
- IT Controls
- Liaison with auditor and legal advisors
- Senior management compliance assurance
- Risk Identification and assessment

The Rural City of Murray Bridge recognises the importance of maintaining effective internal controls through policies and procedures. Such policies are established to provide reasonable assurance that its objectives are achieved.

The external auditor places a significant degree of reliance in internal controls when determining whether the accounting records present a fair and true view of transactions of the business for the relevant time frame.

IMPLEMENTATION

Risk Management
Council will maintain an internal control framework which will be based upon a proactive risk management culture. The type of risks identified in the framework will be those which may prevent Council from meeting its objectives and maximising its opportunities. It is recognised that risks cannot be eliminated, however the internal controls applied should reduce the likelihood and impact of the risk occurring to within tolerable limits.

Council has adopted the “Best Practice Model – Financial Internal Controls for SA Councils” framework for the assessment of internal controls.

Role of Elected Members, Chief Executive Officer and Management
The Local Government Act 1999 provides, in Chapter 7 Section 99, that the CEO is responsible for:

- The provision of information to Council to assess the performance against the strategic management plan
- Ensuring the assets and resources of the Council are properly managed and maintained; and
- Ensuring all necessary records are kept

The elected body must:

- Ensure that an internal control framework is implemented by the Chief Executive Officer.

The Chief Executive Officer and management must:

- Develop appropriate processes and procedures to ensure an effective system of internal control;
- Ensure that the assets and resources of the Council are safeguarded from loss or improper use;
- Ensure that relevant records are created and maintained; and
- Advise the Elected Body that a system of internal control is not in place.
INTERNAL CONTROL POLICY

Control Types
There are effectively two types of controls:

- Organisational controls
- Accounting controls

The objective of organisational controls is to promote operational efficiency and encourage adherence to management policies in all areas and departments of Council’s operations. These controls have little impact on the financial records. Examples of organisational controls include:

- Safe work practices for employees
- Proper recruitment, selection and induction of new employees
- Protection of confidential information
- Procedures for declaring a conflict of interest

The objectives of accounting controls are to safeguard assets and ensure the production of reliable financial information. The general characteristics of satisfactory accounting internal controls include:

- Identify the financial risks faced by Council
- Assess each of the identified financial risks
- Assess Council’s existing financial internal controls
- Develop and implement effective financial internal controls to address the identified risks
- Perform regular reviews of the effectiveness of Council’s financial internal controls

All internal control systems should incorporate these essential characteristics; however, the methods by which they are implemented will vary depending on the types of assets involved and the nature of the Council’s operations.

An internal audit review should be undertaken by relevant officers of the organisation on a semi regular basis to ensure the whole organisation is following defined and appropriate procedures.

Control Procedures
Control Procedures can be summarised as follows:

- General controls
- Application controls
- Security of data

General controls include segregation of duties for financial and non-financial functions, supervision of staff and systems and system design and implementation maintenance to ensure integrity of systems.

Examples include:

- Maintenance of operating instructions
- Restrictions based on need and authority to computer files
- Specific procedures for rates, debtors, creditors, payroll, assets and other accounting functions
- Internal and external audits of activities and functions

Application controls refer to the controls over data capture and data processing including transaction entry information, file maintenance and error corrections processes. These are often procedural based and are often linked to features of accounting software programs.

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INTERNAL CONTROL POLICY

Security of data and assets refer to the internal controls for the electronic and physical recording, storing and maintaining of information on data and assets as well as the safe storage of physical assets. This can include physical restrictions to access, electronic back-ups and records management.

External Audit
Auditors are required to provide an opinion on the effectiveness of the internal control framework in relation to financial controls under Section 129 of the Local Government Act 1999. An external audit enables the testing of internal control systems to satisfy legislation and the Council’s public accountability.

DEFINITION

Internal control is the plan of the organisation and the methods and procedures adopted by the management of the Council to assist in achieving the Council objectives of ensuring, as far as it is practical to do so, the orderly and efficient conduct of the Council.
Lerwin Aged Care Facility Debt Recovery Policy

COUNCIL POLICY

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POLICY STATEMENT

To ensure the fair, equitable and consistent collection of the Lerwin debtors in an effective and timely manner, the Council will attempt to recover all costs, interest and expenses incurred by the Council, whilst recognising the need to identify and consider individual cases of genuine hardship and treating them appropriate and compassionately.

OBJECTIVES

Residents entering Lerwin agree to the fees and charges as set out in the Resident and Accommodation Agreement ("the agreement") at the time of admission in accordance with legislative requirements. This income forms an important part of the funding required for the delivery of quality care and services. This policy provides guidance for the Council to assist with the recovery of unpaid fees and charges for Lerwin debtors.

SCOPE

This policy will apply to the collection of outstanding monies from all debtors of Lerwin.

PRINCIPLES

The principles that will apply in the management and recovery of debt are:

- The Council has a responsibility to recover monies owing in a timely and efficient manner to finance its operations and ensure effective cash flow management;
- The Council will operate effective and efficient billing and debt collection processes.

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Page 1
Lerwin Aged Care Facility Debt Recovery Policy

- The Council aims to minimize the amount of outstanding monies that it is owed;
- The Council will recognize genuine financial hardship and treat people with respect and compassion in considering their circumstances;
- The Council will treat all people fairly and consistently under this policy;
- Debtors are expected to take responsibility for their Council debt obligations and to organize their affairs in such a way as to be able to discharge these obligations when required;
- The Council will not place an outstanding debtor with the Council’s debt collection agency without taking all reasonable steps to establish a payment arrangement or negotiate settlement of the outstanding debt; and
- Once a final letter of demand is issued, legal action will proceed and any settlement negotiations will be made on a “without prejudice” basis so that the legal right to collect the debt is not compromised.

IMPLEMENTATION

Lerwin debtors become overdue when not paid in accordance with the terms of the Resident Billing Statements issued by Lerwin or the arrangements agreed on resident admission and outlined in the agreement. Terms of payment will be as specified and agreed in the agreement.

The Council may apply interest on late payments and recovery of any costs reasonably incurred from a breach of the agreement.

The Council will commence its legal recovery process through a debt collection agency on overdue amounts for debtors after all reasonable attempts to collect the debt have been made by Council staff.

Where the Council incurs legal costs for debt recovery, the legal costs will be recoverable from the debtor.

All payment arrangements outside of the Council’s terms of the agreement must be applied for in writing. Payment arrangements will only be recognized when the debtor is provided with written approval of the payment arrangement.

Information regarding payment arrangement plans and progress payments of overdue accounts will be made available to the debtor upon written application.

The Council may, at its discretion, remit penalties and related expenses for late payment of debtors where genuine hardship can be substantiated.

A provision of Doubtful Debts shall be made and considered where the debtor is in liquidation, bankrupt, not locatable or the recovery of the debt looks doubtful.

Debt may be considered for write off in accordance with the Council approved delegations if there is no reasonable prospect of recovering the debt or the costs of recovery are likely to equal or exceed the amount to be recovered and reasonable attempts have been made to recover the outstanding amount.

The Council will maintain a management guideline and procedures that support the administration of this policy including monitoring on a monthly basis by the Chief Financial Officer against Identified performance measures. All written off debts will be reported to Council on a quarterly basis and will include the amount written off, description and reason for the write off.

Debt Management

The debt collection practices will be applied to all outstanding Lerwin debts (greater than 30 days) without any payment arrangement in place or default of payment arrangement as outlined in the Lerwin Debt Recovery Management Guideline:

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Lerwin Aged Care Facility Debt Recovery Policy

The general debt collection process will include:

i. A reminder requesting payment or to contact the Billing Officer at Lerwin to enter into a payment arrangement.

ii. Where no response is received, telephone contact and/or reminder letters requesting payment within specified time frames will be made and the debtor will be advised to contact the Billing Officer at Lerwin to enter into an arrangement. Administration fees will be incurred and charged according to Section 144 of the Local Government 1999, the Aged Care Act 1997 and/or the agreement.

iii. Where no response is received, a letter of final demand will be sent by registered post. The letter will state that failure to make payment in full or to enter into an arrangement will result in the commencement of legal action.

iv. Where no response is received, the outstanding debt will be forwarded to Council's debt recovery agent.

v. When possible, any outstanding debtor will not be provided with future credit until the debt is cleared. Any customer whose debts are sent to the debt recovery agent will be made aware that their credit history could be affected.

DEFINITION

"Agreement" is the Resident and Accommodation Agreement between the Lerwin Aged Care Facility and the resident.

"Debtor" is an individual, organisation or other party that transacts with the Council for the purchase and/or provision of goods or services from the Council that results in a commitment to pay at a future time. In most cases, a "Lerwin Debtor" will be a party who has entered into a Resident and Accommodation agreement with the Council.

"Debt" is the amount of money owed by the debtor as a result of a transaction with the Council.

"Default" means where a Council approved payment arrangement is in place and payments are not made as agreed by the client under the Resident and Accommodation agreement.

"Financial hardship" means a circumstance of experiencing a lack of financial means, which may be either ongoing or temporary, but does not include circumstances where a person chooses not to meet a liability for an unpaid debt. Reductions of an Accommodation Payment amount or Accommodation Contribution amount covered by the Aged Care Act, financial hardship will be determined by the Commonwealth Government, upon application.

"Payment arrangements" means alternative arrangements to the terms included in the Resident and Accommodation Agreement for the payment of the outstanding debt. The arrangement requires written approval by Council Administration.
Lerwin Nursing Home Refundable Accommodation Deposits Governance Policy

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**POLICY STATEMENT**

Council will ensure that Lerwin Aged Care Facility (Lerwin) residents Refundable Deposits are managed appropriately and are only used for permitted purposes in accordance with legislation.

**OBJECTIVES**

The Lerwin Aged Care Facility Refundable Deposits Governance Policy has been adopted by Council in accordance with Section 23.38A of the User Rights Principles 1997 to:

- Ensure refundable deposit balances are used only for permitted uses; and
- Ensure refundable deposit balances are refunded to care recipients in accordance with section 57-21 of the Act.

**SCOPE**

This policy applies to all Refundable Deposits received from residents of Lerwin.

**PRINCIPLES**

Division 57 of the Aged Care Act and Part 4 of the User Rights Principles prescribe certain matters relating to Refundable Deposits. The User Rights Principles have set out the requirements for a governance standard. This policy is intended to complement Lerwin Aged Care Facility Management Guidelines and ensure compliance with the Prudential Standards.

**Definitions**

The **Act** refers to the Aged Care Act 1997

**Authorised Deposit-taking Institution (ADI)** refers to a body corporate granted an authority to carry on a banking business in Australia under Subsection 9(3) of the Banking Act 1959 (Cwlth). The Local...
Lerwin Nursing Home Refundable Accommodation Deposits Governance Policy

Government Finance Authority has been authorised as a deposit taking institution.

Refundable Deposits mean a refundable deposit or resident entry contribution charged to residents who enter Lerwin and who are not assessed as being of supported resident status.

Governance Standard
- The Council will implement and maintain a governance system that ensures refundable deposits are only used as permitted and that refunds occur within the timeframes required by the Act.
- The system will be documented in writing and be kept up to date. Documentation will cover all requirements of the Act and Principles.
- The Council will ensure that refundable deposit balances are only used for purposes permitted under the Act and that all uses are reported to Council.
- The total of refundable deposit balances will be reconciled monthly between Councils financial records and the investment statements of the financial institution(s) with whom funds are invested. The reconciliations will be reviewed, checked and authorised by the General Manager Corporate Services.
- Responsible Finance staff will administer interest and refundable deposit refunds, pursuant to the requirements of the Act and Principles, in conjunction with responsible Lerwin staff.
- The refundable deposit register will be checked annually by the General Manager Corporate Services for accuracy and compliance with Section 57-21 of the Aged Care Act 1997.
- Responsible Lerwin staff will administer arrangements associated with refundable deposit terms, agreements and payments, pursuant to the requirements of the Act and Principles, in conjunction with responsible Finance staff.
- Where refundable deposits are invested, that such investment is consistent with the Council’s investment guidelines and the requirements of the Aged Care Act.

Responsibilities and delegations relating to refundable deposits are scheduled in the Management Guidelines.

Liquidity Standard
The Council will maintain sufficient liquidity to ensure that it can refund in accordance with the Act and the Principles, any refundable deposit balances that can be expected to fall due in the following 12 months. The Council will maintain and implement a liquidity management strategy, that reflects:
- The amount required to ensure that the Council has sufficient liquidity.
- The factors that the Council had regard to in determining the minimum level of liquidity; and
- The form in which the Council will maintain the minimum level of liquidity. The liquidity management strategy will be in writing and be updated prior to the commencement of each financial year.

Disclosure Standard
Disclosure requirements of the Principles will be met fully within the timeframes specified, and this will include prescribed information being provided to care recipients (or their representatives):
- Within seven days of a refundable deposit being entered into;
- By 31 October each year; and
- Within seven days of requests being made under the Principles.

The Council will complete an Annual Prudential Compliance Statement pursuant to requirements of the Act and Principles. The statement will be supported by an independent audit of its contents by the appointed auditor of the Council.
Lerwin Nursing Home Refundable Accommodation Deposits Governance Policy

Investment Management Strategy
- The total of refundable deposit balances held by the Council, net of contributions used, will be invested independently of other Council investments.
The Council will not invest outside of ADI’s, or with the Finance Authority (LGFA), subject to the requirements of this policy.
- LGFA investments will only occur if:
  - Consistent with permitted uses under the Act;
  - An equal or greater return is available than offered by ADI’s;
  - The investments are guaranteed by the State Government of South Australia;
  - Council’s Investment Policy is observed; and
  - Sufficient funds remain available to ensure refundable deposit refunds occur within the timeframes required under the Act.
- Council’s Investment Policy applies to the investment of all refundable deposits with ADI’s and must be observed and
- Investment delegations are covered in the delegations and sub-delegations frameworks of the Council, must also be observed.

Responsibilities and Delegations
The governance of this policy – Responsibilities and Delegations specifically addresses the following areas:
- Refundable deposits setting, negotiating and repayment of refundable deposits
- Resident agreements – form and variation
- Use of refundable deposits
- Key personnel and IT systems

The day to day operation of this policy is delegated to the Chief Executive Officer, who will implement it, being informed by the contents of the Management Guidelines.

The policy identifies issues appropriate to be dealt with by the policy, articulates that action required, assigns responsibility for that action and as appropriate sets out reporting frameworks to ensure the Elected Members are informed of the operation and failure of the governance policy. Where appropriate, further notes on relevant issues are also provided.

The Council accepts responsibility for ensuring that all written documentation relating to refundable deposits is up to date and where modification or replacement is required, that this is only done with the authority of the Council. The Council have adopted this governance policy to meet their obligations under the act and the User Rights Principles.
4.2 DRAFT ASSET MANAGEMENT PLAN - WATER SUPPLY AND WASTE WATER
Author Matt James

Purpose
To outline to the Audit Committee for its consideration, the key elements regarding the Council's Asset Management Plan - Water Supply and Waste Water and seek the Audit Committee’s endorsement to Council of the Asset Management Plan for the purpose of undertaking community consultation.

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

The identification of future needs, management options and cash flows provides the ability to even out peak funding demands. In this way, Asset Management Plans assist the Council in making informed decisions in relation to the allocation of resources and to communicate this information to the public.

In March 2007 the Local Government and Planning Ministers’ Council (LGPMC) agreed to a nationally consistent approach to asset planning and management, financial planning and reporting and assessing financial sustainability. Each State Minister endorsed the National Framework for Financial Sustainability in Local Government for implementation in the context of their relationships with their local government sectors.

The National Frameworks consist of three main components as follows:

- Asset Planning and Management which incorporates:
  - Asset Management Policy
  - Asset Management Strategy
  - Governance and Management
  - Levels of Service
  - Data and Systems
  - Continuous Improvement Program
  - Evaluation of effectiveness

- Financial Planning and Reporting which incorporates:
  - Long-term Strategic Plan
  - Annual budget
  - Annual Financial Statements and Annual Report

- Criteria for Assessing Financial Sustainability:
  - A council’s long-term financial performance and position is defined as sustainable when “planned long term services and infrastructure standards are met without unplanned increases in rates and charges, or disruptive cuts to services”

The key elements of this plan are:

- Levels of service - specifies the types and levels of service the Council provides.
- Future demand - how this will impact on future service delivery and how this is to be met.
• Life cycle management – how Council will manage its existing and future assets to provide the required services.
• Financial summary – what funds are required to provide the required services that meet both Technical standards and Community expectations
• Asset management practices.
• Monitoring – how the plan will be monitored to ensure it is meeting Council’s objectives.
• Asset Management Improvement Plan.

Asset Management Plans provide the framework to deliver optimum operation performance of the Council’s Infrastructure assets at the lowest lifecycle cost and to agreed levels of service.

The Local Government Act, 1993 S122 (1a)(b) requires Council’s to develop and adopt Asset Management Plans relating to the management and development of infrastructure and major assets for a period of at least ten years. Asset Management Plans should detail the proposed management, development and required expenditure relating to infrastructure and major assets.

In 2008, as per legislative requirements, Council endorsed its ‘Infrastructure and Asset Management Plan’. The following assets and infrastructure categories are considered in Council’s Infrastructure and Asset Management Plan:

• Roads
• Bridges
• Footpaths
• Kerbs and Gutters
• CWMS
• River Infrastructure

These assets were identified as a priority according to risk and available resources. Outstanding Asset Management Plans were required for the following categories:

• Playgrounds
• Stormwater
• Signs
• Public Lighting
• Plant
• Buildings

There are four Asset Management Plans which encompass the main Council owned and maintained categories of assets, namely: Civil and Transport Infrastructure Asset Management Plan (i.e. Roads, Bridges, Footpaths, Kerbs, Gutters, and River Infrastructure); Stormwater Drainage Asset Management Plan; Buildings Asset Management Plan; and Recreation Facilities Asset Management Plan. Since then, Council Administration has identified the need to develop Asset Management Plans for Plant and Fleet and Community Waste Water.

Since 2014, the Audit Committee and Council endorsed the Civil and Transport Infrastructure Asset Management Plan; Stormwater Drainage Asset Management Plan; Buildings Asset Management Plan; Plant and Fleet; and Recreational Facilities Asset Management Plan.
The Asset Management Plan – Water Supply and Waste Water provides guidance to Council’s Financial Strategy and to the Council Annual Business Plan. From this, the Capital Works Program maintenance and renewals is developed. Figure 1 details how Asset Management Plans fit within a Council’s strategic framework.

Figure 1: Linkages to Key Strategic Documents and Strategies

Asset Management Plan – Water Supply and Waste Water
Council Administration has reviewed its Asset Management Plan – Water Supply and Waste Water (refer Attachment 1).

This Water Supply and Waste Water Asset Management Plan provides the framework to deliver optimum operation performance of the Council’s Water Supply and Waste Water assets at the lowest lifecycle cost and to agreed levels of service. For the purposes of this plan, Water Supply and Waste Water assets are:

- Pipes and Rising Mains – Water Supply and Sewer
- Pumps
- Filtration Plant
- Sub Water Meters
- Communications Modules
- Tanks
- Valves, Pits and Inspection Points
- Treatment Facilities

The break-up of the Water Supply and Waste Water assets that Council is responsible for is shown in Table 1.

At 1 July 2016 the total Replacement Value of Council’s Water Supply and Waste Water assets was estimated to be $1,475,651.41.
Table 1: Replacement Values of Council Assets

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Quantity</th>
<th>Replacement Value ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Mains</td>
<td>4,789m</td>
<td>362,133.86</td>
</tr>
<tr>
<td>Water Nodes (Tanks, Valve)</td>
<td>7</td>
<td>152,216.90</td>
</tr>
<tr>
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</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$1,475,651.41</strong></td>
</tr>
</tbody>
</table>

The replacement value is the estimated cost of replacement for each item and is an estimation based on knowledge of current market conditions.

The ‘level of service’ is the defined service quality for a particular activity or service area against which service performance can be measured. They provide the basis for the life cycle management strategies and works programme identified within the Asset Management Plan. Levels of service support the Organisation’s strategic goals and are based on customer expectations and statutory requirements.

There are two criteria that dictate Levels of Service; Community Levels of Service; and Technical Levels of Service.

**Community Levels of Service**

Community Levels of Service relate to the service outcomes that the community wants in terms of safety, quality, quantity, reliability, responsiveness, cost effectiveness and legislative compliance.

Community Levels of Service measures used in this Asset Management Plan are:

- Quality - How good is the service?
- Function – Does it meet users’ needs?
- Capacity or Utilisation – Is the asset substantially over or under capacity?
- Safety - Is the service safe?

**Technical Levels of Service**

Detailed Technical Levels of Service are required to assess performance on a day-to-day basis to guide decision making and work flows. The prime objective in setting the Technical Levels of Service is to set targets that will lead to achieving the desired Community based Service Levels.

Technical Levels of Service measures are linked to annual budgets covering:

- Workshop operations - the regular activities to provide a quality and efficient in-house mechanical workshop capable of competing against private sector operators.
• Maintenance – the activities necessary to intervene with a maintenance repair and responding to maintenance faults
• Plant replacement program – the activities that ensure that new Plant assets meet the design/specification and maintainability standards to support Council objectives

Proposal
The Audit Committee’s endorsement to Council of the revised Asset Management Plan – Water Supply and Waste Water is now sought in draft format for community consultation. Following this process, a report will be presented to Council for final adoption.

Legislative Requirements
The following legislative requirements are relevant to this Report:

• Local Government Act, 1999
• Environmental Protection Act, 1993
• Environmental Protection Regulations, 2009
• Work Health and Safety Act, 2012
• Work Health and Safety Regulations, 2012
• Australian Accounting Standards

Council Policy
The following Policies are relevant to this Report:

• Asset Accounting Policy
• Asset Management Policy
• Long Term Financial Plan
• Civil and Transport Infrastructure Asset Management Plan
• Stormwater Drainage Asset Management Plan
• Buildings Asset Management Plan
• Recreational Facilities Asset Management Plan
• Consultation Policy

Financial Implications
There are no negative financial implications involved in developing Asset Management Plans. It is the responsibility of Council to use the plan to determine the most cost effective way assets are consumed by the public and then manage the renewal, reconditioning, replacement or disposal of these assets in a way that does not impart a significant financial burden on the community.

Risk
Sound Asset Management Plans act as a significant risk identification tool for Councils. It allows Council Administration to model future expenditure and identify fluctuation in budget allocations required to maintain a desired level of service.

The Rural City of Murray Bridge recognises that risk management is an integral part of good management practice and an essential element of good corporate governance.

In this regard, risk management should be embedded into the organisation’s philosophy and form part of the continuous improvement process to mitigate against risks and maximise opportunities in our business. Although the concept of risk is often interpreted in terms of hazards or negative impacts, the current Risk Standard ISO 31000-2009 is concerned with risk as exposure to the consequences of uncertainty, or potential deviations from what is planned or expected and the impact this may have on an Organisation’s objectives.
Organisations that manage risk effectively and efficiently are more likely to achieve their objectives and to do so at a lower overall cost.

All levels of staff have a role to play in integrating risk management activities into their Business Unit environment.

This framework aims to cover five areas across the organisation:

- **Strategic** - risks associated with high level goals, objectives and strategies
- **Operational** - risks associated with functions / operations on a daily basis
- **Reporting** - the reliability of reporting, its effectiveness and the assurance it provides
- **Compliance** - risks associated with regulatory and compliance risks
- **Project** - risks associated with projects

Successful implementation of the framework will demonstrate that risks and opportunities are being systematically identified, rigorously analysed and effectively managed on an organisational wide basis. This will provide an increased level of assurance to the Council, the Audit Committee and Executive Management that the organisation’s business objectives are being achieved.

**WHS**

There are no WHS issues associated with the recommendations in this Report.

**Asset Management**

Council’s Asset Management Plans are designed to improve Council’s management practices and help build financial sustainability.

**Implementation Strategy**

Through the development of Council’s Asset Management Plans, Council Administration has identified several areas for improvement. These actions require closing out over the next 12 months to ensure the implementation of the plan and the ongoing commitment to the Asset Management Process is successful. An Asset Management Systems and Improvement Plan have been included in the Asset Management Plan.

It is proposed that the Asset Management Plan’s will be reviewed annually and presented to Council for community consultation within five years of their endorsement.

**Communication Strategy**

Following the Audit Committee’s endorsement of the revised Draft Asset Management Plan - Water Supply and Waste Water, a community consultation process will be undertaken seeking comments.

Community consultation will be undertaken for a period of twenty one days, as required by Council’s Consultation Policy. Consultation methods include:

- Advertisements placed in the Murray Valley Standard newspaper inviting comments of the Draft Asset Management Plan - Water Supply and Waste Water
- The Draft Asset Management Plan - Water Supply and Waste Water will be available for review and download on Council’s website utilising the “Let’s Talk” branding and at the Local Government Centre.

A key to the success of Council Draft Asset Management Plan - Water Supply and Waste Water is the development, documentation of the fundamental Levels of Service (LoS)
required to meet the communities’ expectations, but deliver them at a level the community can afford.

To ensure these LoS are in line with the communities’ desires, a significant consultation process will be required. This process may result in the service levels of some asset categories reducing, while others may increase significantly, while keeping in mind the ability to generate additional income is limited. Getting this balance correct will be an ongoing process and will require well planned communication strategies with significant Elected Member buy in.

Strategic Plan
Goal 1 - A Valued Environment
1.1 - Current Assets

Recommendation
1. That item number 4.2 on Audit Committee agenda of 1 March 2017 be received.

Attachments
1. Draft Water Supply and Waste Water AMP

Darryl Webb moved
1. That item number 4.2 on Audit Committee agenda of 1 March 2017 be received.

Seconded by Peter Canaway and CARRIED
Water Supply and Waste Water Asset Management Plan

2017 - 2021

Author: Matt James & Judy Howland
Date: February 2017
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Attachment 1  Draft Water Supply and Waste Water AMP
Attachment 1

Draft Water Supply and Waste Water AMP
1. EXECUTIVE SUMMARY

The Rural City of Murray Bridge’s vision is to be connected with and working towards the aims and aspirations of its community.

In order to achieve this Council must service and maintain its current asset inventory

“FOR EVER”

At a cost the community can afford.

The Water Supply and Waste Water Asset Management Plan provides a strategic road map and framework for the successful achievement of this vision.

1.1. What Council Provides

The Rural City of Murray Bridge (RCMB) delivers a variety of services to the community and in doing so, must ensure that the assets supporting these services are managed in a way that guarantees maximum performance for the lowest ‘whole of life’ cost.

The RCMB Water Supply and Waste Water assets represent an investment that supports modern living in the community. Hundreds of thousands of dollars are spent annually managing and maintaining the City’s Water Supply and Waste Water and it is imperative that the City employs the most appropriate management skills and practices to ensure that related services are delivered economically and sustainably.

RCMB has demonstrated a strong commitment to asset management. This is shown through the strategies contained in the Strategic Plan and the adoption of Asset Management and Asset Accounting Policies in 2013. These policies present the RCMB Asset Management key principles which are:

- Undertake a whole of organisation approach to asset management
- Provide sustainable Water Supply and Waste Water assets
- Engage the community to ensure the most appropriate Water Supply and Waste Water assets are provided to an agreed level of service that they can afford
- Adequately fund the renewal of identified Water Supply and Waste Water assets
- Understand and minimise whole of life costs for Water Supply and Waste Water assets through long term planning
- Continually improve our knowledge of the assets we manage
Minimise risk through a co-ordinated approach to asset management

Included in this plan are the assets associated with RCMB’s two Community Waste Water Management Systems (CWMS) located at Riverglen and Woodlane:

- Pipes – Water Supply and Sewer
- Pumps
- Water Filtration Plant
- Sub Water Meters
- Communications Modules
- Tanks
- Valves, Pits and Inspection Points
- Treatment Facilities

Included in separate Asset Management Plans are:

- Civil & Transport Infrastructure
- Buildings
- Stormwater
- Recreational Facilities

1.2. What does it Cost?

There are 2 key indicators used to determine the cost to provide the services delivered by Council assets:

- The life cycle cost, being the average cost over the life cycle of an asset
- The total maintenance and capital renewal expenditure required to deliver existing service levels in the next 10 years covered by Council’s Long Term Financial Plan

1.3. Plans for the Future

RCMB plans to operate and maintain the Water Supply and Waste Water assets as above to achieve the following strategic objectives:

- Ensure that its infrastructure is maintained at a safe and functional standard as set out in this asset management plan
- Ensure that its infrastructure is renewed or replaced as appropriate in order to achieve best asset productivity
- Ensure that Council achieves acceptable service delivery and financial sustainability
1.4. Measuring our Performance

1.4.1 Quality
RCMB’s Water Supply and Waste Water assets will be maintained in a ‘reasonably’ usable condition. Defects found or reported that are outside our service standard will be prioritised based on risk and repaired.
RCMB will aim to maintain a baseline Overall Condition Index (OCI) of 2 for its Water Supply and Waste Water assets at all times. Details of the current OCI are given in Section 6.

1.4.2 Function
RCMB’s intent is that our Water Supply and Waste Water assets are maintained in partnership with neighbouring local government authorities, other levels of government and stakeholders to ensure a safe and functional network for the general public.
We need to ensure key functional objectives are met:

- To provide Water Supply and Waste Water assets to agreed targets of safety and function.
- To provide and maintain Water Supply and Waste Water services to community requirements within the resources available
- To manage Water Supply and Waste Water assets to statutory requirements and community needs

1.4.3 Safety
RCMB will inspect all Water Supply and Waste Water assets regularly and prioritise and repair defects in accordance with our inspection schedule using conventional risk management practices (likelihood versus consequence) to ensure they are safe.

1.5. The Next Steps
The actions resulting from this Asset Management Plan are:

- Condition assessments for all Water Supply and Waste Water assets will be conducted on a regular basis (3-5 years). The development of Condition Assessment Manuals and a rolling 3-5 program for assessments are included as Improvement Actions in this Plan.
- Revaluation of non-current assets (12 months)
- Move towards proactive works with less reactive maintenance
- Align whole of life costs with depreciation (funding a level of service)
- Develop a 10 year works program
- Lifecycle management cost calculations at capital project conception
- Risk Management Plan
2. INTRODUCTION

2.1. Background

2.1.1. The Rural City of Murray Bridge

The Rural City of Murray Bridge is a thriving region located on the banks of the Murray River well placed in terms of its geographic location and just a short drive from Adelaide. Being on the national road network with road and rail access to the eastern states and Adelaide, its proximity to metropolitan Adelaide, connection to the South Eastern Freeway, land affordability, investment opportunities and river connection make the Rural City of Murray Bridge an appealing place to live, work and visit.

As a major agricultural district, the Council area supports irrigated horticulture and dairy along the river as well as cropping and intensive animal keeping throughout the rural areas. Primary and secondary industries are clustered around Murray Bridge and Monarto with the area offering significant opportunity for expansion outside of metropolitan Adelaide.

Murray Bridge is a bustling vibrant regional centre, offering a wide range of facilities and services to the local and regional community including residents of the Murraylands, Adelaide Hills and Fleurieu Peninsula.

The Rural Communities of Callington, Jervois, Wellington, Monarto, Mypolonga, Woodlane, Riverglen, White Sands, Monteith and Woods Point have a unique identity, maintaining their rural character whilst providing diverse housing options and community support services.

The Council area has a rich heritage; situated on the traditional lands of the Ngarrindjeri people and the location of the first bridge to cross the Murray River that was completed in 1879.

Monarto Zoo is a major tourist attraction and along with water based activities and house boating on the Murray River there are many key attractions for locals and visitors to the area.

A map of the Rural City of Murray Bridge is shown in Figure 1.
2.1.2. Purpose of Asset Management Plans

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

The identification of future needs, management options and cash flows provides the ability to even out peak funding demands. In this way, Asset Management Plans assist the Council and Executive in making informed decisions in relation to the allocation of resources and to communicate this information to the public.

2.1.3. Scope of this Asset Management Plan

This Water Supply and Waste Water Asset Management Plan provides the framework to deliver optimum operation performance of the Council’s Water Supply and Waste Water assets at the lowest lifecycle cost and to agreed levels of service. For the purposes of this plan, Water Supply and Waste Water assets are:

- Pipes and Rising Mains – Water Supply and Sewer
- Pumps
Audit Committee
Wednesday 1 March, 2017
Public Minutes

- Filtration Plant
- Sub Water Meters
- Communications Modules
- Tanks
- Valves, Pits and Inspection Points
- Treatment Facilities

Assets on Council’s land such as Buildings, Stormwater, Footpaths, Signs and Recreational Facility assets are excluded from this Plan as they are covered in separate Asset Management Plans.

The break-up of the Water Supply and Waste Water assets that Council is responsible for is shown in Table 1.

At 1 July 2016 the total Replacement Value of Council’s Water Supply and Waste Water assets was estimated to be $1,475,651.41.

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<td></td>
<td><strong>$1,475,651.41</strong></td>
</tr>
</tbody>
</table>

Table 1: Replacement Values of Council Assets

2.2. Linkages to the RCMB Strategic Plan

The Rural City of Murray Bridge is required by the Local Government Act 1999 to apply a strategic planning approach to all activities. The Strategic Plan is a high level document connected to a number of other plans which contain more detailed actions. Achievement of our goals depends on us working collaboratively with our strategic partners and the community. Table 2 details the Water Supply and Waste Water Asset Management Plan links to Council’s Strategic Goals, Objective and Strategies.

The Asset Management Plan provides guidance to Council’s Financial Strategy and to the Council Annual Business Plan. From this, the Capital Works Program for Infrastructure maintenance and renewals is developed. Figure 2 details how Asset Management Plans fit within Council’s strategic framework.
<table>
<thead>
<tr>
<th>Objectives</th>
<th>Strategies</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOAL 1: Economic</strong></td>
<td>To build on the strengths of the region and create competitive advantages and grow jobs.</td>
<td></td>
</tr>
<tr>
<td>1.2 - Improve regional and local infrastructure</td>
<td>1.2.1 - Partner with Regional Development Australia (Murraylands and Riverland) to: Advocate and plan for the timely provision of enhanced land, rail and all transport infrastructure. Engage in cross-regional partnership to ensure the Murraylands is well positioned to be an exemplar for fresh food production and processing</td>
<td>• Number of Developments • Approvals In Industrial zone • Number of Development Approvals – major developments • New Infrastructure projects – number/type/cost</td>
</tr>
<tr>
<td><strong>GOAL 2: Environmental</strong></td>
<td>To develop, protect and strengthen our natural and built environments</td>
<td></td>
</tr>
<tr>
<td>2.2 - Improve the quality and diversity of the built environment and public realm</td>
<td>2.2.3 - Plan for, manage and facilitate transport and traffic management initiatives within urban and rural areas 2.2.6 - Maintain Council's assets and Infrastructure through the Implementation of Council's Asset Management Plans</td>
<td>• Maintaining a level of service the community can afford</td>
</tr>
<tr>
<td>2.3 - Facilitate sustainable opportunities for wastewater use and reuse</td>
<td>2.3.1 - Facilitate water independence through development of Integrated Water Management plans including identifying, addressing and implementing water harvesting/balancing re-use and recycling opportunities. 2.3.2 - Promote opportunities for Innovative water sensitive design principles in all developments 2.3.3 - Investigate and implement Innovative water sensitive management practices through key partnerships</td>
<td>• Reduction in Stormwater into the river • Amount (“litres”) of mains water used to irrigate public open space</td>
</tr>
<tr>
<td><strong>GOAL 3: Social</strong></td>
<td>A healthy, safe and connected community that celebrates diversity, heritage and culture</td>
<td></td>
</tr>
<tr>
<td>3.1 - Provide appropriate open space for the community and visitors</td>
<td>3.1.2 - Continue to develop and maintain parks, gardens, reserves and other open spaces in an economic and environmentally sustainable manner</td>
<td>• Open Space strategy to be completed • % of land devoted to open space that is accessible to the public</td>
</tr>
<tr>
<td>3.2 - Ensure leisure, recreation and sporting activities and facilities are available for the community and visitors</td>
<td>3.2.3 - Develop and maintain recreational trails</td>
<td>• Recreation and Sports Plan to be completed • Length of recreation trails planned designed and developed.</td>
</tr>
<tr>
<td><strong>GOAL 4: Organisation</strong></td>
<td>A progressive, responsive and innovative organisation that supports its customers whilst maintaining a high standard of governance and accountability</td>
<td></td>
</tr>
<tr>
<td>4.4 - Develop a</td>
<td>4.4.1 - Improve and monitor organisational</td>
<td>• Number of service reviews completed</td>
</tr>
<tr>
<td>Objectives</td>
<td>Strategies</td>
<td>Indicators</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>------------------------------------------------------</td>
</tr>
<tr>
<td>sustainable organisation</td>
<td>performance and quality of service delivery</td>
<td>• Procurement road map completed</td>
</tr>
<tr>
<td></td>
<td>4.4.4 – Develop and implement a financial sustainability framework</td>
<td>• Financial sustainability framework completed</td>
</tr>
<tr>
<td></td>
<td>4.4.5 – Implement national frameworks to report on asset planning and management</td>
<td>• Asset management plans completed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Communication strategy completed</td>
</tr>
</tbody>
</table>

**Table 2: Council Goals and How They are Addressed in this Plan**
2.3. **Key Stakeholders**

In developing any Asset Management Plan it is important to understand the role of the key stakeholders that have an interest in the management of the assets class.

Table 3 details the key groups that have an interest or involvement in the management and use of the Water Supply and Waste Water network and related assets.

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Asset Management Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elected Members</td>
<td>Endorsement of the asset management policy, strategy and plans. Setting high level direction through the development of asset management principles in the Community Strategic Plan.</td>
</tr>
<tr>
<td>Executive Management</td>
<td>Endorse the development of asset management plans and provide the resources required to complete this task. Set high level priorities for asset management development in Council and raise the awareness of this function among Council staff and contractors. Support the implementation of actions resulting from this plan and prepare to make changes to a better way of managing assets and delivering services. Support for an asset management driven budget and Long Term Financial Plan.</td>
</tr>
<tr>
<td>Corporate Services and Infrastructure &amp; Assets Staff</td>
<td>Managing the Asset Register and ensuring the asset valuations are accurate. Development of supporting policies such as capitalisation and depreciation. Preparation of asset sustainability and financial reports incorporating asset depreciation in compliance with current Australian Accounting Standards.</td>
</tr>
<tr>
<td>Operations Staff</td>
<td>Providing local knowledge and detail on all infrastructure assets. Performing repairs and maintenance on assets. Undertaking selected capital works projects.</td>
</tr>
<tr>
<td>Assets: Pty Ltd</td>
<td>Providing support for the development of asset management plans and effective asset management principles within Council. Independently endearing asset revaluation methodology.</td>
</tr>
<tr>
<td>External Parties</td>
<td>Community residents &amp; businesses Tourists and Visitors (as occasional users) Neighbouring Councils Road Users Emergency services Developers &amp; Utility companies Local Businesses Federal and State Government authorities.</td>
</tr>
</tbody>
</table>

**Table 3: Key Stakeholders in Council’s Assets**
2.4. Asset Management Maturity

A detailed analysis of Council’s "Asset Management Health" has been undertaken in order to determine where gaps in current information, processes and policies lie. In developing the Water Supply and Waste Water Asset Management Plan some of these gaps will be filled and others will be earmarked for rectification in an ongoing improvement Plan.

As Council continues to develop its strategic asset management processes and practices, key improvements in the past two years include:

- Asset Register 95% accurate for all Water Supply and Waste Water.
- Asset Management Plans 90% complete.
- Asset Management Working Group (AMWG) established and operational.
- Revaluation of all Road, Footpath, Kerb, Bridge, Car Park, Sign and Stormwater assets.

2.5. Asset Management Plan Framework Applicable to this Plan

In March 2007 the Local Government and Planning Ministers’ Council (LGPMC) agreed to a nationally consistent approach to asset planning and management, financial planning and reporting and assessing financial sustainability. Each State Minister endorsed the National Framework for Financial Sustainability in Local Government for implementation in the context of their relationships with their local government sectors.

The National Framework consists of three main components as follows:

- Asset Planning and Management which incorporates:
  - Asset Management Policy
  - Asset Management Strategy
  - Governance and Management
  - Levels of Service
  - Data and Systems
  - Continuous Improvement Program
  - Evaluation of effectiveness

- Financial Planning and Reporting which incorporates:
  - Long-term Strategic Plan
  - Annual budget
  - Annual Financial Statements and Annual Report

- Criteria for Assessing Financial Sustainability:
  - A council’s long-term financial performance and position is defined as sustainable when “planned long term services and infrastructure standards are met without unplanned increases in rates and charges, or disruptive cuts to services”
2.5.1. Plan Framework

The key elements of this plan are:

- Levels of service – specifies the types and levels of service the council provides.
- Future demand – how this will impact on future service delivery and how this is to be met.
- Life cycle management – how Council will manage its existing and future assets to provide the required services.
- Financial summary – what funds are required to provide the required services that meet both Technical standards and Community expectations.
- Asset management practices.
- Monitoring – how the plan will be monitored to ensure it is meeting Council’s objectives.
- Asset Management Improvement Plan.

The structure of an Asset Management Plan is shown in Figure 3. It also shows the process flow in developing a Plan.
Figure 3: Structure of an Asset Management Plan (Source: IIMM¹ Fig 1.5.1, p 1.11)

¹ International Infrastructure Management Manual
2.5.2. Core and Advanced Asset Management

This Asset Management Plan is prepared as a ‘Core’ or basic asset management plan in accordance with the International Infrastructure Management Manual. It is prepared to meet minimum legislative and organisational requirements for sustainable service delivery and long term financial planning and reporting.

Core asset management is a “top down” approach where analysis is applied at the ‘system’ or ‘network’ level. Future revisions of this asset management plan will move towards ‘Advanced’ asset management using a “bottom up” approach for gathering asset information for individual assets to support the optimisation of activities and programs to meet agreed service levels.
3. ASSET FUNCTION AND LEVELS OF SERVICE

Levels of Service relate to outcomes the customer receives in terms of quality, quantity, responsiveness and performance as provided by the asset.

To achieve and sustain acceptable standards of service, Council’s Water Supply and Waste Water assets require an annual commitment of funds. These funds provide for regular and responsive maintenance and for timely renewal or replacement of the assets. The provision of adequate financial resources ensures that the assets are appropriately managed and preserved.

Maintenance and renewal funding below the levels required impacts directly on community development and if prolonged, results in substantial needs for “catch up” expenditure imposed on ratepayers in the future. Additionally, deferred renewal results in increased and escalating reactive maintenance as aged assets deteriorate at increasing rates.

In developing the levels of service, Council has given due regard to the strategic goals and objectives set out in the Council’s Strategic Plan. Additionally, due regard has been given to legislative requirements, Australian Standards and stakeholder expectations.

The levels of service documented in this Plan therefore reflect the best assumptions of current levels of service provided by Council, for the benefit of the community, in the context of Council’s financial and human resources.

3.1. Asset Hierarchy

Applying an Asset Hierarchy assists in the prioritisation of funding, maintenance scheduling, response times and intervention levels for repairing minor defects and attending to other issues with the Water Supply and Waste Water network.

The production of an hierarchy for Council’s Water Supply and Waste Water assets has been included as one of the improvement Actions to be carried out under this Plan.

3.1.1. Community Expectations and Consultation

The Rural City of Murray Bridge will initially carry out extensive consultation sessions with Elected Members on its entire Water Supply and Waste Water asset inventory in order to set levels of service that meet the community’s expectation. The first step towards this is to investigate the most effective option for researching and measuring the community expectations. Once the methodology has been determined, a timetable for the consultation process can be established.

These actions have been included as Improvement Actions to be carried out under this Plan.

The level of community expectation and aspirations, and the process of managing these is an integral part of the ongoing maintenance of the Water Supply and Waste Water Asset Management Plan.

In implementing this Plan, it is the goal of Council to achieve a state of equilibrium where by the level of service desired by the community is met, but at a level they can afford.
3.2. Legislative Requirements

The Rural City of Murray Bridge must meet many legislative requirements including Australian and State legislation and State regulations. These key requirements are set out in Table 4.

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Government Act, 1999</td>
<td>Sets out role, purpose, responsibilities and powers of local governments including the preparation of a long term financial plan supported by asset management plans for sustainable service delivery.</td>
</tr>
<tr>
<td>Australian Accounting Standards</td>
<td>Prescribes requirements for recognition and deprecation of property, plant and equipment assets.</td>
</tr>
<tr>
<td>Environment Protection Act, 1993</td>
<td>Places a “duty of care” on Council to not undertake activities that will cause environmental harm.</td>
</tr>
<tr>
<td>Environment Protection Regulations, 2009</td>
<td></td>
</tr>
<tr>
<td>Work Health and Safety Act, 2012</td>
<td></td>
</tr>
<tr>
<td>Work Health and Safety Regulation, 2012</td>
<td>The responsibility of the Council to provide safe work practices and work site.</td>
</tr>
</tbody>
</table>

Table 4: Key Legislative Requirements

In addition, RCMB complies with the following legislation, codes, standards, criteria and guidelines specific to Water Supply and Waste Water schemes.

- Water Industry Act 2012 and Regulations 2012
- Work Health and Safety Act 2012 and Regulations 2012
- Workers Rehabilitation and Compensation Act 1986
- South Australian Public Health Act 2011 and Regulations [Waste Water] 2013
- Water Resources Act 1997
- Natural Resources Management Act 2004 and associated Regulations
- Local Government Act 1999
- Environment Protection Act 1993
- Environment Protection (Water Quality) Policy 2003
- Dangerous Substances Act 1999 and associated Regulations 2008
- Livestock Act 1997 (specifically Section 3.6)
- Guidelines, Design Criteria and Standards for Community Waste Water Management Schemes (LGA)
- Community Wastewater Management System Codes 2013 (DHA)
- Sewerage Code of Australia (WSA 02) and any SA Water supplementary documentation
- Water Supply Code of Australia (WSA 03)
- Sewage Pumping Station Code of Australia (WSA 04)
- Vacuum Sewerage Code of Australia (WSA 06)
- Pressure Sewerage Code of Australia (WSA 07)
• AS/NZS 3500: Plumbing and drainage
• AS/NZS 4020: Testing of products for use in contact with drinking water
• AS/NZS 5667: Water quality - Sampling - Guidance on the design of sampling programs, sampling techniques and the preservation and handling of samples
• AS/NZS 2031: Water quality - Sampling for microbiological analysis (ISO 19458:2006, MOD)
• AS/NZS ISO 3100: Risk management - Principles and Guidelines
• The National Construction Code (NCC) Volume 3 Plumbing Code of Australia (PCA)
• Standard Form: Technical Specification-Construction of Septic Tank Effluent Drainage Schemes [DH, LG]
• Septic Tank Effluent Drainage Scheme Design Criteria [DH, LG]
• South Australian Biosolids Guidelines for the Safe Handling, Reuse or Disposal of Biosolids [EPA]
• South Australian Recycled Water Guidelines [DHA]
• Australian Guidelines for Water Recycling: Managing Health and Environmental Risks (Phase I) [NRMCC, EPIC]
• Australian Drinking Water Guidelines

3.3. Current Levels of Service

3.3.1. Level of Service Description

The `level of service` is the defined service quality for a particular activity or service area against which service performance can be measured. They provide the basis for the life cycle management strategies and works programme identified within the Asset Management Plan.

Levels of service support the Organisation’s strategic goals and are based on customer expectations and statutory requirements.

Levels of service can be broken down into three basic aspects:

- Function – its purpose for the community,
- Design Parameters – what is required of the asset?
- Performance & Presentation – the effectiveness of the asset and the service it provides.

3.4. Technical Levels of Service

The Community-based Service Levels provide high-level targets for asset portfolio performance. Detailed Technical Levels of Service are required to assess performance on a day-to-day basis to guide decision making and work flows. The prime objective in setting the Technical Levels of Service is to set targets that will lead to achieving the desired Community-based Service Levels.

Technical Levels of Service can be assessed based on 3 specific measures:

- Network Condition Assessment
- Defect Assessment
- Hazard Assessment
3.4.1. Network Condition Assessment

The Network Condition Assessment is an overall measure of a network’s health and is used as a tool to develop long term works programmes and assists in financial modelling.

In order to measure the health of RCMB’s Water Supply and Waste Water assets and develop an overall condition index (OCI) a detailed assessment of each component is undertaken periodically. Each component is given a rating out of 5 which is fed into Council’s corporate asset management software package to determine the OCI.

As part of the ongoing improvement plan, Council will develop a Water Supply and Waste Water Condition Assessment Manual detailing the following:

- Criteria and Components to be assessed
- Measurement Criteria (what to measure and how to measure it)
- Minimum service levels linked to asset hierarchy

Asset condition assessments to determine OCI and revaluations (to determine “Fair Value”) are to be undertaken every 3 years and need to be funded as part of the asset management process.

3.4.2. Asset Defect Inspections

Defect inspections are a medium term assessment of the network and are considered “Responsive Works”. They are undertaken on an agreed frequency linked to the park hierarchy and legislative requirements. For example, playgrounds are inspected monthly in addition to an annual condition audit.

Defects found on these inspections are risk assessed and programed for rectification.

3.4.3. Asset Hazard Inspections

Hazard inspections are reactive; they are a short term assessment of an asset’s condition based on reports made by the public or Council. Hazard inspections are undertaken on an as-needed basis where a risk assessment will be undertaken to determine the need and time for rectification.

3.5. Community Levels of Service

Community Levels of Service communicate the philosophies of Council in relation to the management of the asset classes including the rehabilitation and renewal of these assets as they deteriorate due to age and use.

An Asset Management Working Group (AMWG) has been formed in order to provide Council-wide input into the development of asset management performance standards and procedures. An early task for AMWG is to review these levels of service. Following a review by the AMWG, it is intended to have the Community-based Service Levels adopted by Council.

The community based levels of service must be directly linked to Council’s technical levels of service.
3.6. Desired Levels of Service

In general most Councils have historically set the level of service targets using past customer requests and complaints as the prime reference. This has not always resulted in targets that were both achievable and affordable.

The development of desired levels of service targets through appropriate consultation will result in aspirational goals that are deliverable and affordable.

Levels of Service need to be developed considering the following criteria in order of priority:

- Legislative requirements
- Technical Standards (Australian Standards)
- Economic feasibility
- Community requirements

Target groups for the consultative process are:

- Councillors
- Council staff
- RCMB community
- Industry representatives operating within the council

The development and ongoing review of Desired Levels of Service has been included as an Improvement Action to be carried out under this Plan.
4. FUTURE DEMAND

4.1. Demand Forecast

Factors affecting demand include major development, population change, changes in demographics, seasonal factors, consumer preferences and expectations, economic factors, agricultural practices, projects in the region, environmental awareness, etc.

Key factors influencing the demand for Water Supply and Waste Water assets in the Rural City of Murray Bridge include:

- Increased tourism promoted in the towns
- Development including major residential land subdivisions

Forecasting future population levels is very difficult to do with any confidence as the population growth (or loss) is so dependent on the industry and development which is directly linked to the economy.

4.1.1. Gifford Hill

Gifford Hill is a proposed equine and residential village development to be built on greenfield land incorporating the new Murray Bridge Racing Club.

The 809 hectare Gifford Hill lies within the Murraylands Region and sits just south of the Murray Bridge Town Centre, bounded by the South Eastern Freeway to the north, Brinkley Road to the east, Usher Road to the South and Kochler Road to the West.

The west-east sloping land has been utilized for farming, with pockets of dense vegetation that will be retained as part of the natural open-space areas of the new site. Gifford Hill has been identified as a new township growth area as part of the State Government’s 30 Year Urban Growth Plan.

The proposed development will generate a forecasted population growth of between 7,000 to 10,000 people over the next 10 years. This population will accommodate the approximately 55 rural living and 250 residential allotments.

Gifford Hill will have a significant impact on RCMF's current asset inventory, in particular Brinkley Road, Old Swanport Road and the White Hill Interchange as well as other services such as waste collection and community services.

RCMB will also become responsible for the assets built within the Gifford Hill development. All roads, stormwater, parks and gardens will have an impact not only on Council's short term budgets, but for all Council budgets for ever more.

4.1.2. Newbridge

Newbridge is a proposed residential development located on the current Murray Bridge Race Course between the Murray Bridge Golf Club, Maurice Road, Mulgundawah Road and Melville Terrace.

Over the next 3 to 7 years it is proposed to accommodate approximately 275 residential allotments, although proposed designs have seen figures as high as 370 allotments proposed with additional facilities such as tourist accommodation, a local centre and Water Supply and Waste Water such as AFL ovals.
The progression of Newbridge is reliant on the successful relocation of the Murray Bridge Race Course to Clifford Hill.

Newbridge will also have significant impact on Council’s current asset inventory. The most significant impact will be the stormwater generated and potential runoff. Detailed stormwater management plans will need to be developed as part of the design process. Road infrastructure will also be impacted, in particular the intersection of Brinkley Road, Maurice Road and Mulgundawah Road where a major upgrade will be necessary.

4.1.3. Monarto

Future demand and potential growth is considered ‘negligible’ and demand has been identified as very difficult to gauge as there is no specific township environment established at Monarto. It is considered premature to plan for residential development, although small scale residential development could be combined with the expanded zoo area. A future Development Plan Amendment has been identified as a high priority; however this will focus on expanding the Light Industry Zone and enhancing environmental and tourism assets.

4.1.4. Mypolonga

Current levels of service within the Mypolonga region are considered to be adequate for any potential growth and therefore are considered negligible.

4.1.5. Callington

Much of the township of Callington is contained within the District Council of Mt Barker.

It is anticipated that over the next 30 years an additional 130 dwelling sites will be required to meet demand. With the current level of infrastructure in Callington future growth is considered to have a negligible impact on council's assets.

Hillgrove Resources currently operate the Kanmantoo Copper Mine to the north of Callington. This mine operates within the District Council of Mt Barker but transportation of ore via road transport utilises the Old Princess Highway located within RCMB.

4.1.6. Monteith

Limited scope for future development therefore considered negligible.

4.1.7. Woods Point

Fully developed with no potential to contribute to further land supply.

4.1.8. Jervois

Future demand and potential growth in Jervois is considered negligible. Analysis indicated that over the next 15 years current supply will meet demand.

4.1.9. Wellington

Wellington has an extensive area containing approximately 130 undeveloped allotments in southern portion of the County Township zone, although planning and environmental issues may restrict the extent of development.

The Rural Communities study suggests that there is sufficient supply of dwelling sites to meet demand over the next 30 years.

Similarly, future demand for RCMB infrastructure in Wellington is considered negligible.
4.1.10. White Sands
The current River Murray Settlement Zone located at White Sands has significant land available for development. This could allow for 233 additional residential allotments having a reasonable impact on council infrastructure, in particular the generation of new assets that will come under the ownership of RCMB.

4.2. Changes in Technology
Council is continuously monitoring new asset treatments or changes within the industry that may be available to adopt or implement to increase the life of its assets. Technology changes that could affect the delivery of services covered by this Water Supply and Waste Water Asset Management Plan are documented in Table 5.

<table>
<thead>
<tr>
<th>Technology Change</th>
<th>Effect on Service Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>New technology for purification of water and sewerage</td>
<td>Reduction in pre-treatment plant, reduction in power and chemical requirements, reduction in costs.</td>
</tr>
<tr>
<td>Improvements to Solar Power</td>
<td>Reduction in emissions from current power generation, reduction in power bills, renewable energy, no need to connect to existing power source which may be some distance away. Require battery to store power for peak and low sun times.</td>
</tr>
<tr>
<td>Micobiological pond de-sudging processes</td>
<td>Reduce the need to manually excavate sludge from Oxidation Lagoon, reducing the risk of damaging the lining of the lagoon</td>
</tr>
<tr>
<td>High Rate Algal Pond (HRAP)</td>
<td>Gives the same performance as a standard lagoon but in one quarter of the area.</td>
</tr>
</tbody>
</table>

Table 5: Technology Changes that have a potential impact on Council’s Water Supply and Waste Water Assets

4.3. Demand Management Plan
Demand for new services will be managed through a combination of managing existing assets, upgrading of existing assets and providing new assets to meet demand and demand management. Opportunities for demand management including non-asset solutions will be developed in future revisions of this Asset Management Plan.

4.4. New Assets from Growth
The new assets required to meet growth will be acquired from land developments or will be constructed by Council. Acquiring these new assets will commit Council to fund ongoing operations and maintenance costs for the period that the service provided from the assets is required.

Future versions of this Asset Management Plan will consider the impacts of growth in greater detail.
5. RISK MANAGEMENT

The Rural City of Murray Bridge recognises that risk management is an integral part of good management practice and an essential element of good corporate governance.

In this regard, risk management should be embedded into the organisation’s philosophy and form part of the continuous improvement process to mitigate against risks and maximise opportunities in our business. Although the concept of risk is often interpreted in terms of hazards or negative impacts, the current Risk Standard ISO 31000:2009 is concerned with risk as exposure to the consequences of uncertainty, or potential deviations from what is planned or expected and the impact this may have on an Organisation’s objectives. Organisations that manage risk effectively and efficiently are more likely to achieve their objectives and to do so at a lower overall cost.

All levels of staff have a role to play in integrating risk management activities into their Business Unit environment.

This framework aims to cover five (5) areas across the organisation:

- Strategic – risks associated with high level goals, objectives and strategies
- Operational – risks associated with functions / operations on a daily basis
- Reporting – the reliability of reporting, its effectiveness and the assurance it provides
- Compliance – risks associated with regulatory and compliance risks
- Project – risks associated with projects

Successful implementation of the framework will demonstrate that risks and opportunities are being systematically identified, rigorously analysed and effectively managed on an organisational wide basis. This will provide an increased level of assurance to the Council, the Audit Committee and Executive Management that the organisation’s business objectives are being achieved.

5.1. Risk Principles and Process

Risk Management requires more than simply adopting a policy. It requires embedding risk management into every aspect of Council’s operations.

The organisational risk management framework aims to:

- Align risk appetite/tolerance with strategy
- Enhance risk response decisions, identify opportunities for business improvement
- Identify and manage business unit and whole of organisation risks

The organisations risk appetite / tolerance is:

- The level of risk the business unit and whole of organisation is prepared to tolerate
- Individual and composite risks falling within pre-determined acceptable tolerances
It is determined by:

- Assessing the nature and extent of the risks associated with business unit operations
- Deciding an acceptable level of risk
- Monitoring and reporting the level of risk exposure
- Evaluating the need for insurance

The risk appetite/tolerance is monitored by Council's Audit Committee and may be subject to change as the organisation’s risk management culture and capability develops or as a result of changing circumstances. Risk management is applied to all levels in the life of a process, service, project or asset. Maximum benefit is usually obtained by integrating and applying the risk management process at the start of all processes.

In summary, all parts of the organisation must review their business activities to identify any opportunities for business improvement. Identify each risk, their cause(s) and existing controls then analyse each risk against likelihood and consequence values to determine a risk rating, and where required, develop treatments to mitigate against the risk. The aim is to capture opportunities and manage residual risk within the organisation’s overall risk appetite/tolerance.

The organisation’s primary risk management process follows the Australian/New Zealand Standard – Risk Management AS/NZS ISO 31000 seven-step process (refer to Figure 4). These generic processes provide a structured framework for managing strategic, operational and project management risks across business unit and organisation levels.
5.2. Risk Management Framework

5.2.1. Objectives

Council’s risk management framework (refer to Figure 5) enables the organisation to achieve:

- A more confident and rigorous basis for business planning (both strategic and operational), project management and decision-making
- Better identification of opportunities and threats to achieving our business objectives and delivering on priorities for the community
- More effective allocation of physical, human and financial resources in delivering services
- Improved business resilience by recognising the value of taking an holistic and integrated approach to risk management, compliance, security, emergency and crisis management, business continuity and disaster recovery
- Improved compliance with relevant legislation
- Ensuring a continuous improvement regime across Council
- The community having increased confidence in Council’s operations
5.3. **Risk Assessment**

The key risk management criteria relating to Council’s Water Supply and Waste Water assets include:

- Operations/IT (Activities or Service Delivery)
- Financial
- Environmental Impact
- Safety & People (Staff & Public)
- Public Image & Reputation
- Governance/Compliance
- Project Consequences – Time, Quality, Cost

See Table 6 for details about the different levels of risk that can occur for each criteria.
### Risk Assessment Matrix

<table>
<thead>
<tr>
<th>Consequence</th>
<th>Significant</th>
<th>Minor</th>
<th>Moderate</th>
<th>Minor &amp; Significant</th>
<th>Major</th>
<th>Extreme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Insignificant damage to non-critical services or activities</td>
<td>Medium damage to non-critical services or activities</td>
<td>Severe damage to non-critical services or activities</td>
<td>Severe damage to critical services or activities</td>
<td>Severe damage to critical services or activities</td>
<td>Severe damage to critical services or activities</td>
</tr>
<tr>
<td>Environmental Impact</td>
<td>Physical or environmental damage, remediation required</td>
<td>Environmental damage, remediation required</td>
<td>Major environmental damage, remediation required</td>
<td>Severe environmental damage, remediation required</td>
<td>Severe environmental damage, remediation required</td>
<td>Severe environmental damage, remediation required</td>
</tr>
<tr>
<td>Safety &amp; Public (Staff &amp; Public)</td>
<td>Minor injury that may require medical attention</td>
<td>Serious injury requiring ongoing medical treatment</td>
<td>Extensive injuries that require hospitalization</td>
<td>Severe injuries that require hospitalization</td>
<td>Severe injuries that require hospitalization</td>
<td>Severe injuries that require hospitalization</td>
</tr>
<tr>
<td>Public Image &amp; Reputation</td>
<td>No impact on reputation or media interest</td>
<td>Moderate impact on reputation or media interest</td>
<td>Severe impact on reputation or media interest</td>
<td>Severe impact on reputation or media interest</td>
<td>Severe impact on reputation or media interest</td>
<td>Severe impact on reputation or media interest</td>
</tr>
<tr>
<td>Governance/Compliance</td>
<td>Minor regulatory consequence, no penalties</td>
<td>Major regulatory consequence, penalties</td>
<td>Severe regulatory consequence, penalties</td>
<td>Severe regulatory consequence, penalties</td>
<td>Severe regulatory consequence, penalties</td>
<td>Severe regulatory consequence, penalties</td>
</tr>
<tr>
<td>Project Consequences</td>
<td>Minor impact on project milestones</td>
<td>Significant impact on project milestones</td>
<td>Severe impact on project milestones</td>
<td>Severe impact on project milestones</td>
<td>Severe impact on project milestones</td>
<td>Severe impact on project milestones</td>
</tr>
</tbody>
</table>

### Table & Risk Consequences

- **Table**: The table outlines various risk consequences and their impacts under different categories such as financial, environmental, safety & public, public image & reputation, governance/compliance, project consequences, and cost. Each category is further divided into subcategories with specific descriptions of impact levels.
5.4. Identify risks

The next step in the process is to identify and list all risks that may influence the process or service action or project under assessment through Council’s electronic risk management program (CAWMS Risk Manager). Identify where, when, why and how events could prevent, degrade, delay or enhance the achievement of the objectives.

A comprehensive identification of all potential risks is essential in order that they can be properly analysed and assessed in terms of the adequacy of controls in the remaining steps of the assessment process.

When identifying risks it is important to also consider the causes of each risk. It may be that a particular risk may have more than one potential cause, which may in turn require different controls. For example, the risk of unauthorised access to confidential information may be caused by poor physical security, carelessness on the part of a staff member, poor knowledge of procedures or deliberate release. Each possible cause requires a different control measure. It is important that no significant causes be overlooked when identifying risks.

5.5. Analyse risks

- Risk analysis aims to establish an understanding of the risk
- Identify and evaluate existing control measures
- Determine consequences and likelihood to assess the level of risk.

5.6. Evaluate Risks

The purpose of risk evaluation is to make decisions, based on outcomes of the risk analysis, about which risk treatment, whether an activity should be undertaken, and treatment priorities. Compare estimated levels of risk against the criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.

The evaluation is to consider whether the current control measures are sufficient and the risk is appropriately managed and therefore acceptable. This will often be the case for lower level risks and in such cases, it may be sufficient to simply monitor the risk to ensure any change in the risk status is identified and reacted to early.

Identify and prioritise business improvement opportunities when undertaking an analysis of a risk. Accordingly, give a high priority to those significant business improvements which lead to a high performance outcome for the community. A balance needs to be struck between the costs to implement business improvement opportunities and the benefits to be gained.

5.7. Likelihood

The likelihood rating refers to the potential for the risk to happen, for example its probability or frequency. The likelihood that an event will occur is not always easy to assess. Subjective biases may give rise to different assessments by different people. To avoid this situation, and in order to provide a degree of consistency across the organisation in assessing likelihood, the Table 7 is to be used as a guide.
**Table 7: Likelihood Ratings for Risk Management**

<table>
<thead>
<tr>
<th>Rating Name</th>
<th>Rating Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rare</td>
<td>Event may occur only in exceptional circumstances (&lt; 10% chance of occurring)</td>
</tr>
<tr>
<td>Unlikely</td>
<td>The event may occur at some time, say once in 10 years (10-30% chance of occurring)</td>
</tr>
<tr>
<td>Possible</td>
<td>The event may occur at some time, say once in 10 years (10-30% chance of occurring)</td>
</tr>
<tr>
<td>Likely</td>
<td>The event may occur in most circumstances - once a year (50-80% chance of occurring)</td>
</tr>
<tr>
<td>Almost Certain</td>
<td>Event is expected to occur in most circumstances - more than once per year, or is already happening (&gt;80% chance occurring)</td>
</tr>
</tbody>
</table>

5.8. **Consequences**

The consequences, i.e., the outcome or impact of an event, are to be determined against the relevant category of criteria for a consistent approach to determine a level. Consequence ratings are listed in Table 8.

<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insignificant</td>
<td>Effect is minimal</td>
</tr>
<tr>
<td>Minor</td>
<td>Event requires minor levels of resources and input for easy remediation</td>
</tr>
<tr>
<td>Moderate</td>
<td>Some objectives affected</td>
</tr>
<tr>
<td>Major</td>
<td>Some important objectives affected or cannot be achieved</td>
</tr>
<tr>
<td>Extreme</td>
<td>Disaster with potential to lead to collapse or having a profound effect</td>
</tr>
</tbody>
</table>

**Table 8: Consequences Ratings for Risk Management**

5.9. **Risk Rating**

The overall risk rating is determined by finding the point of intersection between the likelihood rating (vertical axis) and the consequence rating (horizontal axis) shown in Figure 6.

**Figure 6: Risk Matrix**
5.10. Control measures

A control can be defined as an existing process, policy, device, practice or other action that acts to minimise negative risk or enhance positive opportunities. The effectiveness of controls can be rated as either:

- **Adequate** – Controls address the risk, little scope for improvement. No convincing cost / benefit justification to change approach.
- **Opportunities for Improvement** – Controls have inadequacies, improvements identified. Some cost / benefit justification to change approach.
- **Inadequate** – Controls do not appropriately address the risk, immediate need for improvement actions. Significant cost / benefit justification to change approach.

5.11. Treat Risks

If the current control measures are not sufficient, additional risk treatments are to be identified and considered. Treatments are to be designed to either reduce the likelihood of the risk occurring or to reduce the consequences of the risk were it to occur. Ensure the proposed treatment(s) will reduce the risk level to an acceptable level, i.e. medium or low. If, even with proposed additional treatments, it is assessed the risk level will remain at an unacceptable level, serious consideration is to be given as to whether the activity that will create the risk is to be commenced, or continued if already in progress.

A further important consideration in considering risk treatments is the balancing of cost associated with the treatment against the benefit derived from it. In general, the cost incurred in managing risks needs to be commensurate with the benefits gained. Also, consider how risk avoidance regarding one activity can affect the significance of risk in other activities and the total risk profile.

On completion of the risk assessment process a risk treatment plan is to be developed. The plan will prioritise the risks that require treatment, identify the treatments that require implementation, and identify who is responsible for implementing particular treatments. Where appropriate the plan should also identify critical implementation milestones and how these will be measured.

When determining the most appropriate treatment options, all risks need to be considered and their priority levels compared to each other. The resources available to treat these risks also need to be determined. The aim is to effectively identify and prioritise risks and to treat risks according to their priority in the most effective manner with the resources available.

There are five treatment options for managing risk:

- **Avoiding the risk**, by deciding not to start or continue with the activity that creates the succession risk (for example, deciding not to commence a new project that requires a role with rare technical expertise)
- **Changing the likelihood of the situation**, by reducing the misalignments between the demands of the organisation’s critical roles and the potential of the workforce to meet these demands
- **Changing the consequence of the situation**, by minimizing the nature and severity of the impact if the critical role does become vacant

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Attachment 1  Draft Water Supply and Waste Water AMP
- **Sharing the risk** by collaborating with, for example, another organisation
- **Tolerating the risk** without further treatment (in other words, making an explicit decision to retain the risk)
6. LIFE CYCLE MANAGEMENT PLAN

The life cycle management plan details how Council plans to manage its Water Supply and Waste Water assets at the agreed levels of service while optimising life cycle costs.

Life Cycle Management is recognised by Council as an essential component of this Water Supply and Waste Water Asset Management Plan. This section of the plan provides details of RCMB’s data and the processes required to effectively manage, renew and upgrade Council’s Water Supply and Waste Water assets. It also documents the analysis that RCMB undertakes regularly to predict and monitor expected future expenditures required to effectively manage Council’s assets.

Undertaking lifecycle asset management means considering all management options and strategies as part of the asset lifecycle, from planning to disposal. The objective of managing the assets in this manner is to look at long-term cost impacts (or savings) when making asset management decisions. Figure 7 provides a graphical representation of the asset lifecycle including each of the stages an asset passes through during its life.

![Figure 7: Life Stages of Infrastructure Assets](image)

The Rural City of Murray Bridge uses Assetic myData for its Asset Register. It contains a listing of all Water Supply and Waste Water Assets and has the ability to include the following details for each:

- Year of construction
- Material type
- Length, width, height, diameter, depth
- Hierarchy classification
- Most recent valuation
- Most recent condition rating
6.1. Background Data

6.1.1. Data Quality

The quality of the currently available data for Water Supply and Waste Water assets is considered to be "Medium-High".

Both of the Water Supply and Waste Water (CWMS) schemes were constructed by developers and gifted to Council; Riverglen in 1991 and Woodlane in 1997. The asset register and GIS were developed from the As Constructed plans supplied by the developers.

6.1.2. Asset Details

The assets covered by this Asset Management Plan are shown in the table below.

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Description</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Riverglen</td>
<td>PVC Rising Main, Pipe</td>
<td>2983m</td>
</tr>
<tr>
<td>Water Mains</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Nodes</td>
<td>2 x Tanks, Valve</td>
<td>3</td>
</tr>
<tr>
<td>Water Plant and Equipment</td>
<td>2 x Pumps, 132 x Sub Water Meters, 1 x Water Filtration Plant</td>
<td>138</td>
</tr>
<tr>
<td>Water Treatment Facilities</td>
<td>Backwash Drain</td>
<td>1</td>
</tr>
<tr>
<td>Sewer Mains</td>
<td>PVC Pipe</td>
<td>3326m</td>
</tr>
<tr>
<td>Sewer Nodes</td>
<td>3 x Tanks, 3 x Valves, 1 x Pit</td>
<td>7</td>
</tr>
<tr>
<td>Sewer Plant and Equipment</td>
<td>5 x Pumps, Pump Controller System including Sensors, Switchboard, Communications Module, Antenna and Modem</td>
<td>10</td>
</tr>
<tr>
<td>Sewer Treatment Facilities</td>
<td>Series of soakage Trenches</td>
<td>1</td>
</tr>
</tbody>
</table>

| Woodlane       | PVC Pipe                                              | 1806m    |
| Water Mains    |                                                        |          |
| Water Nodes    | 4 x Tanks                                             | 4        |
| Water Plant and Equipment | 2 x Pumps, 60 x Sub Water Meters                     | 62       |
| Water Treatment Facilities | N/A                                                     | 0        |
| Sewer Mains    | PVC Pipe                                              | 2839m    |
| Sewer Nodes    | 1 x Tank, 7 x Inspection Openings                     | 8        |
| Sewer Plant and Equipment | 5 x Pumps, Pump Controller System including Sensors, Switchboard, Communications Module, Antenna and Modem | 10       |
| Sewer Treatment Facilities | N/A                                                     | 0        |

Table 9: Assets Covered by this Asset Management Plan
6.1.3. Asset Condition Assessment

The essence of good asset management is to understand the condition of Council's assets and the various types of distresses that affect them and to use this data to assist in maintaining the level of service the community desires in the context of affordability, intergenerational equity and minimised risk of asset failure.

With nearly 700 Water Supply and Waste Water assets, Council requires a rigorous Condition Assessment process that is repeatable and reliable. Most importantly, it must allow for comparisons between similar assets to enable prioritisation of remedial works. These requirements are most efficiently fulfilled using a numerical scoring system.

The condition scoring scale used by Council follows internationally accepted good practice of starting with 1 for new or near new and the values increasing to 5 as the asset condition deteriorates. The Table below provides a general description of asset condition for each score in the scheme that is currently used.

<table>
<thead>
<tr>
<th>Condition Score</th>
<th>Condition</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New or Near New</td>
<td>Asset is New or Near New with minimal signs of wear or use.</td>
</tr>
<tr>
<td>2</td>
<td>Good</td>
<td>Asset has limited signs of wear and use that only require routine maintenance.</td>
</tr>
<tr>
<td>3</td>
<td>Fair</td>
<td>Asset has numerous signs of wear and use. While the condition is still acceptable for normal use, minor capital works are needed to prevent further deterioration.</td>
</tr>
<tr>
<td>4</td>
<td>Poor</td>
<td>Asset has considerable signs of wear and use. The condition is impacting on the use of the asset and major capital works are required to return the asset to an acceptable condition.</td>
</tr>
<tr>
<td>5</td>
<td>Very Poor</td>
<td>Asset is near the end of its useful life and only provides a severely degraded service. It requires replacement in the near future.</td>
</tr>
<tr>
<td></td>
<td>End of Life</td>
<td>Unserviceable Asset can no longer provide the service it is intended to provide. It is beyond practical renewal and requires replacement.</td>
</tr>
</tbody>
</table>

Table 10: Council's Condition Scoring Scheme

The Condition Scoring Schemes used to assess the condition of Council’s Water Supply and Waste Water network are to be detailed in Council’s Data Collection Manuals. The manual will provide guidance to the assessor that takes the form of advisory notes and photographic examples. This is included as an Improvement Action to be carried out under this Plan. An example of a Data Collection Manual is shown in the figure below.

---

**Table 1:** Example of a Condition Data Collection Manual

<table>
<thead>
<tr>
<th>Number</th>
<th>Condition</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Timber</td>
<td>Meal, oil, and mineral, placed throughout council's parks and reserves.</td>
</tr>
<tr>
<td>2</td>
<td>Above</td>
<td>Minor, with no significant impact on condition of structure.</td>
</tr>
<tr>
<td>3</td>
<td>Timber</td>
<td>Minor, with no significant impact on condition of structure.</td>
</tr>
<tr>
<td>4</td>
<td>Appearance</td>
<td>Moderate, with potential for impact on appearance.</td>
</tr>
<tr>
<td>5</td>
<td>Planting</td>
<td>Light, with no significant impact on appearance.</td>
</tr>
</tbody>
</table>

*Figure 1:* Example of a Condition Data Collection Manual.
Barring natural disasters or vandalism, the condition of Water Supply and Waste Water assets generally change slowly. Consequently, the usefulness of condition scores is usually considered to be 3-5 years. While there is reasonable confidence in the quality of the condition data used for the preparation of the Plan, Council should be planning for a new condition survey for its Water Supply and Waste Water assets to be completed on a rolling 3-5 year plan. This is included as an Improvement Action to be carried out under this Plan.

6.1.4. Infrastructure Work Expenditure Categories

Historically, expenditure on Water Supply and Waste Water assets has generally been considered to be Capital when the asset is being provided from new or is subject to some major change, or Maintenance when the expenditure is minor during the life of the asset. Strategic Asset Management requires more clarity about the effect any expenditure is having on an asset, especially its expected life-cycle. As a consequence, infrastructure asset expenditure is better classified into one of five categories. These categories are set out in Table 11.

<table>
<thead>
<tr>
<th>Expenditure Type</th>
<th>Description</th>
<th>Typical Work</th>
<th>Effect on Life-cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital - Renewal</td>
<td>Renews a degraded asset back to New or Near New condition.</td>
<td>Reconstruction of an existing road.</td>
<td>Resets the asset back to the start of its life-cycle path.</td>
</tr>
<tr>
<td>Capital - Upgrade</td>
<td>Improves the functionality of an asset.</td>
<td>Sealing an unsealed road.</td>
<td>Resets the asset back to the start of its life-cycle path.</td>
</tr>
<tr>
<td>Capital - Expansion</td>
<td>Improves the capacity of an asset.</td>
<td>Adding an additional traffic lane.</td>
<td>Commences the expanded portion on its life-cycle path. Any effect on the original portion of the asset depends on any work done on that portion.</td>
</tr>
<tr>
<td>Maintenance</td>
<td>Minor repairs.</td>
<td>Repairing potholes.</td>
<td>Keeps asset on its expected life-cycle path.</td>
</tr>
</tbody>
</table>

Table 11: Infrastructure Work Expenditure Categories

6.2. Current Asset Condition

A comprehensive condition assessment has not been undertaken on the Water Supply and Waste Water assets. As many of the assets are relatively new compared to their useful life, the Overall Condition Index of the combined Riverglen and Woodlane Water Supply and Waste Water networks is estimated to be 1.8.

Undertaking a condition assessment of the Water Supply and Waste Water assets is included as an Improvement Action in this Plan.
6.3. Routine Maintenance Plan

As noted in Table 11, maintenance are those minor works necessary to keep assets on their expected life-cycle path. Failing to carry out necessary maintenance when it is required will result in assets deteriorating faster than expected.

Not achieving the expected life from assets costs an organisation in the long run as it will be forced to renew its assets earlier resulting in higher annual capital renewal expenditures. In addition, as the overall condition of the assets deteriorates the annual maintenance cost will rise as assets in poorer condition require more maintenance.

Council uses both its own staff and external contractors to carry out routine maintenance on its Water Supply and Waste Water assets. Figure 9 shows a typical inspection and repair decision process. Intervention levels take into account asset preservation and community risk reduction factors. Council will develop a manual detailing the procedure, intervention levels and appropriate actions. This is noted as an action in the Improvement Plan.

Council’s maintenance budget for Water Supply and Waste Water assets for the 2017-2018 Financial Year is $123,945.00. This figure includes operational costs such as regular servicing of equipment, purchase of replacement parts and equipment and running costs such as purchase of chemicals for the Water Filtration Plant and SCADA fees.

The actual historical expenditure has been estimated from an assessment of financial reports and the figures are shown in Table 12.

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Annual Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$146,659.18</td>
</tr>
<tr>
<td>2012</td>
<td>$178,107.31</td>
</tr>
<tr>
<td>2013</td>
<td>$146,024.39</td>
</tr>
<tr>
<td>2014</td>
<td>$128,394.53</td>
</tr>
<tr>
<td>2015</td>
<td>$181,589.93</td>
</tr>
<tr>
<td>2016</td>
<td>$144,730.35</td>
</tr>
<tr>
<td>Average</td>
<td>$154,250.95</td>
</tr>
</tbody>
</table>

Table 12: Average Annual Maintenance Expenditure

For Strategic Asset Management purposes, it would be advantageous for Council’s financial accounting system to separately record maintenance expenditure on individual asset categories at the separate Water Supply and Waste Water locations. This will enable Council to identify assets requiring unusually high amounts of maintenance and to resolve any issues at that location.

A review of the procedures used for recording asset expenditure is included as an Improvement Action to be carried out under this Plan.
6.4. Renewal & Replacement Plan

Council has adopted the following useful lives for Water Supply and Waste Water assets.

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
</tr>
<tr>
<td>Water Mains</td>
<td>Pipes, Rising Mains</td>
</tr>
<tr>
<td>Water Nodes</td>
<td>Tanks, Valves</td>
</tr>
<tr>
<td>Water Treatment Facilities</td>
<td>Soakage Trench</td>
</tr>
<tr>
<td>Sewer Mains</td>
<td>Pipes, Rising Mains</td>
</tr>
<tr>
<td>Sewer Nodes</td>
<td>Tanks</td>
</tr>
<tr>
<td></td>
<td>Valves</td>
</tr>
<tr>
<td></td>
<td>Pfts</td>
</tr>
<tr>
<td>Sewer Treatment Facilities</td>
<td>Soakage Trench</td>
</tr>
<tr>
<td><strong>Equipment</strong></td>
<td></td>
</tr>
<tr>
<td>Water Plant and Equipment</td>
<td>Water Filtration Plant</td>
</tr>
<tr>
<td></td>
<td>Pumps</td>
</tr>
<tr>
<td></td>
<td>Sub Water Meters</td>
</tr>
<tr>
<td>Sewer Plant and Equipment</td>
<td>Antenna, Modem &amp; Communications Modules</td>
</tr>
<tr>
<td></td>
<td>Pump Controller</td>
</tr>
<tr>
<td></td>
<td>Pumps</td>
</tr>
</tbody>
</table>

**Table 13: Useful Lives for Water Supply and Waste Water Assets**

Sound asset management dictates that Water Supply and Waste Water assets are renewed before they have deteriorated to the point that they are unserviceable. The practice of RCMB is to do that.

While past practice has been successful for Council, keeping the status quo does not guarantee ideal outcomes into the future. As the Water Supply and Waste Water assets age, the pattern of renewal work can be expected to change. The annual Capital Renewal budget needs to track these changes, especially when the level of work required increases.

To assist with Council’s long term financial planning Council will use Assetic’s myPredictor modelling software to produce a 10-year forecast for Council’s Water Supply and Waste Water assets. The software uses a wide range of inputs including details of construction, current condition, expected life-cycles, renewal intervention practices and current budgets, both Renewal and Maintenance. The prime outputs from myPredictor are forecasts of changes in asset condition and the corresponding budget requirements.

This will be undertaken after the condition assessment is complete and is included in the Improvement Plan.

As a minimum, Council should be funding the depreciation of Water Supply and Waste Water assets to maintain the level of service. Table 14 shows the Annual Depreciation Expense, and therefore required capital spending, for Council’s Water Supply and Waste Water assets.
### Table 14: Annual Depreciation for Water Supply and Waste Water Assets

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Annual Depreciation Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Mains</td>
<td>3,621.34</td>
</tr>
<tr>
<td>Water Nodes</td>
<td>5,125.43</td>
</tr>
<tr>
<td>Water Plant and Equipment</td>
<td>4,534.13</td>
</tr>
<tr>
<td>Water Treatment Facilities</td>
<td>114.91</td>
</tr>
<tr>
<td>Sewer Mains</td>
<td>5,392.10</td>
</tr>
<tr>
<td>Sewer Nodes</td>
<td>1,401.01</td>
</tr>
<tr>
<td>Sewer Plant and Equipment</td>
<td>6,480.07</td>
</tr>
<tr>
<td>Sewer Treatment Facilities</td>
<td>555.41</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$27,224.40</strong></td>
</tr>
</tbody>
</table>

### 6.5. Creation, Expansion and Upgrade Plan

A major upgrade of the Water Filtration Plant at Riverlgen is currently underway and will be completed during the 2017-2018 Financial Year. The budgeted cost is $240,000. An independent valuation of the Plant will be sought once it is completed and functioning.

The construction of new Water Supply and Waste Water assets occurs as a response to the development of new land and changed land use. Typically, Water Supply and Waste Water assets are acquired by RCM&B as assets “Gifted” from developers who have constructed new subdivisions, especially if the development is outside of urban areas where connection to existing services is impractical.

As discussed in Section 4, future versions of this plan will properly consider the impact of new development. Until that time, Council will continue to monitor its Water Supply and Waste Water assets and initiate creation, expansion and upgrade projects when the needs are recognised.
7. FINANCIAL SUMMARY

This section contains the financial requirements resulting from all the information presented in the previous sections of this Asset Management Plan. The financial projections will be improved as further information becomes available on the desired levels of service, environmental condition and current and projected future asset performance.

For this version of the Water Supply and Waste Water Asset Management Plan, only the Renewal & Replacement Plan has been developed sufficiently to enable 10-year forecasts to be made. Consequently, the funding strategy will cover Capital Renewal and Maintenance forecasts only.

7.1. Financial Statements

The next full valuation of all Water Supply and Waste Water assets is due in the 2021-2022 Financial Year. The Written Down Value for Council’s Water Supply and Waste Water Assets at 1 July 2016 is estimated to be:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Written Down Value ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Mains</td>
<td>313,246.74</td>
</tr>
<tr>
<td>Water Nodes</td>
<td>148,045.08</td>
</tr>
<tr>
<td>Water Plant and Equipment</td>
<td>23,577.37</td>
</tr>
<tr>
<td>Water Treatment Facilities</td>
<td>8,180.89</td>
</tr>
<tr>
<td>Sewer Mains</td>
<td>517,053.68</td>
</tr>
<tr>
<td>Sewer Nodes</td>
<td>53,213.65</td>
</tr>
<tr>
<td>Sewer Plant and Equipment</td>
<td>57,364.51</td>
</tr>
<tr>
<td>Sewer Treatment Facilities</td>
<td>12,912.20</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$1,133,594.12</td>
</tr>
</tbody>
</table>

Table 15: Water Supply and Waste Water Written Down Values at 1 July 2016

Depreciation was calculated on a “straight line” basis using the condition of the asset to determine its remaining useful life for all assets in this plan.

Depreciation using condition was calculated by:

\[
\text{Accumulated Depreciation} = (\text{CRC} - \text{Residual Value}) \times \left(\frac{\text{Condition Score}}{\text{End Of Life Condition Score}}\right)
\]

Residual values, useful lives and unit rates are to be reviewed and adjusted if appropriate at the end of each Financial Year.

While calculating depreciation using condition instead of age requires more rigour it can provide significant benefit in comparison to traditional straight-line methods. When assets are in good condition, such as they are in RCMB, the traditional methods may result in over
depreciating those assets which then results in carrying higher depreciation charges in the operating accounts.

Documentation of financial procedures has been included as an Improvement Action to be carried out under this Plan.

7.2. 10-Year Funding Requirements

The 10-Year funding requirements for Council’s Water Supply and Waste Water assets are set out in Table 16. These requirements are made up of:

- Annual Capital Renewal expenditures for recommendations set out in this plan
- Capital Upgrade expenditure identified by Council officers
- Annual maintenance expenditures

It is recognised that consideration of factors outside the scope of this Plan will influence the extent to which the funding requirements are implemented.

<table>
<thead>
<tr>
<th>Year</th>
<th>Maintenance</th>
<th>Capital</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$160,000</td>
<td>$268,000</td>
<td>$428,000</td>
</tr>
<tr>
<td>2</td>
<td>$160,000</td>
<td>$27,225</td>
<td>$187,225</td>
</tr>
<tr>
<td>3</td>
<td>$160,000</td>
<td>$27,225</td>
<td>$187,225</td>
</tr>
<tr>
<td>4</td>
<td>$160,000</td>
<td>$27,225</td>
<td>$187,225</td>
</tr>
<tr>
<td>5</td>
<td>$160,000</td>
<td>$27,225</td>
<td>$187,225</td>
</tr>
<tr>
<td>6</td>
<td>$160,000</td>
<td>$27,225</td>
<td>$187,225</td>
</tr>
<tr>
<td>7</td>
<td>$160,000</td>
<td>$27,225</td>
<td>$187,225</td>
</tr>
<tr>
<td>8</td>
<td>$160,000</td>
<td>$27,225</td>
<td>$187,225</td>
</tr>
<tr>
<td>9</td>
<td>$160,000</td>
<td>$27,225</td>
<td>$187,225</td>
</tr>
<tr>
<td>10</td>
<td>$160,000</td>
<td>$27,225</td>
<td>$187,225</td>
</tr>
</tbody>
</table>

Table 16: 10 Year Funding Requirements for Council’s Water Supply and Waste Water Assets
7.3. **Key Financial Forecasting Assumptions**

The key financial forecasting assumptions made to prepare this Plan are:

- The current levels of service will remain constant over the life of this Plan.
- No growth has been accounted for in the asset stock.
- The treatment and maintenance costs are based on Council's current schedule of rates and may not directly compare to Council's internal service provision actual costs.
- All predicted financial figures are based on 2012-2013 rates and are not adjusted by the inflation rate for the particular year of works.
- Continued use of current construction techniques and materials in alignment with current standards.
- Current maintenance funding levels are meeting service level requirements.
- Capital renewal is generally "like for like".
- Depreciation is in accordance with Council Policy.
- Proposed capital renewal program will be funded as per the model adopted.

Council considers that these financial forecasts can further be improved in future revisions of this Plan by the following actions:

- Further refinement and improvement of the prediction modelling life-cycle paths and decisions.
- Refinement of the levels of service currently being delivered via consultation with the community.
8. ASSET MANAGEMENT SYSTEMS & IMPROVEMENT PLAN

8.1. Asset Management Systems
The asset information systems used by Council include:
- myData as a central asset management registry
- myPredictor for generating forecasts of asset performance and budget requirements
- Authority accounting software for, among other functions, trial balance, ledgers and journals. In terms of asset management, this program relies on information from the asset register.

8.2. Information Flow Requirements and Processes
The key information flows into this Asset Management Plan are:
- The asset register data on size, age, value, and remaining life of the network
- The unit rates for categories of work/material
- The adopted service levels
- Projections of various factors affecting future demand for services
- Correlations between maintenance and renewal, including decay models
- Data on new assets acquired by the Council

The key information flows from this Asset Management Plan are:
- The assumed Works Program and trends
- The resulting budget, valuation and depreciation projections
- The useful life analysis

These will impact the Long Term Financial Plan, Strategic Business Plan, annual budget and departmental business plans and budgets.

The financial reports generated by the asset information system, with valuations based upon actual asset condition (where available) are generated for Council's Financial Services staff. Works programs generated are adopted by the Engineering and Assets Business Unit for future expenditure programs.

8.3. Improvement Actions
During the course of the preparation of this Plan, aspects of Council's asset management practices were identified as requiring improvement. The specific actions required are set out in Table 17 together with the Council unit responsible for leading the action and a target date for completion.

Completing these Improvement Actions will improve Council's Asset Management Maturity and well enable future versions of this Plan to be more soundly based.

Attachment 1

Draft Water Supply and Waste Water AMP
8.4. Performance Measures

The effectiveness of an Asset Management Plan can be measured in the following ways:

- The degree to which the required cash flows identified in this Asset Management Plan are incorporated into the Council’s Long Term Financial Plan and Strategic Management Plan.

- The degree to which 1-5 year detailed works programs, budgets, business plans and organisational structures take into account the ‘global’ works program trends provided by the Asset Management Plan.

- The degree to which Asset Management Maturity is improved through changed practices adopted as an outcome of completing the identified Improvement Actions in Table 17.

<table>
<thead>
<tr>
<th>Task No.</th>
<th>Task</th>
<th>Responsibility</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Review existing Water Supply and Waste Water Hierarchy.</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Investigate costs and options for researching community satisfaction in relation to Council’s road network.</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Determine community satisfaction in relation to Council’s Water Supply and Waste Water network.</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Review draft Desired Level of Service targets for Council’s Water Supply and Waste Water network using Councillor and staff input.</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Finalise Desired Level of Service targets following community consultation.</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Define Community-based Service Levels with appropriate performance measures and standards.</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Define Technical Levels of Service with appropriate performance measures and standards that support delivering the Community-based Service Levels.</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Develop Condition Assessment Manuals.</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Develop a rolling 3-5 year program for condition assessments</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Undertake Condition Assessment</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
</tbody>
</table>
| 11      | Develop Business Rules:                                          
|         | - Asset information guidelines                                      | E&A Business Unit  |        |
### Table 17: Recommended Improvement Actions

<table>
<thead>
<tr>
<th>Task No.</th>
<th>Task</th>
<th>Responsibility</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>Develop Procedure and Manuals for Asset Defect Inspection.</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Develop Procedure and Manuals for Asset Hazard Inspection.</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Develop and document process for Capital Works Planning.</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Review and Document Financial Procedures including but not limited to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Capitalisation</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Useful Lives</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Unit Rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Recording WIP and Capital Expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Develop procedures for sign off or hand over of assets from internal council works, developers, gifted assets and other.</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Produce myPredictor Models</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Review and update Water Supply and Waste Water Asset Management Plan</td>
<td>E&amp;A Business Unit</td>
<td></td>
</tr>
</tbody>
</table>
9. REFERENCES

Local Government Act 1999, South Australia

International Infrastructure Maintenance Manual
4.3 2017-18 ANNUAL BUSINESS PLAN & BUDGET - PROPOSED FINANCIAL PARAMETERS

Author Anthony Brown

Legislative ()  Corporate (x)  Other ()

Purpose
To provide the Audit Committee with information regarding the proposed financial parameters for the 2017-18 Annual Business Plan (and the resultant operating forecast) plus the enhancement and replacement capital programs and the Riverfront Strategy projects.

Background
Council Administration has prepared an indicative financial forecast for 2017-18 and the following 4 years based on the assumptions which are to be used for the draft Long Term Financial Plan and 2017-18 Annual Budget. The resultant operating result and capital renewal and enhancement forecasts are included as Attachments 1, 2 and 3 respectively and operating forecasts are based on the first quarter review of the 2016-17 revised budget.

The underlying assumptions are:

Income
- Rates Revenue 2.5% increase plus 2.0% growth to 2018-19, thereafter CPI increase + 2.0% growth
- Operating Grants and User Charges increase by no more than LGPI 1.2%

Operating Expenditure
- Employee costs 2.5% to 2020-21, thereafter 1.5% + 1.2% growth
- Materials and contracts increase no more than LGPI 1.2% plus 1.0% growth
- Key Projects
  - $1.5m base line excluding Riverfront Strategy Projects
  - Riverfront Strategy Projects in accordance with the “in principle” work program for 2017-2020.

Capital Expenditure
- No significant change in asset revaluation
- Depreciation increase 2.0% per annum
- Asset Sustainability Ratio of up to 100%

Based on the 2016-17 first quarter revised budget, the above assumptions result in a 2017-18 operating surplus of $0.8m, rising to an operating surplus of $3.7m in 2021-22. The low operating surplus of $0.8m in 2017-18 is due to significant expenditure on the Riverfront Strategy, of which only a small proportion is currently considered to be capital in nature.

The growth in the rateable property base will be revised to reflect actual growth before the budget is finalised in June 2017.

An Asset Sustainability Ratio of 96% is forecast in 2017-18, rising to 100% in 2018-19 and subsequent years.

Capital enhancement projects of $3.2m have been identified and are summarised in Attachment 3.

Further net capital spend on capital enhancement projects is forecast in excess of $2.0m per annum for the following 3 years.
The expenditure on capital enhancement projects will be partly funded through the operating surplus but Council will need to increase borrowings in 2017-18 and 2018-19 in order to fund an increase in expenditure over and above the LTFP on capital enhancement and Riverfront Strategy projects.

The Riverfront Strategy is a significant initiative for Council and is therefore reported separately and summarised in Attachment 4. The majority of the spend, particularly in the early years, is not capital in nature. It therefore impacts on the operating result however the underlying operating surplus remains on an upward trend.

Proposed
That the Audit Committee notes the assumptions and resultant forecasts and provides any comments regarding the underlying assumptions included in this report and endorses the proposal.

Legislative Requirements
Section 122 (1a) (a) of the Local Government Act 1999

Council Policy
Not applicable

Financial Implications
The application of the assumptions has a direct impact on Council’s operating results, cashflow and ability to undertake capital renewal and capital enhancement programs plus the Riverfront Strategy projects. Based on the assumptions included in this report, the new asset program will require an increase in short term borrowings of approximately $1.5m above the forecast included in the LTFP.

Risk
The long term growth in rateable properties is forecast to be an average increase of 2% per annum. This growth will not be experienced uniformly therefore the actual growth to be included in the 2017-18 Business Plan will be re-assessed prior to the finalisation of the Budget. Any changes will have a direct impact on the operating result.

WHS
Not applicable

Asset Management
The capital renewal program is consistent with the asset management plans for each category of asset.

Implementation Strategy
The proposed assumptions will be used to produce a draft 10 year Long Term Financial Plan and the draft 2017-18 Annual Business Plan and Budget. The Annual Business Plan and Budget will be workshopped and approved by Council for community consultation on 8 May 2017 with the final approval of the Annual Business Plan and Budget taking place at the Council meeting on 13 June 2017.

The implementation roadmap is shown in Attachment 5.

Communication Strategy
The draft Annual Business Plan and Budget will be available on Council’s website and copies will also be made available at the Local Government Centre and Public Library.
Strategic Plan
Goal 5 - Our Commitment
5.1 - Effective

Recommendation
1. That item number 4.3 on Audit Committee agenda of 1 March 2017 be received.
2. That the Audit Committee note the high level assumptions, resultant forecasts, provides feedback and endorses the underlying assumptions proposed.

Attachments
1. Attachment 1 - Provisional operating result forecast
2. Attachment 2 - Capital Renewal
3. Attachment 3 - Capital Enhancement
4. Attachment 4 - Riverfront Strategy Projects
5. Attachment 5 - Roadmap

Recommendation to exclude the public

Peter Canaway moved
That pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all persons, except (Michael Sedgman, Chief Executive Officer; Anthony Brown, General Manager Corporate Services, Andrew Meddle General Manager Sustainable Communities, Justin Robbins, Chief Financial Officer, Matt James Manager City Infrastructure and Ros Kruger, Executive Officer be excluded from attendance at the meeting held on 1 March 2017 for agenda item 4.3 2017-18 Annual Business Plan & Budget - Proposed Financial Parameters

This Council is satisfied that pursuant to Section 90(3) (d)(ii) of the Local Government Act 1999, the information to be received, discussed or considered in relation to agenda item is:

(i) commercial information of a confidential nature (not being a trade secret) the disclosure of which would, on balance, be contrary to the public interest.

Seconded by Darryl Webb and CARRIED

Cr Matthews left the meeting at 2.07 pm

General discussion was held.

Darryl Webb moved
That the meeting be re-opened to the public.

Seconded by Peter Canaway and CARRIED

Peter Canaway moved
1. That item number 4.3 on Audit Committee agenda of 1 March 2017 be received.
2. That the Audit Committee note the high level assumptions, resultant forecasts, provides feedback and endorses the underlying assumptions proposed.

Seconded by Darryl Webb and CARRIED
### 2017-18 Annual Business Plan & Budget

#### Provisional Operating Result Forecast

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rates</td>
<td>22,664</td>
<td>23,334</td>
<td>23,334</td>
<td>24,181</td>
<td>24,835</td>
<td>24,835</td>
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<tr>
<td>Trade and Contributions</td>
<td>2,678</td>
<td>2,678</td>
<td>2,678</td>
<td>2,678</td>
<td>2,678</td>
<td>2,678</td>
</tr>
<tr>
<td>Other Income</td>
<td>1,120</td>
<td>1,120</td>
<td>1,120</td>
<td>1,120</td>
<td>1,120</td>
<td>1,120</td>
</tr>
<tr>
<td><strong>Total Operating Income</strong></td>
<td>26,462</td>
<td>26,182</td>
<td>26,182</td>
<td>26,979</td>
<td>27,633</td>
<td>27,633</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>16,790</td>
<td>17,359</td>
<td>17,359</td>
<td>18,282</td>
<td>19,041</td>
<td>19,041</td>
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<tr>
<td>Key Operating Projects</td>
<td>1,295</td>
<td>1,295</td>
<td>1,295</td>
<td>1,295</td>
<td>1,295</td>
<td>1,295</td>
</tr>
<tr>
<td>Depreciation, Amortisation, Impairment</td>
<td>6,874</td>
<td>6,874</td>
<td>6,874</td>
<td>6,874</td>
<td>6,874</td>
<td>6,874</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>24,915</td>
<td>25,606</td>
<td>25,606</td>
<td>26,527</td>
<td>27,327</td>
<td>27,327</td>
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<tr>
<td><strong>Operating Surplus/(Deficit)</strong></td>
<td>-2260</td>
<td>-1424</td>
<td>-1424</td>
<td>-748</td>
<td>306</td>
<td>306</td>
</tr>
</tbody>
</table>

#### Operating Result Close to LTPF except 2017/18
## 2017-18 Annual Business Plan & Budget

### Riverfront Strategy Projects

<table>
<thead>
<tr>
<th>Project Details</th>
<th>2017/18 Expenditure</th>
<th>2017/18 Income</th>
<th>2017/18 Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Stabilisation &amp; Boat Launch Facilities</td>
<td>800</td>
<td>600</td>
<td>200</td>
</tr>
<tr>
<td>Boat Ramps</td>
<td>50</td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>Car Park</td>
<td>100</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>Planning Policy/Regulations/DPA Program</td>
<td>285</td>
<td></td>
<td>285</td>
</tr>
<tr>
<td>Tourism/Events</td>
<td>200</td>
<td></td>
<td>200</td>
</tr>
<tr>
<td>Asset Management</td>
<td>350</td>
<td></td>
<td>350</td>
</tr>
<tr>
<td>Recreational &amp; Cultural Pursuits</td>
<td>40</td>
<td></td>
<td>40</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,825</strong></td>
<td><strong>600</strong></td>
<td><strong>1,225</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Costs</th>
<th>Capital Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>500</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>100</td>
</tr>
<tr>
<td>285</td>
<td>100</td>
</tr>
<tr>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td><strong>1,375</strong></td>
<td><strong>450</strong></td>
</tr>
</tbody>
</table>
# 2017-18 Annual Business Plan & Budget

## Road Map

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 Feb</td>
<td>Elected Member Briefing</td>
<td>Process and Integration with Community and Strategic Plan</td>
</tr>
<tr>
<td>27 Feb</td>
<td>Elected Member Workshop</td>
<td>Draft Capital Works Program</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Draft Key Projects Program</td>
</tr>
<tr>
<td>1 Mar</td>
<td>Audit Committee</td>
<td>Process and Integration with Community and Strategic plan (including LTPP draft)</td>
</tr>
<tr>
<td>27 Mar</td>
<td>Elected Member Workshop</td>
<td>Capital Works Program</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Key Projects Program</td>
</tr>
<tr>
<td>24 April</td>
<td>Elected Member Workshop</td>
<td>Draft Business Plan and Budget</td>
</tr>
<tr>
<td>8 May</td>
<td>Council Meeting</td>
<td>Draft ABP and Budget for approval to go to consultation</td>
</tr>
<tr>
<td>9 - 30 May</td>
<td>Public Consultation</td>
<td></td>
</tr>
<tr>
<td>29 May</td>
<td>Special Council Meeting</td>
<td>Public meeting- Public submissions and representations</td>
</tr>
<tr>
<td>31 May</td>
<td>Audit Committee</td>
<td>Comment on Business Plan/Budget</td>
</tr>
<tr>
<td>13 June</td>
<td>Council Meeting</td>
<td>Adapt Annual Business Plan and Budget</td>
</tr>
</tbody>
</table>
4.4 RELATED PARTY STATEMENTS

Peter Brass raised the requirement to ensure Related Party Statements are included in future Financial Statements of Council. Council’s Chief Executive Officer advised of awareness of the requirement and that staff were working through the requirements.

Meeting closed at 2.14 pm

Minutes signed as a true and correct record this day of 2017

............................
Chairman