

Audit & Risk Committee Agenda & Reports

14 April 2025

Our Vision

*A City which values its heritage, cultural diversity,
sense of place and natural environment.*

*A progressive City which is prosperous, sustainable
and socially cohesive, with a strong community spirit.*

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

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City of
Norwood
Payneham
& St Peters

10 April 2025

To all Members of the Audit & Risk Committee

Committee Members

- Ms Cate Hart (Independent Member) (Presiding Member)
- Mayor Robert Bria
- Cr Grant Piggott
- Ms Tami Norman (Independent Member)
- Mr Kym Holman (Independent Member)

Staff

- Mario Barone (Chief Executive Officer)
- Lisa Mara (General Manager, Governance & Civic Affairs)
- Jenny McFeat (Manager, Governance)
- Natalia Axenova (Chief Financial Officer)

NOTICE OF MEETING

I wish to advise that pursuant to Sections 87 and 88 of the *Local Government Act 1999*, the next Ordinary Meeting of the Audit & Risk Committee, will be held in the Mayors Parlour, Norwood Town Hall, 175 The Parade, Norwood, on:

Monday 14 April 2025, commencing at 7.00pm

Please advise Lisa Mara on 8366 4549 or email lmara@npsp.sa.gov.au, if you are unable to attend this meeting or will be late.

A light meal will be available from 6.30pm.

Yours faithfully



Mario Barone
CHIEF EXECUTIVE OFFICER

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

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City of
Norwood
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VENUE Mayors Parlour, Norwood Town Hall

HOUR

PRESENT

Committee Members

Staff

APOLOGIES Cr Grant Piggott

ABSENT

1. **CONFIRMATION OF MINUTES OF THE AUDIT & RISK COMMITTEE MEETING HELD ON 10 FEBRUARY 2025**
2. **PRESIDING MEMBER'S COMMUNICATION**
3. **COMMITTEE MEMBER DECLARATION OF INTEREST**
4. **PRESENTATIONS**
5. **STAFF REPORTS**

5.1 DRAFT ANNUAL BUSINESS PLAN & DRAFT 2025-2026 BUDGET

REPORT AUTHOR: Senior Finance Business Partner
GENERAL MANAGER: Chief Financial Officer
CONTACT NUMBER: 8366 4548
FILE REFERENCE:
ATTACHMENTS: A – D

PURPOSE OF REPORT

The purpose of the report is to present the Draft 2025-2026 Annual Business Plan and draft 2025-2026 Budget to the Audit & Risk Committee for review prior to the Council's endorsement the draft 2025-2026 Annual Business Plan and draft 2025-2026 Budget for public consultation.

BACKGROUND

Section 123 of the *Local Government Act 1999* requires that the Council is required to prepare an Annual Business Plan and Budget in each financial year. The Annual Business Plan and Budget are required to be adopted by the Council after 31 May for the ensuing financial year and except in a case involving extraordinary administrative difficulty, before 15 August for the financial year.

Pursuant to Section 123(2) of the *Local Government Act* and in *Regulation 6 of the Local Government (Financial Management) Regulations 2011*, each Annual Business Plan of a Council must:

- (a) include a summary of the Council's long-term objectives (as set out in its strategic management plans); and
- (b) include an outline of—
 - i. the Council's objectives for the financial year; and
 - ii. the activities that the Council intends to undertake to achieve those objectives; and
 - iii. the measures (financial and non-financial) that the Council intends to use to assess the performance of the Council against its objectives over the financial year; and
 - iv. assess the financial requirements of the Council for the financial year and, taking those requirements into account, set out a summary of its proposed operating expenditure, capital expenditure and sources of revenue; and
- (c) set out the rates structure and policies for the financial year; and
- (d) assess the impact of the rates structure and policies on the community based on modelling that has been undertaken or obtained by the Council; and
- (e) take into account the Council's Long-Term Financial Plan and relevant issues relating to the management and development of infrastructure and major assets by the Council; and
- (f) address or include any other matter prescribed by the Regulations.

Following the Council's '*in principle*' adoption of the objectives and parameters which would apply to the development of the 2025-2026 Annual Business Plan and Budget, the Audit & Risk Committee received and noted a report on these objectives and parameters at its meeting held on 10 February 2025.

The objectives and parameters which were adopted '*in principle*' guided the staff in preparing the respective budget estimates and submissions, To further inform the preparation of the Budget component of the Draft 2025 ABP and Budget, a workshop was held with Elected Members on 11 March 2025 which provided an opportunity to undertake a comprehensive review of the proposed 2025-2026 Recurrent Budget and Operating Projects.

The Draft 2025-2026 Budget was subsequently prepared comprising the following:

- The Recurrent Budget, which incorporates the revenue and expenditure which is required to provide the "*Business as Usual*" services.

- The Operating Projects Budget which encompasses services, programs and activities that are outside the “*Business as Usual*” services and are considered discretionary in nature, the Council is under no obligation to provide the services, activities or programs or if required to undertake the activity. Operating Projects generally include one off activities or programs, an expansion of an existing service or program or proposals to introduce a new service or program. Operating Projects are funded from Rate Revenue or a fee for service charge.
- The Capital Works Budget which encompasses projects which renew, upgrade or create new infrastructure assets. Examples of some projects are the Civil Infrastructure Whole-of-Life Program (referred to as renewals), Playground/Reserve Redevelopment (referred to as upgrades). Renewal Capital Projects are funded through Rate Revenue, via the depreciation charge, with new or upgrade works funded through borrowings or cash reserves.

The above components for the 2025-2026 Draft Budget are contained in the attachments to this report as follows:

- Operating Projects are contained in **Attachment A**;
- Capital Projects are contained in **Attachment B**; and
- the Recurrent Budget by Outcome is contained within **Attachment C**.

The draft 2025-2026 Budget, set out in the Financial Statements is contained within **Attachment D**.

At its meeting held on 7 April 2025, the Council considered the Draft 2025-2026 Budget and resolved the following:

1. *That the proposed Operating and Capital Projects as set out in Attachments A and B be endorsed “in principle”, as amended to include:*
 - *the suburbs of Payneham, Glynde & St Morris as part of the project, Public Consultation for Traffic Management concept designs for Payneham South, Firle and Trinity Gardens (A3); and*
 - *the suburbs of Payneham, Glynde & St Morris as part of the project, Public Consultation for Traffic Management concept designs for Payneham South, Firle and Trinity Gardens (D26).*
2. *That the Draft 2025-2026 Budget, set out in the Financial Statements contained in Attachment E, which incorporates the proposed Operating and Capital Projects contained in Attachments A and B, be endorsed “in principle”.*
3. *The Council notes that a report on the adoption of the Draft 2025-2026 Annual Business Plan and Budget, which includes the 2025-2026 Rating Strategy, will be prepared for the Council’s consideration at its meeting to be held on 5 May 2025.*

This report is to now presented to the Audit & Risk Committee, for the purposes of reviewing the Draft 2025-2026 Budget and consider whether to make any recommendations to the Council to inform the Council’s consideration of the Draft 2025-2026 Annual Business Plan and Budget, at its meeting to be held on 5 May 2025.

In this respect, at the Council Meeting to be held on 5 May 2025, the Council will consider endorsing the 2025-2026 Annual Business Plan and Budget for public consultation in accordance with the legislative requirements.

RELEVANT POLICIES & STRATEGIC DIRECTIONS

The Council’s long-term strategic direction is outlined in its Strategic Management Plan *City Plan 2030: Shaping our Future*. The Draft 2025-2026 Annual Business Plan and supporting Draft 2025-2026 Budget, set out the proposed services and programs and explains how the Council intends to finance its continuing and new activities which are proposed to be undertaken during the year.

The Council's Long-Term Financial Plan (LTFP), is a key document in the Council's Planning Framework. It is the primary financial management tool which links the Council's Strategic Plan, *City Plan 2030: Shaping our Future*, Whole-of-Life Assets Management Plans and the Annual Business Plan and Budget.

Financial sustainability underpins the Council's Financial Goals and Outcomes, which are set out in the Long-Term Financial Plan. In general terms, financial sustainability is ensuring that the Council has the financial resources to meet the long-term service and infrastructure needs of the community, without any severe increases in rate revenue or cuts in service provision and standards.

From an operational perspective, financial sustainability is being able to manage the conflict between keeping rate revenues increases to a reasonable level, maintaining existing service standards and financing new services and major capital investments.

The Draft 2025-2026 Budget has been developed on the basis of ensuring that it will assist in delivering on the Council's Long-Term Strategic direction and financial objectives set out in the LTFP.

FINANCIAL AND BUDGET IMPLICATIONS

For the 2025-2026 Financial Year, the Draft Budget estimates an Operating Surplus of \$906,006 based on a Rate Revenue increase of 8%. The Long-Term Financial Plan has since been updated in line with the Draft 2025-2026 Draft Operating Surplus.

To ensure that the Council can deliver on its financial objectives as set out in the Council's Long-Term Financial Plan, the Draft Recurrent Budget has been prepared taking into account the budget parameters which were adopted by the Council at its meeting held on 20 January 2025.

At the time of writing this report, the Rate increase for the average residential ratepayer is not available (noting that the Rate Revenue increase of 8% as contained in the LTFP, does not necessarily translate to the same percentage increase in the average rate for property owners).

EXTERNAL ECONOMIC IMPLICATIONS

As the national economy continues to be impacted by high inflation, the South Australian economy has continued to perform well in a number of economic indicators, as the State took the lead in real economic growth (measured using real state demand plus real net trade in goods and services) and ranked second on two of the key economic indicators compared to other Australian States and Territories (i.e. in Unemployment and Construction work). South Australia's unemployment rate fell to 3.7% in February, down 0.4% points from January and 0.4% points below the national average of 4.1%. However, the pace of economic growth appears to be moderating, influenced by both global and domestic factors. The subdued economic growth forecast should therefore, balance demand and supply of goods and services.

The outlook for inflation has been revised downwards, as it is expected to eventually decline to the Reserve Bank of Australia's (RBA) target range of 2%–3% in 2025 and reach the midpoint of 2.5% in 2026. The Adelaide Consumer Price Index (CPI) fell 0.1% in the December Quarter, led by the 2024-25 Commonwealth Energy Relief Fund rebates resulting in a fall in electricity prices this quarter.

SOCIAL ISSUES

No Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

The Draft 2025-2026 Budget will be impacted upon by the decisions made by the Federal Government and State Government in their respective budgets. No information regarding these budgets is available at the time of preparation of this report.

As a result, the Draft 2025-2026 Budget presented in this report, has been developed on the following assumptions:

The Recurrent Operating Budget is and has for the Draft 2025-2026 Budget, been prepared on a “*business as usual*” basis. This means:

- no new services are proposed to be introduced as part of Draft Budget;
- includes increases to the services that are currently provided as approved by the Council during 2024-2025;
- incorporates revisions to the existing budgets to identify any savings, including indexation not being applied to some budget lines to reflect the pattern of actual costs incurred in the past couple of years;
- includes expected savings, in line with process changes where relevant (for e.g. \$130k reduction in electricity cost for the sites that were included in Long-Term Procurement Project for renewable energy; \$30k reduction in printing, postage and bank charges in relation to rates paid via ‘Payble’ platform);
- the Payneham Memorial Swimming Centre will not be operational during 2025-2026 financial year however the relevant recurring costs for the period between construction completion and the expected opening of the centre have been factored into the draft Budget. This period is anticipated to be from April 2026 to June 2026. The assumed costs are water, electricity, insurance, security and maintenance charges for the aforementioned three (3) month period. It does not, however, include any allocation for the promotion or opening of the centre;
- does not include any additional costs that may be required as a result of Service Reviews that took place during the current financial year 2024-2025 (such as the Libraries Review or the Information Technology Strategy, noting that the Council IT system, The Authority system, will be upgraded during 2025-2026 and \$516,000 has been factored into the draft Budget as an Operating Project).

Any adjustments to the Draft Budget arising from the State Budget will be incorporated into the Council’s 2025-2026 Budget when this information becomes available.

Notwithstanding this, the preparation of the Draft 2025-2026 Annual Business Plan and Budget has been prepared to ensure the Council meets its legislative responsibility in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

CONSULTATION

• **Elected Members**

An overview of the Draft 2025-2026 Recurrent Budget, Capital Works program and Operating Projects was provided to Elected Members at the Budget Workshop held on 11 March 2025. The draft 2025-2026 Budget was considered by the Council at its meeting held on 7 April 2025.

• **Community**

The community will be consulted on the Draft ABP and Budget following the Council Meeting to be held on 5 May 2025 in accordance with legislative consultation requirements prescribed by Sections 123(3)(b)(6) of the *Local Government Act 1999* and the Council’s Community Consultation Policy.

• **Staff**

The preparation of the Draft 2025-2026 Budget has been completed with the involvement of the Chief Executive Officer, Executive Leadership Team, and staff responsible for management of the Budget.

• **Other Agencies**

Not Applicable.

DISCUSSION

The Draft 2025-2026 Budget is based on the continuation of existing services and priorities, as determined by the Council, being appropriately resourced and that the Council can maintain the service standards for its existing services to support the delivery of the Strategic Objectives outlined in *CityPlan 2030: Shaping our Future* and that those services receive appropriate funding.

The key objective therefore, is to develop a Budget that not only contributes to the Council's broader strategic objectives of achieving *Community Well-being*, but also ensures that the Council is managing its financial resources in a sustainable, prudent and equitable manner and to ensure that future financial impacts can either be avoided or managed in a measured way, so that the funding requirements are balanced with ensuring that the community does not face unreasonable increases in their annual rates contribution.

Budget Parameters/Assumptions

In developing the Draft 2025-2026 Budget, the following principles and assumptions have been applied:

- the Recurrent Budget is based on the provision of existing services, programs and activities;
- the cost escalation for Material, Contracts and Other Expenses has been set at a 3%; with some material and contractor costs adjusted to reflect the real increases in market prices greater than 3% (such as Energy prices, Construction materials etc); and
- Wages and Salaries increases are based on the Council's Enterprise Agreements i.e. the Municipal Officers Agreement (MOA) budgeted at 3% (for inside staff) and the Local Government Employees Award (LGE) budgeted at its current rate increase at 3.5% (field staff) for the period from 1 November 2024 to 31 October 2025 and 3% annually after.

Budget Overview

Table 1 below sets out the Draft Budget, based on the LTFP recommended Rate Revenue increase of 8% which is estimated to deliver an Operating Surplus of \$906,006.

Following further information, post the Elected Members Budget Workshop that was held on 11 March 2025, there were number of adjustments made which improved the Operating surplus by \$672,990. These adjustments are:

- \$470,990 - Timing reallocation of Federal Government "Road to Recovery" Grant from 2024-2025 (was planned to be included in Third Budget Review) to 2025-2026;
- \$50,000 – Increase in User Charges Income; and
- \$152,000 – Reduction in Finance Costs as a result of better information on the timing of Capital Projects

The Recurrent Budget and programs, which incorporates the revenues and expenditure required to provide the "*Business as Usual*" services, provides a surplus of \$2.225 million, which will be used to fund the delivery of the proposed Operating Projects, which are set out in **Attachment A**, and additional interest costs to cover the additional finance costs associated with borrowings required to fund the delivery of the proposed Capital Works Program, which is contained in **Attachment B**.

The value of Operating Expenditure is \$59.570 million, with \$42.487 million (71%) being influenced by the decisions made as part of the budget preparation process while the remaining \$17.083 million (29%) of expenditure relates to the depreciation of existing and new assets, as well as finance costs.

It should be noted that while the cost to finalise any carry forward Operating Projects from 2024-2025 are not included in the Draft 2025-2026 Operating Surplus, the funding to undertake these projects will be sourced from cash reserves.

At this stage, the Draft Budgets of the Regional Subsidiaries have not been incorporated into the Council's Draft Operating result for 2025-2026, as the Council is yet to receive the finalised budgets from the Regional Subsidiaries. The Council is required to report its share of the Regional Subsidiaries operating results and while this will have an impact on the Council's reported Operating Result, this is a non-cash transaction that does not have an impact on the Council's cash position.

TABLE 1: 2025-2026 PROPOSED STATEMENT OF COMPREHENSIVE INCOME

	Recurrent Budget	Operating Projects	Proposed Budget
	2025-2026	2025-2026	2025-2026
	\$	\$	\$
INCOME			
Rates	50,904,915		50,904,915
Statutory Charges	2,239,311		2,239,311
User Charges	4,370,061		4,370,061
Grant Subsidies, Contributions	3,124,948		3,124,948
Grants, Subsidies and Contributions - capital	579,679		579,679
Investment Income	55,000		55,000
Other Income	521,676		521,676
Net gain - equity accounted Council businesses	-		-
Total Income	61,795,590	-	61,795,590
EXPENSES			
Employee Expenses	20,313,052	-	20,313,052
Materials, Contracts & Other Expenses	21,911,405	1,319,300	23,230,705
Depreciation, Amortisation & Impairment	13,696,916	-	13,696,916
Finance Costs	3,386,245	-	3,386,245
Net Loss - Joint Ventures & Associates	262,666	-	262,666
Total Expenses	59,570,284	1,319,300	60,889,584
OPERATING SURPLUS / (DEFICIT)	2,225,306	(1,319,300)	906,006
Net gain (loss) on disposal or revaluation of assets	36,792		36,792
Amounts specifically for new or upgraded assets	2,800,000		2,800,000
NET SURPLUS (DEFICIT)	5,062,098	(1,319,300)	3,742,798

Table 2 below sets out additional information on the Recurrent Operating Budget by functional area.

The services, programs and activities which make up each element of the draft Recurrent Budget is contained in Table 2 below and **Attachment C**.

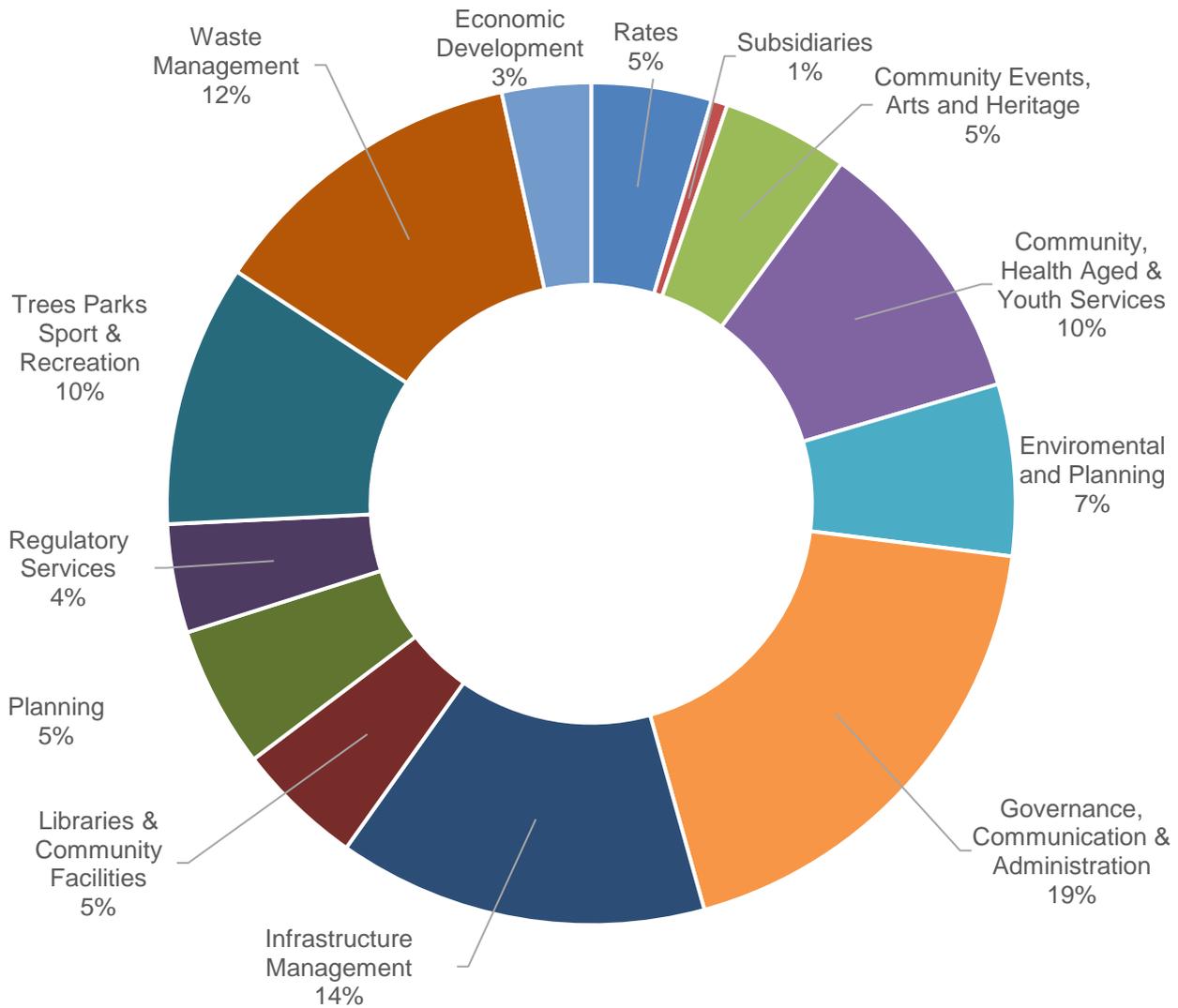
TABLE 2: DRAFT 2025-2026 RECURRENT BUDGET BY OUTCOME

OUTCOME	Income	Expense	Net Operating Surplus/ (Deficit)
Rates	50,679,915	1,955,131	48,724,784
Cultural Vitality	2,226,777	10,735,274	(8,508,497)
Libraries & Community Facilities	635,352	2,064,642	(1,429,290)
Community Events, Arts and Heritage	600,677	2,063,462	(1,462,785)
Trees Parks Sport & Recreation	302,162	4,291,929	(3,989,767)
Planning	688,586	2,315,241	(1,626,655)
Economic Prosperity	225,000	1,445,667	(1,220,667)
Economic Development	225,000	1,445,667	(1,220,667)
Environmental Sustainability	43,200	8,061,621	(8,018,421)
Environmental and Planning	2,000	2,806,274	(2,804,274)
Waste & Recycling Services	41,200	5,255,347	(5,214,147)
Social Equity	7,263,698	12,478,267	(5,214,569)
Regulatory Services	1,437,025	1,778,750	(341,725)
Community, Health Aged & Youth Services	4,220,554	4,427,293	(206,739)
Subsidiaries	-	262,666	(262,666)
Infrastructure Management	1,606,119	6,009,558	(4,403,439)
Corporate Management	1,357,000	24,894,324	(23,537,324)
Governance, Communication & Administration	1,307,000	7,811,163	(6,504,163)
Financing	50,000	3,386,245	(3,336,245)
Depreciation	-	13,696,916	(13,696,916)
Total	61,795,590	59,570,284	2,225,306

DRAFT RECURRENT BUDGET: COST ELEMENTS

As set out in Figure 1 below, services, programs and activities that are delivered through the Recurrent Budget (excluding Operating Projects), represent the range of services, programs and infrastructure to meet the needs and expectations of the community. A number of these services are the responsibility of the Council by virtue of the requirements set out in the *Local Government Act 1999* and other relevant legislation. These services, programs and activities are supported by the Council's *Governance, Communication and Administration* structure which represents 19% (\$7.8m) of the draft Recurrent Budget, excluding Depreciation and Finance costs.

**FIGURE 1: COMPONENTS OF THE DRAFT 2025-2026 RECURRENT EXPENDITURE BUDGET \$42.66M
 (Excluding Depreciation and Finance costs)**



Employee Expenses

The increase of 4.3% from 2024-2025 Budget, is a result of impacts from Wages and salaries increases in line with Enterprise Agreements, increase in Superannuation employee contributions to 12% (by 0.5% from the previous year) and one additional role for Development Officer, Building in the Urban Planning & Environment Department as approved by the Council at its meeting on 20 January 2025. Budget assumes all current established positions are filled.

Materials, Contracts and Other Expenses

Material, Contracts and Other Expenses year-on-year increase is set at CPI (3%) however in some areas the increase is noticeably higher due to real increase on the market prices (such as Power, Construction materials etc). Therefore, the cost increase compared to the 2024-2025 Budget is 5.4%. Staff made an effort to review and release unused budgets in attempt to partially offset higher than anticipated cost increases.

Finance Costs

Finance costs included in the Draft Budget are based on existing loan repayments and banking transaction costs. Finance costs have increased by 42.5% compared to the 2024-2025 Budget. This increase is in line with the additional borrowing requirements to fund Major Capital Projects as outlined in Long-Term Financial Plan and Draft Budget, anticipated impact of Carry Forward projects from 2024-2025 (i.e. the Payneham Memorial Swimming Centre & the Trinity Valley Stormwater Drainage) and commencement of the Parade Master Plan from 2026-2027. This is coupled with the reduction in LGFA Interest rates by 0.4% (an 'out of cycle' rate reduction on LGFA Variable Cash Advance Debentures facilities of 0.15% announced in January 2025 and 0.25% following the Reserve Bank of Australia (RBA) decision to lower the cash rate in February 2025).

It is planned to convert at the appropriate time part of borrowing from Cash Advance Debenture to a Fixed rate Loan to reduce exposure to variable rates and secure lower than Cash Advance interest rate.

The Recurrent Expenditure Budget (excluding Depreciation and finance costs) based on the *CityPlan 2030* outcomes are shown in Table 3 below.

TABLE 3: BREAKDOWN OF DRAFT 2025-2026 RECURRENT EXPENDITURE BUDGET BY OUTCOME
(excludes Depreciation and Finance Costs)

Cultural Vitality	Economic Prosperity	Environmental Sustainability	Social Equity	Corporate Management	Costs associated with Rates
\$10.735M	\$1.446K	\$8.062M	\$12.478M	\$7.982M	\$1.955M
Community Events, Arts and Heritage	Economic Development	Environmental and Planning	Community, Health Aged & Youth Services	Governance, Communication & Administration	*Rates
Libraries & Community Facilities		Waste Management	Infrastructure Management		
Planning			Regulatory Services		
Trees Parks Sport & Recreation			Subsidiaries		

- *Costs associated with rates represents preparation, printing, mailing of rates invoices, Value General dealing as well as Natural Resource Management recharge from Green Adelaide.*

DRAFT RECURRENT BUDGET: INCOME ELEMENTS

Rate Revenue is the Council's major source of income and funds in the order of 84% of the Council's Operating Expenditure. The balance is funded from non-rate revenue. Non-rate revenue is predominately made up of **User Charges** (represents 40% of Non-rate income) which incorporate fees from the St Peters Child Care Centre & Pre-school, Swimming Centre charges, Hire and Lease fees associated with Council facilities, HACC Services; **Grants, Subsidies and Contributions** that are received by the Council (represents 34% of Non-rate income) and **Statutory Charges** (which represents 21% of Non-rate income) which incorporates Dog Registration fees, Parking Infringements, Residential Parking permits, Planning & Development fees, Hoarding Licenses, Outdoor Dining permits.

Rates Income

The Rate revenue increase in the Draft Budget is in line with the increase of 8% as contained in the LTFP. The Draft Budget includes the continuation of Separate Rate for The Parade Precinct (\$225,000) as approved by Council. The Draft Budget incorporates increase in Regional Landscapes Levy is in line with the State Government's 'Green Adelaide'. This is pass through income for the Council and has no impact on the Budget except for a small additional charge of \$10,000 that the Council receives from the State Government.

Grant, Subsidies and Contributions

The Draft Budget is prepared under the assumption is that Federal Government *Financial Assistance Grants* to continue to be received in advance. The Draft Budget also includes the *Road to Recovery Grant* (Federal Government) and other grants such as the *Commonwealth Home Support Program Grant*, *Public Library Services Grant*, etc.

Statutory Charges

Statutory charges increased by 2.7% compared to the 2024-2025 Budget. Parking Infringements, Dog & Cat Registrations and Planning & Development fees have been all increased in line with the Fees & Charges schedule that have been endorsed in '*in principle*' by the Council. Reduction in Permit Income in

Sustainability due to exclusion of e-scooters permit income for operation of e-scooters in the City until further decisions made.

User Charges

User Charges increased by 9.1% compared to the 2024-2025 Budget. Some Fees and charges are not set by legislation and therefore, have been increased by 3.0% at a minimum with benchmarking where applicable. For instance, the childcare Centre fees have increased by 4.8% based on benchmark of other Centres in the area.

Investment Income

Investment income which consists of interest income on the Council's cash deposit decreased by 29.5% compared to the 2024-2025 Budget. The Reduced Investment Income is in line with the expectation of cash balances being at a minimum to fulfill cashflow requirements for the Major Capital Projects, as well as reduction in LGFA cash deposit interest rate by 0.25% following the Reserve Bank of Australia (RBA) Board decision to lower the cash rate.

Other Income

In line with previous years, other income incorporates insurance rebate and other sundry income.

Non-rate revenue represents 18% of the Council's total revenue, with \$10.891 million being factored into the draft Recurrent Budget, an increase of 10.2% compared to the 2024-2025 Budget. The increase is mainly due to increase in Grants as a result of the inclusion of the *Roads to Recovery Grant* allocation for 2024-2025 from the Federal Government in the 2025-2026 Draft Budget as construction is anticipated to be completed in financial year 2025-2026.

FIGURE 2: BREAKDOWN OF NON-RATE REVENUE \$10.89M

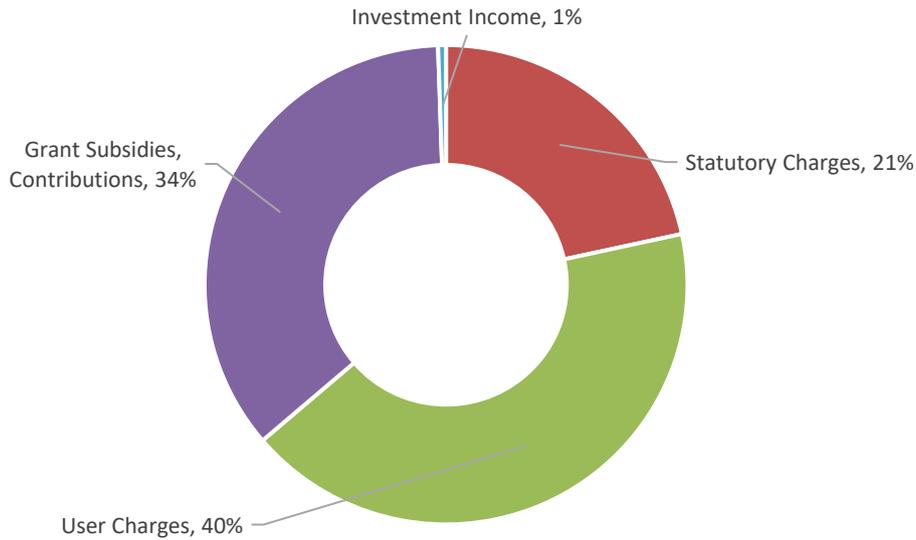


TABLE 4: BREAKDOWN OF NON-RATE REVENUE BY OUTCOME

Cultural Vitality	Environmental Sustainability	Social Equity	Corporate Management	Rates and Financing
\$2.227M	\$43.2K	\$7.264M	\$1.207M	\$150K
Community Events, Arts and Heritage	Environmental and Planning	Community, Health Aged & Youth Services	Governance, Communication & Administration	Financing
Libraries & Community Facilities	Waste Management	Infrastructure Management		*Governance, Communication & Administration
Planning		Regulatory Services		
Trees Parks Sport & Recreation				

**Revenue under Rate and Financing includes Rates search income, Natural Resource Management admin fee and Bank Interest income.*

DRAFT BUDGET: 2025-2026 PROPOSED OPERATING PROJECTS

The Council’s Executive Leadership Team have recommended an allocation of \$1,319,300 for the approved Funding Submissions for Operating Projects and there have been, included into the Draft 2025-2026 Budget, noting that it is at the Council’s discretion as to whether it agrees with the submissions that have been received for funding,

The Draft Budget as set out in Table 1, incorporates funding allocation for new Operating Projects to the value of \$1,319,300.

The proposed Operating Projects for 2025-2026 have been broken down by individual project as detailed in Table 5 below:

TABLE 5: OPERATING PROJECTS 2025-2026

Operating Projects	\$
Authority Upgrade	516,000
2026 AFL Gather Round	200,000
William Street Bikeway - Street Lighting Upgrade	115,000
Participation in 2026 Tour Down Under Stage	55,000
Traffic Management at Ninth Avenue Christmas Lights Display	50,000
Eastside Business Awards	50,000
Library Services Catalogue and Program Review	50,000
40kph speed limit implementation in Kensington and Felixstow	45,000
On-Street Parking Policy Implementation in Norwood and Kensington Precincts	40,000
Public Consultation for traffic Management Concept Designs for Payneham South, Firle and Trinity Gardens	40,000
Raising the Bar	38,000
Arts and Culture Plan Year 2 Implementation	25,000
Development of Tree Inventory	20,000
Verge Upgrade Program	20,000
Street Lighting Upgrade & Renewal	15,000
Public Health Plan	13,000
Urban Greening Program	10,000
Urban Tree Canopy Regional Mapping Contribution	10,000
Firstival 2025	4,000
Culturally Diverse Early Literacy Project	3,300
Total Operating Projects Expenditure	1,319,300

A review of the 2024-2025 Operating Projects is in progress and hence, the 2024-2025 Operating Projects to be carried forward into the Draft 2025-2026 Budget, have not been included. However, any Operating Projects carried forward will be funded by cash reserves from Income collected in 2024-2025.

Operating Projects that were recommended for approval are contained in **Attachment A**.

DRAFT BUDGET: 2025-2026 PROPOSED CAPITAL PROJECTS

The Draft 2025-2026 Budget, as presented, incorporates Capital Projects to the value of \$23.167 million (which is the net of Grant funding and total expenditure required). It also includes staff costs of \$1.109 million which are to be capitalised (i.e. staff involved in the delivery of the projects involving physical assets).

The proposed Capital Projects for 2025-2026, have been broken down into a number of categories as set out Table 6 below.

TABLE 6: CAPITAL PROJECT CATEGORIES

Capital Expenditure Project	\$
Whole-of-Life Capital Works Program	
* Road Resealing	3,511,262
* Footpath Reconstruction	1,214,561
* Kerb Reconstruction	1,495,505
* Stormwater Drainage Program	2,100,000
* Building	2,590,000
* Other Infrastructure Asset Renewal	1,975,688
Payneham Memorial Swimming Centre – Year 3	11,071,956
Sail Shades (Adey Reserve & St Peters Child Care Centre)	120,000
Quadrennial Art Project	279,000
Kent Town Public Realm Upgrade	400,000
Building Accessibility Improvements	100,000
Capitalisation of Salaries (existing staff)	1,108,999
Total Capital Projects Expenditure	25,966,971
Grant Funding	2,800,000
Net Cost	23,166,971

A review of the Capital Projects for the current year (2024-2025) is still currently being undertaken based on year to date expenditure and project timelines to evaluate if any project will need to be carried forward and included as part of the Budget, and not included in the Draft Budget at this point in time.

Borrowings

Capital expenditure of \$25.967 million, as set out in **Attachment B**, is proposed to be funded as shown in Table 7 below:

TABLE 7: CAPITAL PROJECTS FUNDING

Use of depreciation recovered through Rate Revenue	\$13,996,015
Grant Funding	\$2,800,000
Borrowings	\$9,170,956
TOTAL	\$25,966,971

In determining the timing and the level of borrowings that are required to fund the proposed Capital Program, consideration has been given to the cash flow requirements and to intergenerational equity between current and future ratepayers (that is, an asset is funded from loan borrowings which is paid off over the life of the asset rather than raising rate revenue from current rate payers to pay for the asset).

The Council has an option in respect to its borrowing arrangements using financial instruments such as Cash Advance Debenture (CAD) or Traditional Loan (Loan) provided by the Local Government Financing Authority

(LGFA). It is important that borrowing decisions are made strategically, considering factors such as cost, risk, and suitability to the Council's financial objectives and for its ongoing financial sustainability.

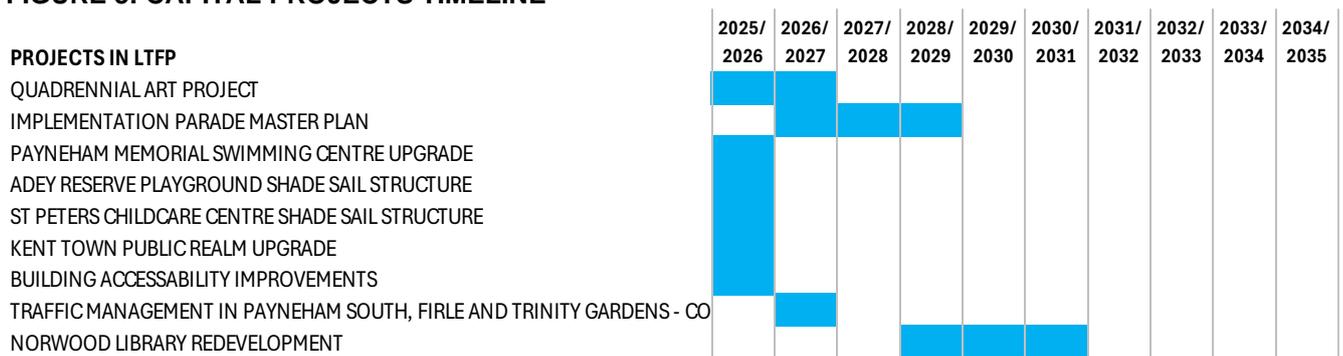
Following consideration of the above mentioned borrowing options, and conducting a thorough assessment of the financial needs as part of the Draft 2025-2026 Budget, in order to minimise the interest costs and debt servicing needs, it is anticipated that the Council will convert part of the CAD Facilities in 2025-2026 into Traditional Loan. A debenture loan option will provide lower interest rates and a longer repayment period which may become more viable in the future as the interest rate environment stabilises.

DRAFT UPDATE LONG-TERM FINANCIAL PLAN

Pursuant to Section 122 4 a(1) of the *Local Government Act 1999*, the Council must undertake a review of its Long-Term Financial Plan (LTFP) on an annual basis. To meet this legislative requirement, a review of the LTFP financial targets, which takes into account the Draft 2025-2026 Budget, as presented in this report and its impact on the financial projections set out in the Long-Term Financial Plan, has been undertaken.

Presented in Figure 3 is the forecasted timeline for Capital projects to be undertaken by the Council in the next 10 years, and which are incorporated into the Draft LTFP.

FIGURE 3: CAPITAL PROJECTS TIMELINE

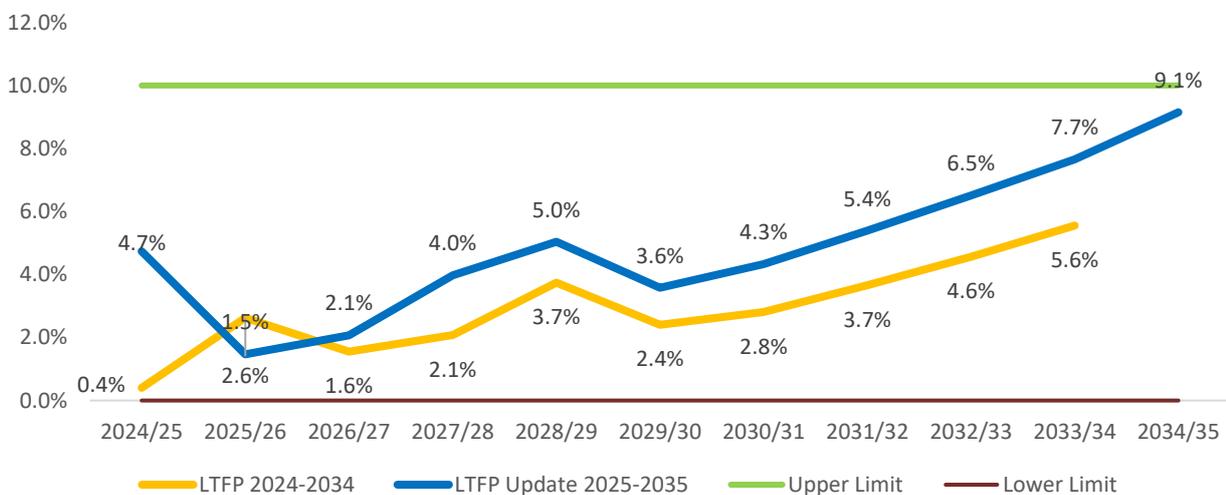


Outcome 1: A Balanced Budget

Council’s services and programs, including depreciation of infrastructure and assets, is fully funded and the costs are shared equitably between current and future ratepayers.

The Council’s long-term sustainability is dependent upon ensuring that on average, over time, the Operating Expenses are less than the associated revenues. The Council’s performance in respect to this indication is measured by the Operating Ratio which measures the Council’s Operating Result, whether that is a surplus or a deficit, as a percentage of operating revenues.

FIGURE 4: OPERATING SURPLUS RATIO



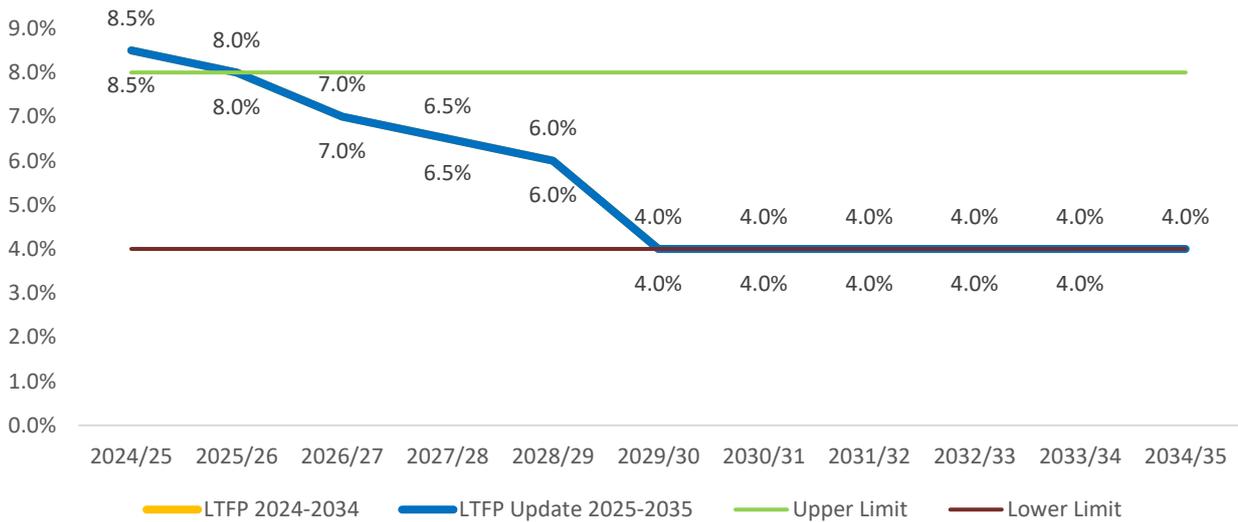
For 2025-2026, the Draft Budget has been prepared on the basis of a Rate Revenue increase of 8%, which results in an Operating Surplus ratio of 1.5%.

Outcome 2: Rate Stability

Annual rate collections are fair and equitable for our residents and ratepayers with the aim to keep rate revenue increases stable over the medium term.

Rate Revenue is a major component of the Council’s revenue base. The Council’s objective is to have a Long-Term Financial Plan that is based on consistent Rate Revenue increases which meet the increased cost of the base level services and programs that are provided by the Council but also reflect growth in the number of assessments (i.e. properties) and increased service levels. The benchmark target that has been set by the Council is between 4% and 8%. The Rate Revenue increase in line with the increase in CPI, Development Growth and growth in Capital Initiatives.

FIGURE 5: RATE REVENUE INCREASE



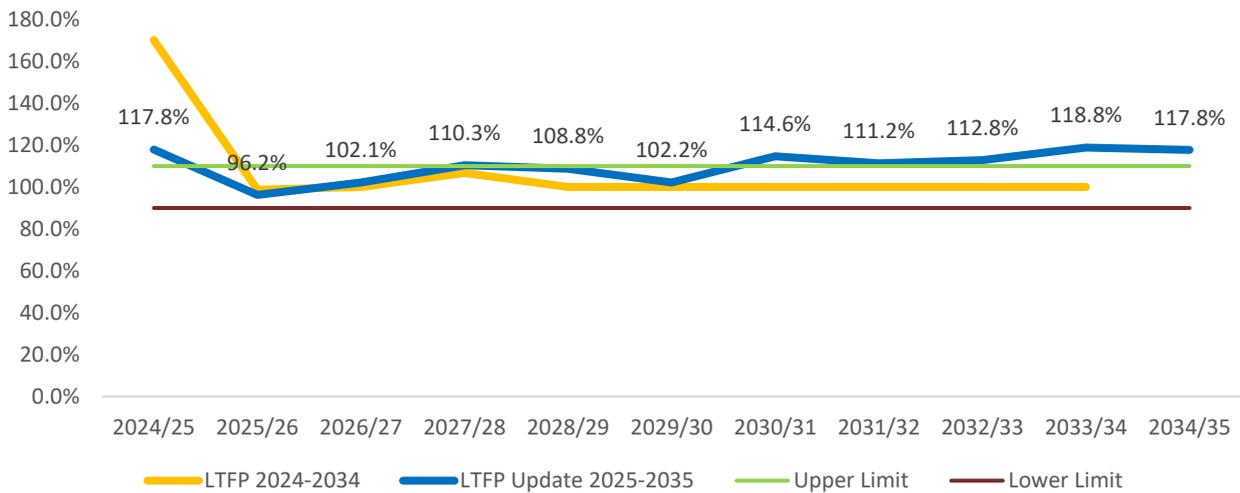
The Draft 2025-2026 Budget is based on a Rate Revenue increase of 8%, which is an increase in Rate Revenue from 2024-2025, of \$3,710,000. At the time of writing this report, the initial rate modelling of the impact of the Rate Revenue increase of 8% for the average residential ratepayer, was not available.

Outcome 3: Infrastructure and Asset Management

Maintain Infrastructure and Assets in line with the Council’s Whole of Life Infrastructure framework to achieve the outcomes and objectives, as set out in City Plan 2030.

The Council will measure its performance in achieving this outcome through the Asset Renewal Funding Ratio. The Asset Renewal Funding Ratio measures how well the Council is performing in respect to the renewal or replacement of existing physical assets, such as roads, footpaths, kerbing, buildings, council plant etc. The ratio is calculated by measuring capital expenditure on renewal or replacement of assets, relative to the planned spend outlined in the Council’s Asset Management Plans. Ideally, physical assets should be renewed or replaced at the same rate the stock of assets is wearing out, however it is recognised that there may be some instances that require that the Council to either accelerate or decelerate the renewal or replacement of its existing asset base.

FIGURE 6: ASSET RENEWAL FUNDING RATIO



The Asset Renewal Funding Ratio in 2025-2026 is reflective of the renewal expenditure associated with Open Space and Recreation, Civil works, Drainage as well as Buildings capital maintenance renewals. It is expected that renewal spend will be at the level of rate collection expectations (in the form of depreciation) until the next Asset Management Plan is developed.

Outcome 4: Debt Management

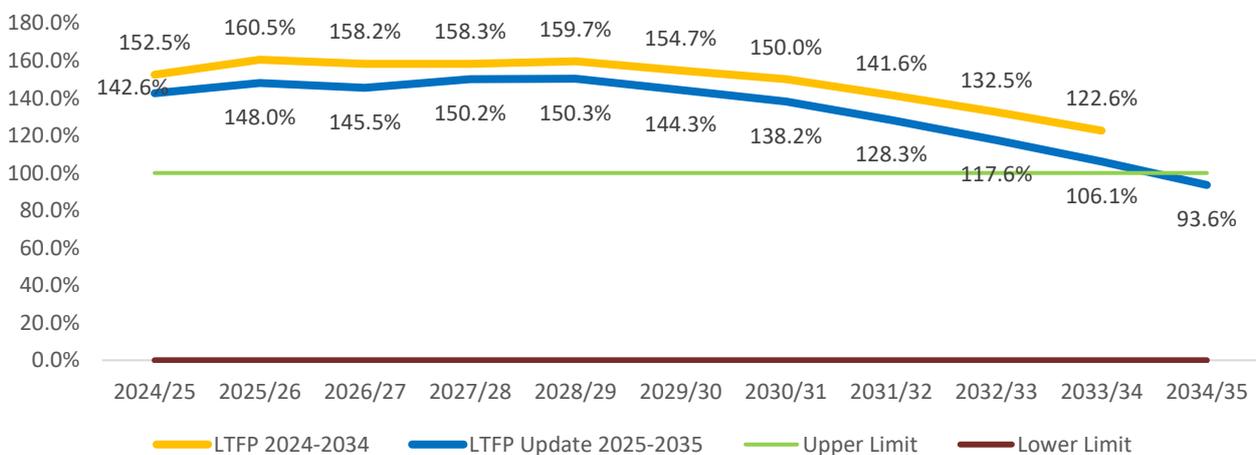
Prudent use of debt to invest in new long-term assets to ensure intergenerational equity between current and future users.

Prudent debt management is the process of establishing and executing a strategy for managing a Council debt in order to raise the required amount of funding to achieve its capital investment objectives. It is important that the use of debt is balanced with other funding sources, such as grants and cash reserves, to ensure that the members of the community that receive the benefits from the investment, share the cost. In addition, the Council must ensure that it has the capacity to service its debt.

Net Financial Liabilities

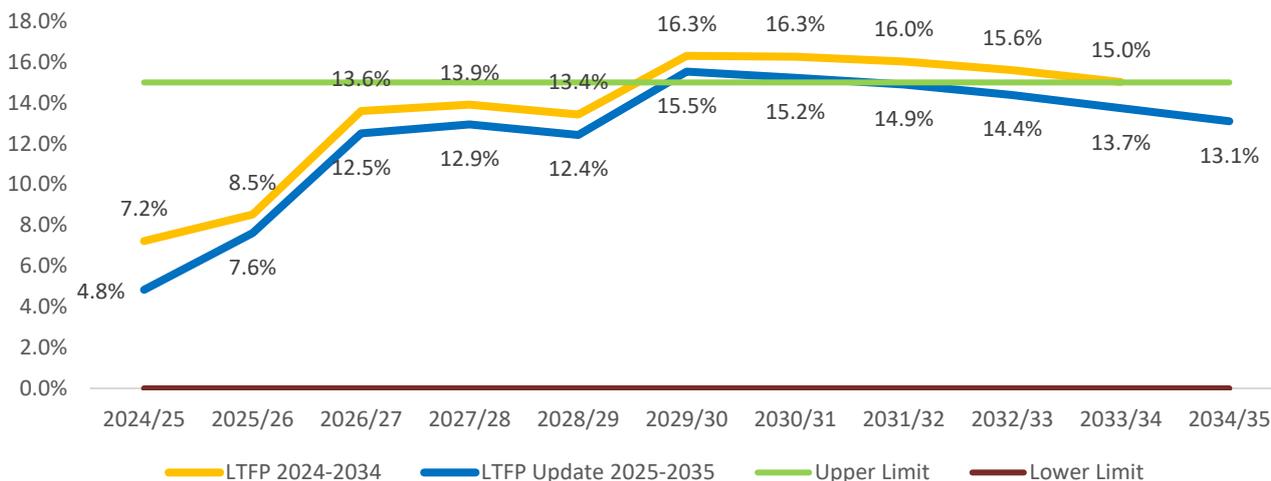
The Net Financial Liabilities Ratio measures the extent of the Council's indebtedness as a percentage of operating revenue. If the ratio falls over time, this indicates that the Council's capacity to meet its financial obligations from operating income is strengthening.

FIGURE 7: NET FINANCIAL LIABILITY RATIO



As a result of the increase in the Long-Term Borrowings as projected in the Long-Term Financial Plan, the Net Financial Liabilities are projected to be over 100% from 2024-2025 and eventually reduce to the desired below 100% target by 2035.

FIGURE 8: DEBT SERVICING RATIO



The Debt Servicing Ratio measures the extent of rate revenue that is used to meet interest and principal loan repayments.

OPTIONS

Not Applicable. This report is presented to the Audit & Risk Committee for information purposes only.

CONCLUSION

The Draft 2025-2026 Budget is based on the Council continuing to deliver its existing services, programs and activities, at the existing endorsed standard.

To ensure that a responsible budget is set by the Council, a series of Budget Parameters have been adopted by the Council to guide staff in preparing the respective budget estimates and submissions. As detailed in this report, the Draft 2025-2026 Recurrent Budget has been prepared with reference to these guidelines and where the parameters have not been achieved, the reasons for the departure have been provided.

Financial sustainability underpins the Council’s Financial Goals and Outcomes, which are set out in the Draft Long-Term Financial Plan. In general terms, financial sustainability is about ensuring that the Council has the financial resources to meet the long-term service and infrastructure needs of the community, without any sharp increases in rate revenue or cuts in service provision and standards.

From an operational perspective, financial sustainability is being able to manage the conflict between keeping Rate Revenues increases to a reasonable level and without significant fluctuation, maintaining existing service standards and expenditure on new services and major capital investments that are required to ensure that the objective of Community well-being is achieved.

As previously advised, decisions regarding the Draft 2025-2026, need to take into account the impact on the Council’s ability to continue to meet its operational and financial outcomes in the future.

With reference to the financial targets set out in the Draft Long-Term Financial Plan, Table 8 sets out the performance of the Draft 2025-2026 Budget, as set out in this report, against the LTFP Financial Outcomes.

TABLE 8: LONG-TERM FINANCIAL PLAN TARGETS

Outcome	Measure	Target	Draft Budget
A Balanced budget	Operating Ratio <i>Measures the Councils Operating result, whether that be a surplus or deficit as a percentage of operating revenues.</i>	Between 0% and 10%	1.5%
Rate Stability	Rate Revenue Increase <i>The annual increase in revenue generated from general rates.</i>	Between 4% and 8%	8.0%
Infrastructure and Asset Management	Asset Renewal Funding Ratio <i>Measures the rate at which the Councils assets are being renewed or replaced against the Infrastructure & Asset Management Plan.</i>	Between 90% and 110% on a rolling three (3) year average	96.2%
Debt Management	Net Financial Liabilities Ratio <i>Measures the percentage operating revenues that would be required to settle the net amount owed by the Council.</i>	Less than 100%	148.0%
	Debt Servicing Ratio <i>Measures the Council's commitment to interest costs and debt repayments are met by general rate revenue.</i>	less than 15%	7.6%

DRAFT BUDGET: MATTERS TO CONSIDER FURTHER

Payneham Memorial Swimming Centre

The current Budget draft includes the operational model as outlined in the existing Long-Term Financial Plan (LTFP). However, a separate report will be presented to the Council at a Special Meeting of the Council prior to endorsing the 2025-2026 Annual Business Plan and 2025-2026 Budget for public consultation, which will introduce additional considerations that may impact the 2025-2026 draft Budget.

COMMENTS

Nil.

RECOMMENDATION

The report be received and noted.

Attachment A

Draft Annual Business Plan & Draft 2025-2026 Budget



2025-2026 DRAFT BUDGET

OPERATING PROJECTS

CITY PLAN 2030 OUTCOME	PROJECT NAME	Project Description	TOTAL APPROVED	GRANT FUNDING	RATES FUNDING	BORROWING FUNDING
	TOTALS		\$ 1,319,300	\$ -	\$ 1,319,300	\$ -
Cultural Vitality	TOUR DOWN UNDER	The Tour Down Under, a nationally and internationally recognised cycling event that attracts media attention from all over the world, therefore providing an excellent platform for the Council to market the City as a tourism destination and showcase the Norwood Parade Precinct to an international audience. The funding is requested to host a stage of the 2026 Tour Down Under.	\$ 55,000		\$ 55,000	
Economic Prosperity	EASTSIDE BUSINESS AWARDS	To recognise the best small businesses – retailers, restaurants, cafes, venues , professional services and food and beverage manufacturers within the City of Norwood Payneham & St Peters.	\$ 50,000		\$ 50,000	
Economic Prosperity	RAISING THE BAR ADELAIDE	Annual event is aimed at positioning education as part of the City's popular culture by simply mixing learning and debate into a fun-night out to support the City's hotels.	\$ 38,000		\$ 38,000	
Economic Prosperity	GATHER ROUND	Hosting AFL matches at Norwood Oval during the 2026 AFL Gather Round period, provides an opportunity to Council to establish the Norwood Oval as a premier venue for AFL matches, enhancing the City's reputation as a must-visit destination, attracting visitors thereby stimulating the local economy.	\$ 200,000		\$ 200,000	
Cultural Vitality	ART & CULTURE PLAN	The project is related to the Heritage Collection Digitisation Project Objective. It aims to create a searchable online catalogue to improve community access to the Council's heritage collection via personal or public devices.	\$ 25,000		\$ 25,000	
Cultural Vitality	CULTURALLY DIVERSE EARLY LITERACY PROJECT	The Project aims to provide bi-lingual early literacy sessions through employing the provider 'Chinese School of Music and Arts" to conduct sessions at the library service. These sessions will include bi-lingual stories, songs and activities, that will build community knowledge of a range of cultures and languages (not only Chinese)	\$ 3,300		\$ 3,300	
Cultural Vitality	FIRSTIVAL FESTIVAL	Firstival is a festival of new experiences, introduced by the Public Libraries SA in 2023, which aims to increase customer engagement with libraries, and drive visitation and membership among non-library goers.	\$ 4,000		\$ 4,000	
Social Equity	PUBLIC HEALTH PLAN	The project involves the review and development of the Council's Public Health Plan. The request for funding is to engage a consultant for this purpose.	\$ 13,000		\$ 13,000	

2025-2026 DRAFT BUDGET

OPERATING PROJECTS

CITY PLAN 2030 OUTCOME	PROJECT NAME	Project Description	TOTAL APPROVED	GRANT FUNDING	RATES FUNDING	BORROWING FUNDING
	TOTALS		\$ 1,319,300	\$ -	\$ 1,319,300	\$ -
Cultural Vitality	LIBRARY SERVICE CATALOGUE & PROGRAM REVIEW (MOTION)	Funds are requested to engage a consultant to support the achievement of recommendations within the recent Library Services Review undertaken by BRM Advisory. This includes reforming the libraries catalogue to provide more accessible and quality community resources, releasing valuable floor-space to enable improved capital and developing a strategic approach to library programs.	\$ 50,000		\$ 50,000	
Enviromental Sustainability	DEVELOPMENT OF TREE INVENTORY CONTRACTOR	This project entails a detailed audit of the City's Street Trees and capturing of that data into the Council's tree asset management system, 'Forestree'.	\$ 20,000		\$ 20,000	
Enviromental Sustainability	URBAN GREENING PROGRAM	The proposed program will provide the Council with an opportunity to promote the importance of greening and canopy cover on private land (as opposed to Councils' traditional role of greening of public land). This program is one of the actions under the Council's Tree Strategy. This program will assist in funding 100 established trees and 600 native plants to be planted on private property.	\$ 10,000		\$ 10,000	
Enviromental Sustainability	URBAN TREE CANOPY REGIONAL MAPPING CONTRIBUTION	Green Adelaide is in the early stages of planning for the next repeat tree canopy and green spaces data capture, anticipated to occur January 2026. Green Adelaide has requested a financial contribution from each of the eighteen (18) affected Councils in the Metropolitan Adelaide study area to cover the cost of the multispectral imagery and Light Detection and Ranging (LiDAR) data capture, data analysis and reporting.	\$ 10,000		\$ 10,000	
Social Equity	TRAFFIC MANAGEMENT - NINTH AVENUE CHRISTMAS LIGHTS DISPLAY	The Ninth Avenue, St Peters Christmas Lights displays has evolved from a small scale display of Christmas lights to a large-scale event that attracts many vehicles and pedestrians. This has resulted in significant traffic congestion during peak periods, accessibility issues for residents and raised concerns for pedestrian safety in recent years. To address these issues, in 2024 the Council has approved funds to provide traffic management to help manage traffic flows at the event. The Budget amount was revised after further consideration.	\$ 50,000		\$ 50,000	
Social Equity	ON-STREET PARKING POLICY IMPLEMENTATION IN NORWOOD & KENSINGTON PRECINCTS	The project is the implementation the On-Street Parking Policy as endorsed by Council at its meeting held on 1 November 2021. Implementation is being undertaken on an area or precinct basis. Funding is requested to engage a consultant to undertake initial investigations and undertake community consultation.	\$ 40,000		\$ 40,000	

2025-2026 DRAFT BUDGET

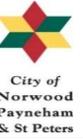
OPERATING PROJECTS

CITY PLAN 2030 OUTCOME	PROJECT NAME	Project Description	TOTAL APPROVED	GRANT FUNDING	RATES FUNDING	BORROWING FUNDING
	TOTALS		\$ 1,319,300	\$ -	\$ 1,319,300	\$ -
Social Equity	40KPH SPEED LIMIT IMPLEMENTATION IN KENSINGTON & FELIXSTOW	Continues the preparation of a Traffic Impact Statement and signage layout plan, associated with the implementation of 40kmp/h speed limit reduction in the residential streets of Kensington and Felixstow, as well as funding for the procurement and installation of speed limit signs, and temporary 'speed limit changed' signs, which are required to be installed for a minimum period of 2 months as part of the implementation process.	\$ 45,000		\$ 45,000	
Social Equity	PUBLIC CONSULTATION FOR TRAFFIC MANAGEMENT CONCEPT DESIGN FOR PAYNEHAM SOUTH, FIRLE AND TRINITY GARDENS	A traffic study was undertaken for the suburbs of Payneham, Glynde, Payneham South, Firle, Trinity Gardens & St Morris, which resulted in the preparation of concept designs for traffic management to improve road safety and primarily address vehicle speeds and 'rat running'. To progress this project further, community consultation is required to be undertaken on the concept plans for the study area.	\$ 40,000		\$ 40,000	
Corporate Management	AUTHORITY UPGRADE	Civica Authority v7.0 (version of the Enterprise management software Council is currently operating on became 'End of Life' in November 2023. Therefore, Civica is no longer selling or actively developing this version and is not supported by third party providers like Google and Microsoft. Funding is required to upgrade the legacy version Authority v7.0 to Authority Altitude and cover additional costs of Data migration and rebuilding integration to existing systems. The Budget amount was revised after further consideration.	\$ 516,000		\$ 516,000	
Social Equity	WILLIAM STREET BIKEWAY - STREET LIGHTING UPGRADE	Following the William Street Bikeway Upgrade works, multiple areas along the road were identified as not complying with the relevant Australian Standards in respect to street lighting. These non-compliances pose a risk. Funding is requested to address these non-compliances.	\$ 115,000		\$ 115,000	
Social Equity	STREET LIGHTING UPGRADE & RENEWAL	Internal reviews have identified non-compliance and street lighting standards. Therefore, funding is requested to undertake the design, and construction works to ensure street lighting is upgraded and renewed. The Budget amount was revised after further consideration.	\$ 15,000		\$ 15,000	
Environmental Sustainability	VERGE UPGRADE	Continuation of a Verge Greening Incentive Fund, to financially assist residents with the cost of growing greenery in its place. This Fund will contribute to meet our Council's CityPlan2030 greening objectives, beautify our city and bring cooling to high surface temperatures hotspots. The Budget amount was revised after further consideration.	\$ 20,000		\$ 20,000	

Attachment B

Draft Annual Business Plan & Draft 2025-2026 Budget

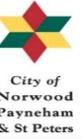




2025-2026 DRAFT BUDGET

CAPITAL PROJECTS

CITY PLAN 2030 OUTCOME	PROJECT NAME	Project Description	TOTAL APPROVED	GRANT FUNDING	RATES FUNDING	BORROWING FUNDING
	TOTALS		\$ 25,966,971	\$ 2,800,000	\$ 13,996,015	\$ 9,170,956
Social Equity	RENEWAL PROGRAMM incl TRINITY VALLEY	To deliver the 2024-2025 Capital I Works Program for the replacement and upgrade of selected civil, drainage, recreation & open space, and building assets, in accordance with the Council's plans.	\$ 12,887,016		\$ 12,887,016	
Social Equity	PAYNEHAM MEMORIAL SWIMMING CENTRE - YEAR 3	The full redevelopment of the Payneham Memorial Swimming Centre, as per the Council's Swimming Centres Strategy.	\$ 11,071,956	\$ 2,800,000	\$ -	\$ 8,271,956
Social Equity	SALARY CAPITALISATION	Wages and salaries incurred by the Council's employees who involve in the delivery of the projects involving physical assets.	\$ 1,108,999		\$ 1,108,999	\$ -
Social Equity	ADEY RESERVE PLAYGROUND SHADE SAIL STRUCTURE	Renewal of the Adey Reserve playground equipment is in the draft 2025-2026 Capital Works Program (funding for this component is from the Renewals Budget). Funding is proposed for an accompanying new shade sail structure for the playground as this is a new development. The structure will provide protection against risk of sunburns and long-term skin damage. There are also added benefits in terms of prolonging the useful life of the playground assets, maintaining the aesthetic appeal of the play equipment, and allowing increased playtime for its users.	\$ 60,000		\$ -	\$ 60,000
Social Equity	ST PETERS CHILDCARE CENTRE & PRE-SCHOOL SHADE SAIL STRUCTURE	Funding is requested for new shade sails to be installed in the playground area following the removal of two trees from the playground area at the St Peters Child Care Centre & Preschool.	\$ 60,000		\$ -	\$ 60,000
Social Equity	KENT TOWN PUBLIC REALM UPGRADE	The Kent Town Urban Design Framework and Public Realm Manual were endorsed by the Council in 2019. These documents provide guidance on how the Council will undertake streetscape enhancements, including working with developers to make improvements adjacent new development sites. Several development sites are now under construction. This proposed new capital budget is intended to pay for the difference between renewal and upgrade costs for footpath paving, landscaping and furniture in Kent Town.	\$ 400,000		\$ -	\$ 400,000
Social Equity	BUILDING ACCESSABILITY IMPROVEMENTS	In 2024, an accessibility audit of the Norwood Swimming Centre, Norwood Oval and St Peters Town Hall Complex was undertaken. This proposed new capital budget is to undertake accessibility improvements at these sites to achieve compliance with the national building code and to improve access and safety.	\$ 100,000		\$ -	\$ 100,000



2025-2026 DRAFT BUDGET

CAPITAL PROJECTS

CITY PLAN 2030 OUTCOME	PROJECT NAME	Project Description	TOTAL APPROVED	GRANT FUNDING	RATES FUNDING	BORROWING FUNDING
	TOTALS		\$ 25,966,971	\$ 2,800,000	\$ 13,996,015	\$ 9,170,956
Cultural Vitality	QUADRENNIAL ART PROJECT	The Quadrennial Public Art Commission is an important initiative that underpins the outcomes of Council's Public Art Policy, providing high quality works of art by contemporary professional artists for our public places. The Project is delivered across two (2) financial years. Funds were approved in 2021/2022 as \$75,000 annual cost for four (4) financial years and will now be spent in the 2025/2026 financial year for the detailed design, fabrication and installations of the artwork.	\$ 279,000		\$ -	\$ 279,000

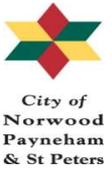
Attachment C

Draft Annual Business Plan & Draft 2025-2026 Budget



2025-2026 DRAFT BUDGET

RECURRENT BUDGET BY OUTCOME



		Income	Expense	(Surplus)/Net Cost
Cultural Vitality		(2,226,777)	10,735,274	8,508,497
Community Events, Arts and Heritage	Community Art	(5,000)	671,402	666,402
	Cultural Heritage	0	210,360	210,360
	Events	(1,957)	681,198	679,241
	Concert Hall	(593,720)	500,502	(93,218)
Libraries & Community Facilities	Community Facilities	(502,642)	233,065	(269,577)
	Library Services	(132,710)	1,831,577	1,698,867
Planning	Planning Operations	(688,586)	2,315,241	1,626,655
Trees Parks Sport & Recreation	Parks & Gardens	0	657,620	657,620
	Reserve Maintenance	0	2,051,342	2,051,342
	Sporting & Recreational Facilities	(17,590)	539,431	521,841
	Swimming Centres	(284,572)	1,043,536	758,964
Economic Prosperity		(225,000)	1,445,667	1,220,667
Economic Development	Economic Development	0	1,126,169	1,126,169
	Precinct Management	(225,000)	319,498	94,498
Environmental Sustainability		(43,200)	8,061,621	8,018,421
Environmental and Planning	Creek Maintenance	0	16,824	16,824
	Environmental Management	(2,000)	1,691,805	1,689,805
	Street Trees	0	1,097,645	1,097,645
Waste Management	Waste Management	(41,200)	5,255,347	5,214,147
Social Equity		(7,263,698)	12,478,267	5,214,569
Subsidiaries	Joint ventures and Associates	0	262,666	262,666
Community, Health Aged & Youth Services	Community Support & Development	(1,349,988)	1,488,183	138,195
	Youth Service	(1,000)	165,412	164,412
	Child Care Centre	(2,869,566)	2,773,698	(95,868)
Infrastructure Management	Asset Maintenance (Admin)	0	452,325	452,325
	Asset Management	(1,590,669)	1,150,402	(440,267)
	Footpath, Kerb & Watertable	0	698,027	698,027
	Infrastructure Management	0	1,689,023	1,689,023
	Public Lighting	0	658,874	658,874
	Road & Traffic Management	0	1,065,426	1,065,426
	Stormwater Network	(15,450)	236,333	220,883
	Streetscape Maintenance	0	59,148	59,148
Regulatory Services	Animal Management	(147,550)	109,416	(38,134)
	Building Inspections	0	299,693	299,693
	Parking Management	(1,281,475)	183,634	(1,097,841)
	Pest Management	0	217,996	217,996
	Regulatory Services	(8,000)	968,011	960,011
Corporate Management		(1,207,000)	7,981,938	6,774,938
Governance, Communication & Administration	Communications	0	278,093	278,093
	Corporate Expenses	(1,202,000)	1,828,865	626,865
	Corporate Governance	0	1,200,367	1,200,367
	Finance Management	(5,000)	1,376,408	1,371,408
	HR & Employee Services	0	1,153,549	1,153,549
	Information Technology	0	1,179,289	1,179,289
	Administration	0	965,367	965,367
Rates, Depreciation and Financing		(50,829,915)	18,867,517	(31,962,398)
Rates	General Rates	(49,163,104)	348,320	(48,814,784)
	Regional Landscape Levy	(1,616,811)	1,606,811	(10,000)
Depreciation	Depreciation	0	13,696,916	13,696,916
Financing	Financing	(50,000)	3,215,470	3,165,470
(Surplus)/Net Cost		(61,795,590)	59,570,284	(2,225,306)

Attachment D

Draft Annual Business Plan & Draft 2025-2026 Budget





Statement of Comprehensive Income for the year ended 30 June 2026

	Actual 2021-2022 \$'000	Actual 2022-2023 \$'000	Actual 2023-2024 \$'000	Proposed 3rd Budget Review 2024-2025 \$'000	Proposed 2025-2026 \$'000
Income					
Rates	37,938	39,974	43,667	47,230	50,940
Statutory charges	2,003	2,039	2,112	2,181	2,239
User charges	3,561	3,668	3,823	4,007	4,370
Grants, Subsidies and Contributions - operating	3,433	3,540	1,643	3,943	2,654
Grants, Subsidies and Contributions - capital		553	571	444	1,051
Investment income	24	171	61	78	55
Other income	848	852	1,019	461	487
Net loss joint ventures & associates	122	50	39	-	-
Total Income	47,930	50,846	52,935	58,345	61,796
Expenses					
Employee costs	14,126	14,531	16,700	18,533	20,313
Materials, contracts & other expenses	19,832	21,983	22,331	22,253	23,231
Depreciation, amortisation & impairment	10,766	11,562	12,852	13,377	13,697
Finance costs	346	458	611	1,155	3,386
Net loss Joint Ventures & Associates	214	357	334	263	263
Total Expenses	45,284	48,892	52,827	55,581	60,890
Operating Surplus (Deficit)	2,645	1,954	109	2,764	906
Net gain (loss) on disposal or revaluation of assets	(2,371)	(1,502)	(4,491)	36	37
Amounts specifically for new or upgraded assets	2,341	640	6,442	7,281	2,800
Physical resources received free of charge	-	-	-	-	-
Non Operating Items - Joint Venture and Associates	-	-	-	-	-
Net Surplus (Deficit) transferred to Equity Statement	2,615	1,092	2,060	10,081	3,743
Other Comprehensive Income					
Changes in revaluation Surplus- infrastructure, property, plant & equipment	34,462	49,031	39,253	5,508	20,000
Share of Other comprehensive Income - joint ventures and associates	(5)	(12)	631	-	-
Total Other Comprehensive Income	34,457	49,019	39,884	5,508	20,000
Total comprehensive Income	37,072	50,112	41,944	15,589	23,743

Pursuant to S123 (10)(b) of the Local Government Act 1999 and Clause 7 of the Local Government (Financial Management) Regulations 2011, as detailed in the Statement of Comprehensive Income, the projected Operating Income of \$61.796m is sufficient to meet the projected Operating Expenditure (\$60.89m) for the 2025-2026 Financial Year.



Statement of Financial Position as at 30 June 2026

	Actual 2021-2022	Actual 2022-2023	Actual 2023-2024	Proposed 3rd Budget Review 2024-2025	Proposed 2025-2026
	\$'000	\$'000	\$'000	\$'000	\$'000
Assets					
Current Assets					
Cash and cash equivalents	11,393	4,317	997	500	500
Trade & other receivables	2,675	2,193	3,720	2,632	2,454
Total Current Assets	14,068	6,511	4,717	3,132	2,954
Non-current Assets					
Financial Assets	113	104	111	130	140
Equity accounted investments in Council businesses	1,931	1,949	3,175	2,912	2,650
Infrastructure, Property, Plant & Equipment	543,710	594,771	645,596	716,407	748,677
Other Non-current Assets	4,324	5,707	8,873	8,873	8,873
Total Non-current Assets	550,078	602,531	657,755	728,322	760,340
Total Assets	564,146	609,041	662,472	731,454	763,294
Liabilities					
Current Liabilities					
Trade & Other Payables	13,031	8,819	8,828	10,749	12,009
Borrowings	1,021	1,097	1,136	1,081	3,295
Short-term Provisions	3,004	3,872	3,624	3,301	3,301
Other Current Liabilities	-	-	-	-	-
Liabilities relating to Non-current Assets held for Sale	-	-	-	-	-
Total Current Liabilities	17,056	13,789	13,588	15,132	18,604
Non-current Liabilities					
Long-term Borrowings	8,527	7,522	19,020	70,546	75,170
Long-term Provisions	1,280	288	460	782	782
Liability - Equity accounted Council Businesses	904	952	970	970	970
Total Non-current Liabilities	10,712	8,763	20,450	72,298	76,922
Total Liabilities	27,767	22,551	34,038	87,430	95,527
Net Assets	536,379	586,490	628,435	644,024	667,767
Equity					
Accumulated Surplus	62,709	63,789	66,480	76,562	80,304
Asset Revaluation Reserve	473,670	522,701	561,954	567,462	587,462
Total Equity	536,379	586,490	628,435	644,024	667,767



Statement of Changes in Equity for the year ended 30 June 2026

	Actual 2021-2022 \$'000	Actual 2022-2023 \$'000	Actual 2023-2024 \$'000	Proposed 3rd Budget Review 2024-2025 \$'000	Proposed 2025-2026 \$'000
Accumulated Surplus					
Balance at end of previous reporting period	60,099	62,709	63,789	66,480	76,562
Net Surplus/ (Deficit) for year	2,615	1,092	2,060	10,081	3,743
Other comprehensive Income	-	-	-	-	-
Share of other Comprehensive Income- joint venture and associates	(5)	(12)	631	-	-
Balance at end of period	62,709	63,789	66,480	76,562	80,304
Asset Revaluation Reserve					
Balance at end of previous reporting period	439,208	473,670	522,701	561,954	567,462
Gain on revaluation of infrastructure, property, plant & equipment	34,462	49,031	39,252	5,507	20,000
Balance at end of period	473,670	522,701	561,954	567,462	587,462
Total Equity at end of reporting period	536,379	586,490	628,435	644,024	667,767

Statement of Cash Flow for the year ended 30 June 2026

	Actual 2021-2022 \$'000	Actual 2022-2023 \$'000	Actual 2023-2024 \$'000	Proposed 3rd Budget Review 2024-2025 \$'000	Proposed 2025-2026 \$'000
Cash Flow from Operating Activities					
<u>Receipts</u>					
Rates - general & other	37,859	39,979	43,219	47,011	51,202
Fees & other charges	2,010	2,039	2,112	2,331	2,236
User Charges	4,592	3,668	3,823	4,275	4,349
Investment receipts	24	171	61	80	56
Grants utilised for operating purposes	3,440	3,540	1,643	3,950	2,723
Other Income	913	1,120	134	525	477
<u>Payments</u>					
Employee Costs	(15,627)	(15,075)	(16,241)	(18,664)	(20,268)
Contractual services & materials	(17,515)	(25,105)	(23,882)	(19,862)	(23,033)
Finance payments	(156)	(448)	(521)	(1,248)	(2,792)
Net Cash provided by (or used in) Operating Activities	15,540	9,888	10,348	18,398	14,949
Cash flow from Investing Activities					
<u>Receipts</u>					
Amounts specifically for new or upgraded assets	5,785	753	7,133	7,777	3,067
Grants utilised for capital purposes	-	-	571	500	1,077
Sale of replaced assets	50	0	17	36	37
Repayments of loans by community groups	6	-	-	-	-
Capital Distributions from associated entities	-	-	-	-	-
<u>Payments</u>					
Expenditure on renewal/replacement of assets	(8,937)	(11,193)	(12,994)	(27,015)	(12,887)
Expenditure on new/upgraded assets	(6,941)	(5,168)	(18,961)	(51,555)	(13,080)
Capital contributed to associated entities	(170)	(289)	(872)	-	-
Net Cash provided by (or used in) Investing Activities	(10,208)	(15,897)	(25,106)	(70,257)	(21,786)
Cash Flow from Financing Activities					
<u>Receipts</u>					
Proceeds from Borrowings	-	-	12,543	52,505	45,000
<u>Payments</u>					
Repayments of Borrowings	(1,010)	(1,067)	(1,105)	(1,144)	(38,163)
Net Cash provided by (or used in) Financing Activities	(1,010)	(1,067)	11,439	51,362	6,837
Net Increase (Decrease) in cash held	4,322	(7,076)	(3,320)	(497)	0
Cash & cash equivalents at beginning of period	7,071	11,393	4,317	997	500
Cash & cash equivalents at end of period	11,393	4,317	997	500	500



Uniform Presentation of Finances for year ended 30 June 2026

	Actual 2021-2022 \$'000	Actual 2022-2023 \$'000	Actual 2023-2024 \$'000	Proposed 3rd Budget Review 2024-2025 \$'000	Proposed 2025-2026 \$'000
Income	47,930	50,846	52,935	58,345	61,796
less Expenses	(45,284)	(48,892)	(52,827)	(55,581)	(60,890)
Operating Surplus (Deficit)	2,645	1,954	109	2,764	906
Less: Grants, subsidies and contributions – Capital				(444)	(1,051)
Adjusted Operating Surplus / (Deficit)				2,320	(145)
less Net Outlays on Existing Assets					
Capital Expenditure on renewal and replacement of Existing Assets	8,937	11,193	12,994	27,015	12,887
Depreciation, Amortisation and Impairment	(10,766)	(11,562)	(12,852)	(13,377)	(13,697)
Less: Grants, subsidies and contributions – Capital				-	(1,051)
Proceeds from Sale of Replaced Assets	(48)	(0)	(17)	(36)	(37)
	(1,876)	(369)	126	13,603	(1,897)
less Net Outlays on New and Upgraded Assets					
Capital Expenditure on New and Upgraded Assets (including investment property & real estate developments)	7,216	5,168	18,961	51,555	13,080
add back Grants, subsidies and contributions – Capital New/Upgraded				(444)	-
Amounts received specifically for New and Upgraded Assets	(2,341)	(753)	(7,133)	(7,777)	(3,067)
Asset Received Free of Charge	(2)	-	-	-	-
Total Net Outlays on New and Upgraded Assets	4,873	4,414	11,828	43,334	10,013
Net Lending / (Borrowing) for Financial Year	(351)	(2,091)	(11,845)	(54,617)	(8,261)

Financial Indicators

	Actual 2021-2022	Actual 2022-2023	Actual 2023-2024	Proposed 3rd Budget Review 2024-2025	Proposed 2025-2026
Required by Local Government (Financial Management) Regulations 1999 Section 5B(d)					
Operating Surplus Ratio					
<u>Operating Surplus/(Deficit)</u>	5.5%	3.8%	0.2%	4.7%	1.5%
Total Operating Revenue					
<i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i>					
Net Financial Liabilities Ratio					
<u>Net Financial Liabilities</u>	28.3%	29.5%	53.4%	142.6%	148.0%
Total Operating Revenue					
<i>This ratio expresses the extent of Operating Revenue required to meet all monies owed by the Council Net financial liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses).</i>					
Asset Renewal Funding Ratio					
<u>Expenditure on renewals</u>	80.4%	77.1%	81.2%	117.8%	96.2%
Asset Management Plan					
Rolling three-year average	98.8%	89.2%	79.5%	90.1%	91.6%
<i>This ratio measure the extent existing assets are being renewed compared to the Infrastructure & Asset Management Plan Net asset renewals is defined as capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.</i>					
Interest Cover Ratio					
<u>Net Interest Expense</u>	0.7%	0.6%	1.0%	1.8%	5.4%
Total Operating Revenue excl Interest income					
<i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i>					

5.2 INTERNAL AUDIT REPORT

REPORT AUTHOR: Manager, Governance
GENERAL MANAGER: General Manager, Governance & Civic Affairs
CONTACT NUMBER: 8366 4593
FILE REFERENCE: qA162025
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to provide an update on recent activities to assist the Audit & Risk Committee meet its statutory role in relation to the Council's Internal Audit function.

BACKGROUND

The *Statutes Amendment (Local Government Review) Act 2021* (Reform Act) contains the most significant reform to the legislative framework for Local Government since the commencement of the *Local Government Act 1999* (the Act).

Several amendments to the Act (and Regulations), which were contained within the Reform Act, commenced on 30 November 2023. This suite of financial and governance accountability changes to the Act, included mandatory requirements for Council Chief Executive Officers and Council Audit & Risk Committees in relation to the Internal Audit function.

The Council has been reviewing and embedding process improvements across the Council to ensure these changed mandatory requirements can be fulfilled on a sustained basis.

One of the key process improvements which has been undertaken to ensure that these mandatory requirements can continue to be met is the review of the Council's Internal Audit function and associated Internal Audit Plan.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Nil.

RISK MANAGEMENT

Supporting the Audit & Risk Committee in meeting its legislated purpose, functions and activities, will provide the required independent assurance and advice to the Council.

CONSULTATION

- **Committee Members**
Elected Members receive the Minutes from the Audit & Risk Committee Meetings and consider any recommendations that are made by the Audit & Risk Committee to the Council.
- **Community**
Not Applicable.
- **Staff**
Not Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

Section 125A(1) of the *Local Government Act 1999* (the Act) states:

The chief executive officer of a council that has an internal audit function must, before appointing a person to be primarily responsible for the internal audit function, or assigning such responsibility to an employee of the council, consult with the relevant audit and risk committee on the appointment or assignment of responsibility.

At its meeting held on 10 February 2025, the Audit & Risk Committee (the Committee) noted that the primary responsibility for the Council's Internal Audit Function has been assigned by the Chief Executive Officer to the General Manager, Governance & Civic Affairs. Primary responsibility for the Internal Audit function to Governance & Civic Affairs, enables a better alignment to the role and functions of the Audit & Risk Committee and organisational structure.

Supported by the Manager, Governance, the General Manager, Governance & Civic Affairs takes responsibility for the management of the Internal Audit program and liaising with Bentleys (SA) Pty Ltd who have been engaged since 2022 to conduct Internal Audit services for the Council.

The current agreement in place with Bentleys (SA) Pty Ltd expires on 31 April 2025 and includes an option for a further two (2) year extension. Negotiations will therefore be held with Bentleys regarding this extension to ensure continuity of the Internal Audit Plan.

Internal Audit Plan

Section 126(4)(g)(i) of the Act provides that if the Council has an Internal Audit function, the Committee will provide oversight of the planning and scoping of the Internal Audit Work Plan.

The Internal Audit Plan is based on a Strategic Internal Audit Plan that was prepared by Bentleys and based on the risks identified through the Assurance Mapping process undertaken by Bentleys in September 2022.

As reported to the Committee at its Meeting held on 28 October 2024, the Council is currently participating in the Strategic Risk Management Services Program (the Program) with Local Government Risk Services. As part of this transition phase, the current Internal Audit Plan has been reviewed based on what was already included within the Plan and with a focus on fundamental aspects of the Council's operation and well recognised risks across Local Government (eg contractor management).

While the Committee will be provided with regular updates on the implementation of the Program and regular reports on strategic, financial and operational risks, it is expected that the risk management profile of the Council, will also be used to inform the future Internal Audit Plan as overseen by the Committee.

The Internal Audit Plan will be reviewed regularly by the Committee and adjustments can be made as needed within the resourcing available.

The *Internal Audit Plan 2025-2027* (the Internal Audit Plan) is contained in **Attachment A**.

During discussions with Bentleys on the current Internal Audit Plan, the concept of a *Service Efficiency Review Framework* (SERF) was raised. The value of the SERF is to develop a consistent framework to prioritise future Service Reviews. In addition, these discussions with Bentleys have focused on making the clear distinction between what is an Internal Audit and what is a Service Review. Previously, this has not always been clear with Bentleys providing both services.

While there is no specific legislated role for the Committee in terms of Service Reviews, given these are the remit of the Chief Executive Officer and are separate from any investigations that are undertaken in accordance with Section 130A of the Act, there is still value in the Committee receiving the findings of Service Reviews.

Given the SERF is a foundational process to help inform the prioritisation of other work, it was scheduled to be undertaken in the current financial year, therefore only one (1) Internal Audit in relation to the Council's '*Business Continuity Management*' has been scheduled for the remainder of the 2024-2025 financial year.

The process for the development of the SERF is nearing completion and it has proven to be a valuable exercise so far with staff contributing to the discussions on the current services that the Council provides and the preparation of a practical and useful tool based on these initial discussions.

Internal Audit Reports and Actions

Sections 125A(2) and 126(4)(g)(i)(B) of the Act, requires the Committee to review any Internal Audit Reports prepared which has been occurring to date. There are no Internal Audit Reports for review by the Committee at this time.

Prior to the Governance Unit managing the Internal Audit Plan, the report of each Internal Audit was presented to the Committee with responses on subsequent actions included in the cover report and/or a subsequent report on the matter. At that time the recommendations for improvement arising from Internal Audits was not consolidated.

Given Section 126(4)(c) of the Act requires the Committee to monitor the Council's responsiveness to recommendations for improvement based on previous audits, such recommendations will now be consolidated and this monitoring will be facilitated through a report to the February and July meetings of the Committee to show the progress of actions.

OPTIONS

Not Applicable. The Committee must endorse the Internal Audit Work Plan to ensure its legislative responsibilities are met.

CONCLUSION

The *2025-2027 Internal Audit Work Plan* was presented to the Committee at its meeting on 10 February 2025. While the Committee's endorsement of the Internal Audit Plan was sought, the Committee noted the Plan with the intention the Plan would be presented to the next meeting of the Committee on 14 April 2025 which will be the first meeting of the new Committee.

COMMENTS

Nil

RECOMMENDATION

That the *2025-2027 Internal Audit Plan*, as contained in Attachment A., be endorsed.

Attachment A

Internal Audit Report



Audit project	Line ¹	High-level scope	Proposed timing	Est. hours
Business continuity management	3 rd	<p>The objective of the audit is to assess the adequacy of the Council's practices and procedures to manage business continuity in line with the relevant legislation and standards and identify opportunities for improvement.</p> <p>Specifically, the following areas are considered:</p> <ul style="list-style-type: none"> • Determination of adequacy of the overarching framework and management structure relating to the Council and application post COVID • Providing assurance that the continuity risks and recovery priorities identified for individual processes and services reflect an organisation-wide perspective and can be met • Determination of appropriate processes are in place for regular updates and testing of continuity plans and risk treatments • Determination of the effectiveness of ongoing reporting on key performance indicators that measure the success or otherwise of Council arrangements and identify areas for improvement. 	FY25	80 hours
Contractor Management	3 rd	<p>Review of contractor management to identify and assess the efficiency and effectiveness of the following and provide any recommendations for improvement:</p> <ul style="list-style-type: none"> • Induction and orientation of contractors • Work, Health and Safety certification, briefing, and monitoring • Quality and performance monitoring and actions • Management and Reporting of Contractors to project sponsors • Issues management. 	FY26 - early	70 hours
ICT Disaster Recovery Plan (DRP)	3 rd	<p>The audit will review the IT DRP documentation to assess its adequacy and effectiveness. The audit will also focus on any other gaps or lessons learnt, including further preparations that may be required relating to future waves, as well as providing recommendations for improving the IT DRP going forward.</p> <p>This is a desktop review of the IT DRP documentation. This audit will be guided by the relevant ISO 24762:2008 Guidelines for Information and Communications Technology Disaster Recovery Services.</p> <p>Our approach will involve:</p> <ul style="list-style-type: none"> • Benchmarking the Council's IT DRP documentation against the relevant International Standards to identify any gaps where relevant, with consideration given to Council's practical situation, such as size, maturity, and resources, including the following areas: <ul style="list-style-type: none"> ◦ Alignment to the IT Strategy and the Organisational Strategy ◦ Key roles and responsibilities of the Incident Management Team in instances of ICT disruptions ◦ ICT critical asset and associate risk analysis 	FY26 - mid	50 hours

¹ Refer to Appendix 1: Three Lines Model.

Audit project	Line ¹	High-level scope	Proposed timing	Est. hours
		<ul style="list-style-type: none"> ○ Processes and procedures to protect, provide continuity and recover from ICT disruptions ○ Evaluation and testing of ICT protective, redundancy, and disaster recovery measures ○ Training and education • Review of relevant documentation and conducting interviews to identify any gaps between the IT DRP and practice in place • Making recommendations where relevant. <p><i>Out of scope:</i></p> <ul style="list-style-type: none"> • Business Continuity Plan. 		
Procurement and contract management review	2 nd	<p>The objective of this review is to consider the overall efficiency and effectiveness of the procure to pay system including technology, people, and processes implemented by the Council.</p> <p>The specific scope of the review will include the following:</p> <ul style="list-style-type: none"> • Consider whether the procurement management framework in place ensures value-for-money, transparency, and equity in relation to the procurement practices • Compare internal controls delivered and the associated risks mitigated • Use data analytics over the procurement data sets, including vendor accounts and supplier validity, authorisations within delegation limits, duplicated invoices, splitting of purchase orders, and segregation of duties • Select samples to assess the level of compliance with procurement requirements as specified in the policy and guidelines, as well as benchmark against the better industry practices • Where relevant, assess the system for its effectiveness and improvement opportunities. 	FY26 - late	70 hours
Regulatory Services	3 rd	<p>The objective of this internal audit project will be to consider the effectiveness of the function of the Regulatory Services, including the relevant systems, procedures and processes. The following will be included:</p> <ul style="list-style-type: none"> • Compliance level with the relevant legislation • Currency of the Instrument of Delegation to Authorised Person / Authorised Officer • Policies and procedures are formally documented and implemented to ensure the responsibilities are fulfilled, e.g. in expiation, on street parking, removal and impounding vehicles management • CRM is used to effectively track complaints and response • Animal management, including safe dog handling. 	FY27	70 hours

Appendix 1: Three Lines Model

Review of the assurance map in September 2022, including the development of a Strategic Internal Audit Plan, was based on the Institute of Internal Auditors’ (IIA’s) Three Lines Model presented below:

Figure 1: The IIA’s Three Lines Model

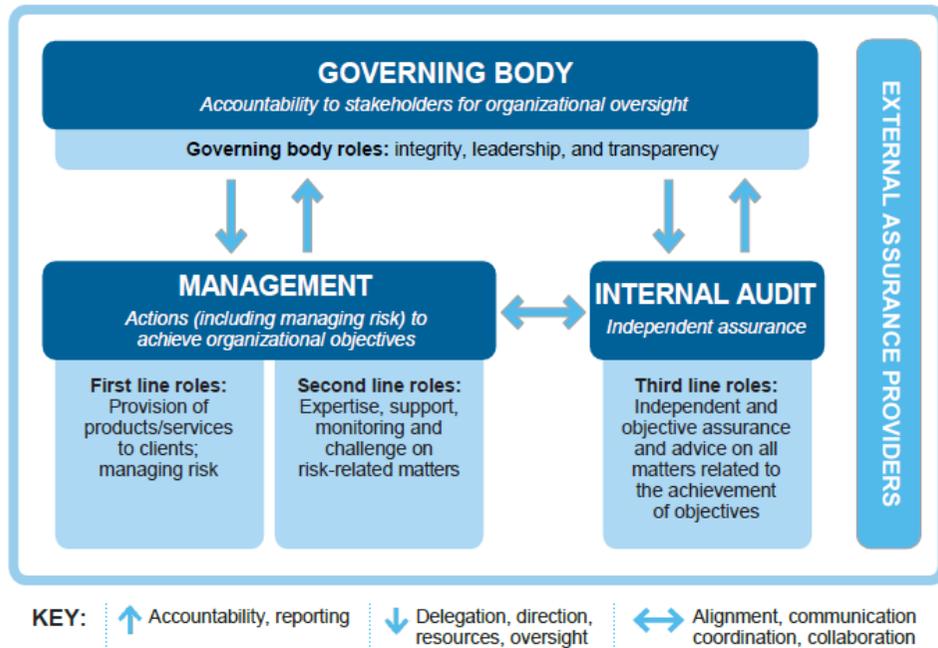


Table 1: The 3 Lines of Defence – explained

	Source	Brief descriptions	Examples
1 st Line	Direct Management	It has a real-time focus and examples include direct management (process owners) monitoring with day-to-day operational activities.	Local management controls, policies and procedures, frameworks, Council programs and plans, etc.
2 nd Line	Corporate Oversight	It centres on risk oversight and involves some degree of real-time activity, with a mandate to review First Line activities.	Committee oversight, cross-divisional review/assessment, Elected Member/Council reviews.
3 rd Line	Independent Assurance	It evaluates the adequacy and effectiveness of both First Line and Second Line risk management approaches. Typically, External Audit is not part of the Third Line; however, we will consider the work performed by the External Auditor in reviewing controls to form their control opinion when considering areas of the Council covered by the Control Track.	Internal Audit, External Audit, and External Inspectorate.

5.3 RISK MANAGEMENT UPDATE

REPORT AUTHOR: Manager Governance
GENERAL MANAGER: General Manager, Governance & Civic Affairs
CONTACT NUMBER: 8366 4593
FILE REFERENCE: qA162025
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to provide an update to the Audit & Risk Committee on the Council's Risk Management Framework.

BACKGROUND

The *Statutes Amendment (Local Government Review) Act 2021* (Reform Act), contains the most significant reform to the legislative framework for Local Government since the commencement of the *Local Government Act 1999* (the Act).

Several amendments to the Act and Regulations, which were contained within the Reform Act, commenced on 30 November 2023. This suite of financial and governance accountability changes to the Act, included mandatory risk management related functions for Councils, Council Chief Executive Officers and Council Audit & Risk Committees.

The Council has been working towards ensuring there are appropriate and sustainable processes in place to provide a clear and consistent approach to the management of risk which are then embedded across all areas of the Council. This important foundational work will improve practices and support compliance with the legislative requirements and inform reporting to the Executive Leadership Team, the Audit & Risk Committee and the Council as required.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

Supporting the Audit & Risk Committee to meet its legislated purpose, functions and activities will ensure the required independent assurance and advice to the Council.

CONSULTATION

- **Elected Members**
Elected Members receive the Minutes from the Audit & Risk Committee Meetings and consider recommendations made by the Audit & Risk Committee to the Council.
- **Community**
Not Applicable.
- **Staff**
Staff from across the organisation have been involved in the implementation of the Program and will continue to be engaged to assist with embedding effective risk management processes to support the Council, the Chief Executive Officer and the Audit & Risk Committee, to achieve their mandatory roles in relation to risk management.
- **Other Agencies**
Not Applicable.

DISCUSSION

Section 126 (4)(h) of the Act provides that one of the functions of a Council's Audit & Risk Committee includes:

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

This requirement aligns with the other risk management functions related changes to the Act which commenced on 30 November 2023. These changes mandate risk management obligations on the Council and the Chief Executive Officer as follows:

- The Council's obligation pursuant to Section 125(3) of the Act:
'A council must ensure that appropriate policies, systems and procedures relating to risk management are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, inform appropriate decision making, facilitate appropriate prioritisation of finite resources and promote appropriate mitigation of strategic, financial and operational risks relevant to the council.'
- The Chief Executive Officer's obligations in relation to Section 99(1)(ia) of the Act:
'to ensure that effective policies, systems and procedures are established and maintained for the identification, assessment, monitoring, management and annual review of strategic, financial and operational risks.'

While the Council has a risk management framework which has been in place for many years and risk management forms a key component in decision-making at all levels, the commencement of these legislative requirements has warranted a comprehensive review to ensure that the Council has current, clear, robust and effective policies, systems and procedures in place.

As reported to the Committee at its meeting held on 28 October 2024, Local Government Risk Services (LGRS), have been engaged to deliver the Strategic Risk Services Program (the Program), at no cost to the Council, as it is a fully funded program which is provided as part of the Council's membership of the Local Government Association (LGA) Mutual Liability Scheme.

A copy of the *LGRS Strategic Risk Services Program Scope of Works* is contained in **Attachment A**.

In accordance with the attached Scope of Works, the Program provides a comprehensive approach to effective and sustainable risk management principles and processes to assist with the Council's strategic and operational planning and decision making.

The Program commenced in mid-February 2025 and the initial preparation of the current Strategic Risk Register have commenced. LGRS have also reviewed the Council's current Risk Management Framework and Policy and have suggested enhancements from a contemporary perspective. It is envisaged that the *Risk Management Policy* will be presented to the next meeting of the Committee prior to the Policy being adopted by the Council.

The Program participation process to date, has provided an excellent opportunity for the Council's Executive Leadership Team and key staff to collaborate and collectively consider risk management in a practical and relevant way. A similar process will then be undertaken in respect to operational risks. These discussions will lead to documents and processes that will be used consistently across the organisation, thereby supporting the Chief Executive Officer to ensure that effective risk management policies, systems and procedures are established and maintained.

Regular reports will be prepared on strategic, financial and operational risks which will then be provided through the Council's Executive Leadership Team and then to the Committee to assist the Committee to meet its legislative function in relation to risk management as required by Section 126(4)(h) of the Act.

In addition to the above and noting that Climate Change adaptation is a strategic risk, the Council will shortly be participating in the National Local Government Vulnerability Program (NLGVP) that is being provided through the Council's membership of the LGA Asset Mutual Fund, again with no additional cost to the Council.

The focus of the NLGVP is to measure the Council's vulnerability with respect to disaster risks which, as Committee Members would be aware, are constantly evolving. From a risk management perspective, this exercise is important to assist the Council to understand the Council's vulnerabilities based on the impact of disasters on the built, natural, social/community and financial environments.

The NLGVP information is being captured from across Australia to ensure a consistent approach for Local Government to identify and quantify disaster risks to support funding to assist in mitigation strategies. Specifically, for the Council, the information can be incorporated into the risk management framework and inform future strategic and operation planning and decisions.

OPTIONS

Not Applicable. This report is for information purposes only.

CONCLUSION

The update provide by this report will assist the Committee to meet their legislative role in terms of risk management.

RECOMMENDATION

That the report be received and noted.

Attachment A

Risk Management Update



 <p>Mutual Liability Scheme Workers Compensation Scheme Local Government Association of South Australia</p>	<p>Scope – Strategic Risk Services</p>	<p>Council: City of Norwood Payneham & St Peters</p>
		<p>Date: V1.0: 08/07/2024</p>
		<p>Key Contact: Jenny McFeat: Manager, Governance</p>

Scope: Strategic Risk Service Program

<p>Background</p>	<p>The City of Norwood Payneham & St Peters are keen to review and update their risk management systems and implementation across the organisation in light of recent changes to the risk management requirements in the Local Government Act 1999. These changes have repercussions for the responsibility and function of the Council, the Chief Executive Officer (CEO) and the Audit and Risk Committee. This work will involve reviewing and updating their risk management policy and framework, the provision of Enterprise Risk Management (ERM) training to the Executive Leadership Team (ELT) and identified key staff, commencing the identification/ review of their strategic risks and the provision of ERM information to Elected Members.</p> <p>Once the above work has been completed, Council will commence the development of an organisational wide operational risk register in order to manage and monitor key risks.</p> <p>In addition to this, the City of Norwood Payneham & St Peters have also recognised the value to measure their current level of risk maturity (prior to works being undertaken) and reassessing this following the completion of the works to assist with identifying strategies for continuous improvement.</p> <p>To provide direction to the ELT and Elected Members, the City of Norwood Payneham & St Peters are also seeking to review and articulate its risk appetite, (that is, how much risk the organisation is willing to take in order to achieve its objectives).</p> <p>The City of Norwood Payneham & St Peters have looked to partner with the MLS to facilitate this requirement and the Strategic Risk Consulting Team has been engaged to create a customised program to meet Council’s needs and structure the work as a partnership between the City of Norwood Payneham & St Peters and the Scheme to evolve Council’s risk system to a point where the expectations of their Audit & Risk Committee, Council and Executive Leadership Team can be met.</p>
<p>Objectives:</p>	<ul style="list-style-type: none"> Support the development of a customised program for the City of Norwood Payneham & St Peters risk management framework implementation Develop an understanding of Council’s current level of risk maturity and identify appropriate strategies to support implementation of the risk management policy and framework The Executive Leadership Team and key staff are able to apply risk management principles and processes to strategic and operational planning and decision making Elected Members are able to understand their role in risk management and the strategic planning and decision making processes

 <p>Mutual Liability Scheme Workers Compensation Scheme Local Government Association of South Australia</p>	<h2>Scope – Strategic Risk Services</h2>	Council: City of Norwood Payneham & St Peters
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		Key Contact: Jenny McFeat: Manager, Governance

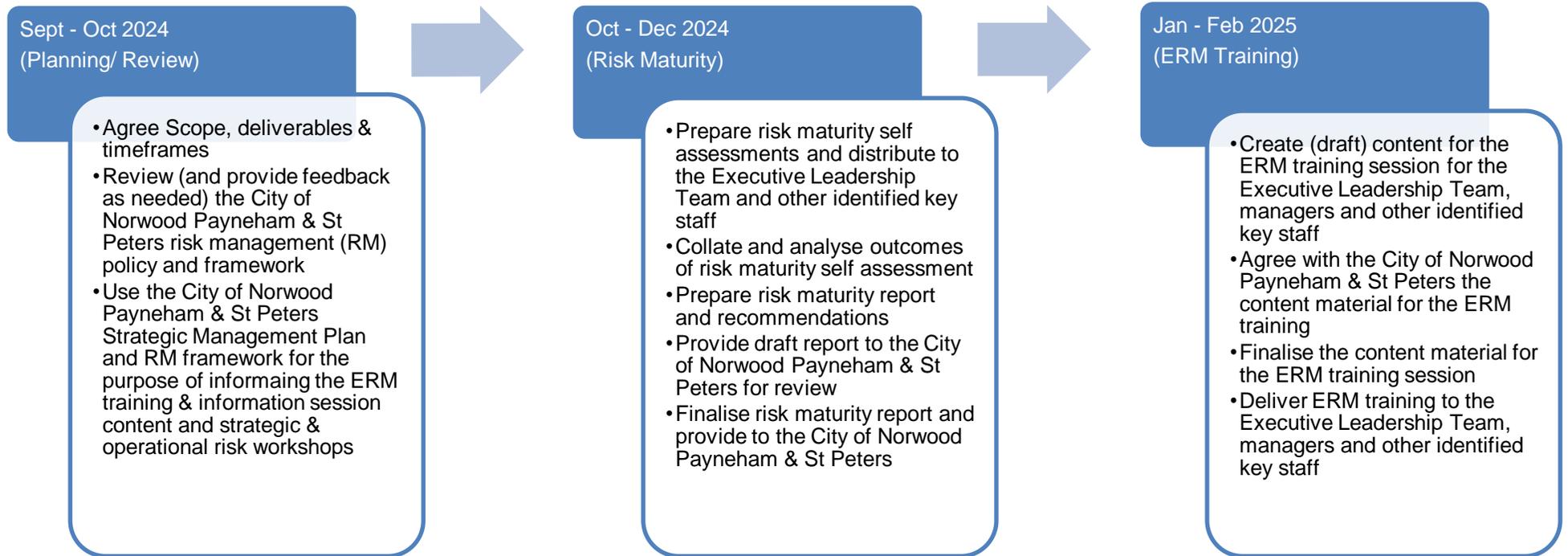
Scope of Services:	<ul style="list-style-type: none"> Support the development of risk appetite statements that are aligned to the City of Norwood Payneham & St Peters Strategic Management Plan and risk categories Review and provide feedback on the City of Norwood Payneham & St Peters risk management policy and framework, including roles and responsibilities and the monitoring and reporting processes; Provide risk maturity self-assessment questionnaires to Council's ELT and identified key staff; Collate outcomes of risk maturity self-assessment and prepare a report and recommendations for implementation of Council's risk management framework (will be undertaken at the beginning and end of works identified in this scope); Provide training to the ELT on enterprise risk management and Council's risk management framework, including applying risk management principles and processes to strategic and operational planning and decision making within Council's framework; Create training packs, including tools for workshoping strategic and operational risks and defining risk appetite; Facilitate workshops to review and/or identify and assess Council's strategic and operational risks; Provide information for the Elected Members on enterprise risk management and Council's risk management framework, including their roles and responsibilities and applying risk management principles to strategic planning and decision making processes; Deliver risk appetite awareness sessions & workshops to assist the ELT & Elected Members to articulate risk appetite statements that are aligned to the risk categories used in Council's Risk Register; Document risk appetite statements in a summary report; Provide final deliverables: training and information session materials, Council's draft strategic and operational risk register; and Provide mentoring as requested by the City of Norwood Payneham & St Peters (this will depend on capacity of resources and would require prior planning) as a part of the project and post program support.
Out of Scope:	<p>The Strategic Risk Team will not be responsible for the design and implementation of controls for each of the risks identified. Testing and assessment of controls will not be performed. This work is the function of the City of Norwood Payneham & St Peters once their risk management system is implemented.</p> <p>The Strategic Risk Team will not be responsible for ensuring that the risk appetite statements are subsequently applied to Council's decision-making process.</p>
Timelines:	<p>This project will be delivered over three phases commencing from July 2024. Key dates will be agreed with Council's Executive Leadership Team prior to the commencement of the project.</p>

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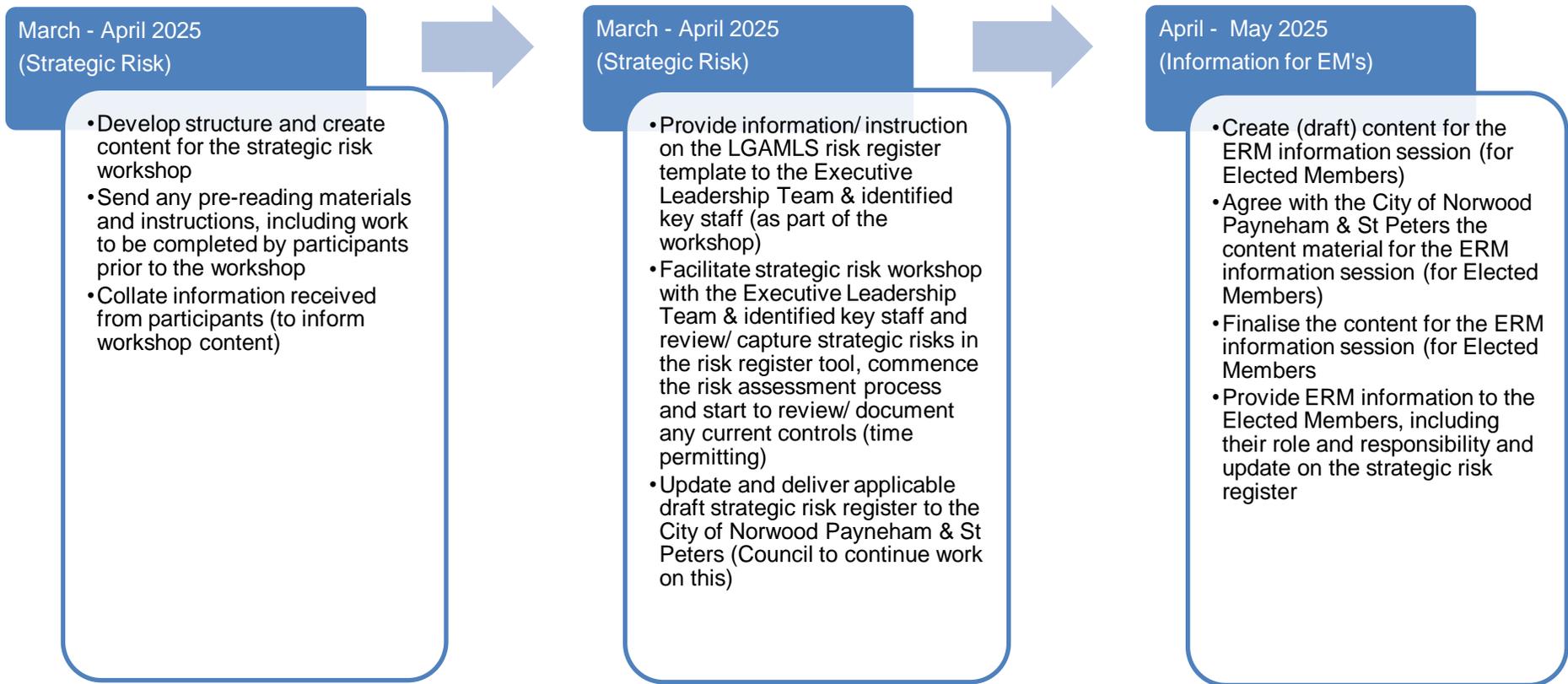
<p>Sponsor:</p>	<ul style="list-style-type: none"> Phase 1: September 2024 – May 2025 Phase 2: May – December 2025 (<i>indicative timeframe only</i>) Phase 3: September – November 2026 (<i>indicative timeframe only</i>)
<p>Sponsor:</p>	<p>Lisa Mara: General Manager, Governance & Civic Affairs</p>

 <p>Mutual Liability Scheme Workers Compensation Scheme Local Government Association of South Australia</p>	<h3>Scope – Strategic Risk Services</h3>	Council: City of Norwood Payneham & St Peters
		Date: V1.0: 08/07/2024
		Key Contact: Jenny McFeat: Manager, Governance

Detailed Project timeline: Phase 1 (September 2024 to May 2025)

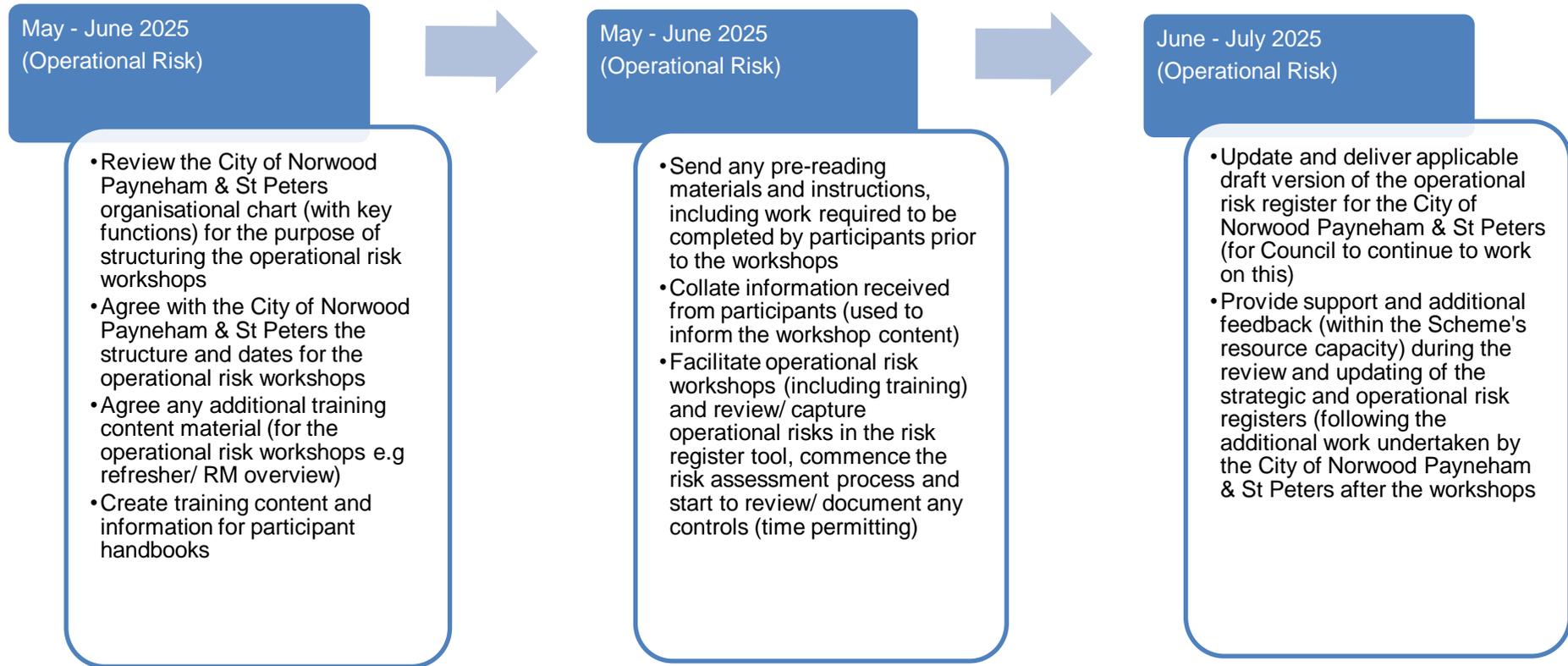


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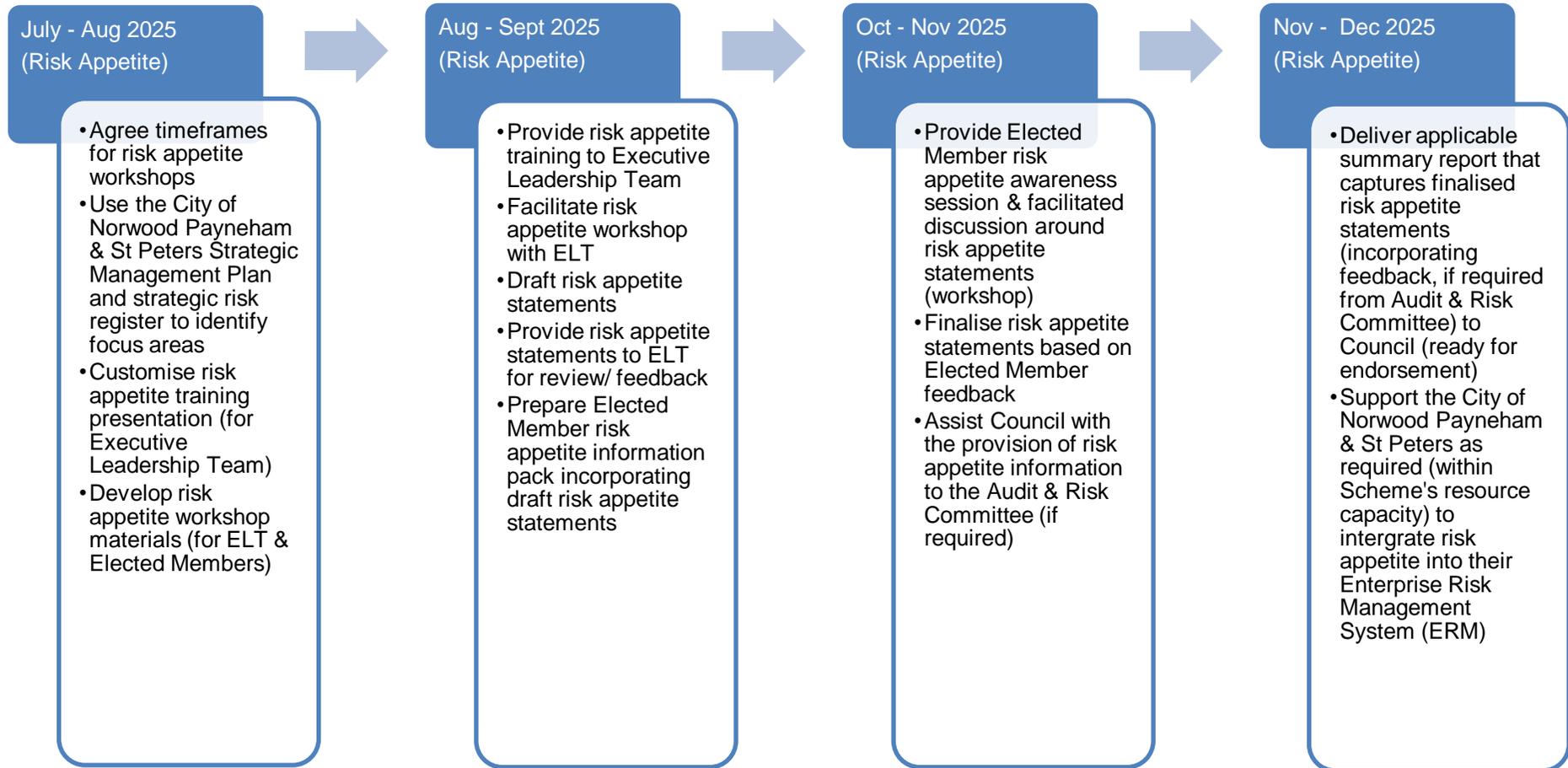
Detailed Project timeline: Phase 2 (May 2025 to December 2025) **Indicative timeframe only*





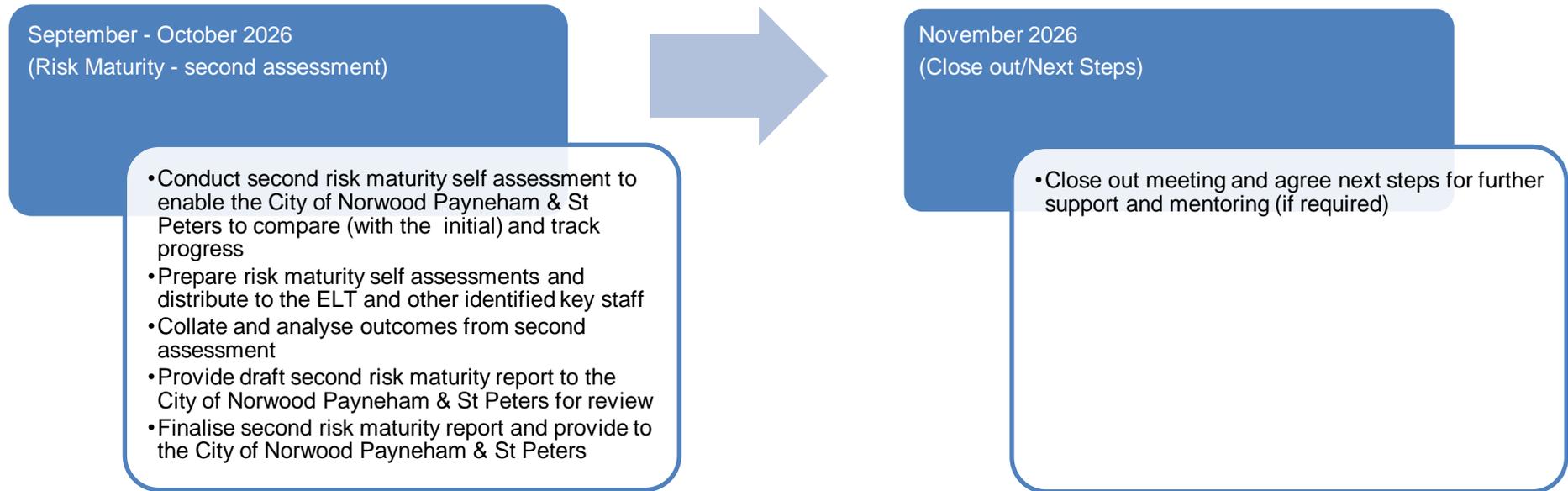
Scope – Strategic Risk Services

Council:	City of Norwood Payneham & St Peters
Date:	V1.0: 08/07/2024
Key Contact:	Jenny McFeat: Manager, Governance



 <p>Mutual Liability Scheme Workers Compensation Scheme Local Government Association of South Australia</p>	<p>Scope – Strategic Risk Services</p>	<p>Council: City of Norwood Payneham & St Peters</p>
		<p>Date: V1.0: 08/07/2024</p>
		<p>Key Contact: Jenny McFeat: Manager, Governance</p>

Detailed Project timeline: Phase 3 (September 2026 to November 2026) **Indicative timeframe only*



 <p>Mutual Liability Scheme Workers Compensation Scheme Local Government Association of South Australia</p>	<p>Scope – Strategic Risk Services</p>	<p>Council: City of Norwood Payneham & St Peters</p>
		<p>Date: V1.0: 08/07/2024</p>
		<p>Key Contact: Jenny McFeat: Manager, Governance</p>

Prepared by:	Colleen Green: Strategic Risk Consultant – LGAWCS/MLS	Date:	V1.0: 08/07/2024
Reviewed by:	Stevie Sanders: WHS & Risk Manager – LGAWCS	Date:	V1.0: 18/07/2024
Approved by:	Mario Barone – Chief Executive Officer	Date:	V1.0: 10/09/2024

6. CONFIDENTIAL REPORTS
Nil

7. OTHER BUSINESS
(Of an urgent nature only)

8. NEXT MEETING
Monday 14 July 2025

9. CLOSURE