

Audit & Risk Committee Minutes

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.*

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City of
Norwood
Payneham
& St Peters

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VENUE Mayors Parlour, Norwood Town Hall

HOUR 7.00pm

PRESENT

Committee Members Ms Cate Hart (Independent Member) (Presiding Member)
 Mayor Robert Bria
 Ms Tami Norman (Independent Member)
 Mr Kym Holman (Independent Member)

Staff Mario Barone (Chief Executive Officer)
 Jenny McFeat (Manager, Governance)
 Natalia Axenova (Chief Financial Officer)
 Marina Fischetti (Governance Officer)

APOLOGIES Cr Grant Piggott

ABSENT Nil

**1. CONFIRMATION OF MINUTES OF THE AUDIT & RISK COMMITTEE MEETING HELD ON
 10 FEBRUARY 2025**

Mayor Bria moved that the Minutes of the Audit & Risk Committee meeting held on 10 February 2025 be taken as read and confirmed. Seconded by Ms Tami Norman and carried unanimously.

2. PRESIDING MEMBER'S COMMUNICATION
 Nil

3. COMMITTEE MEMBER DECLARATION OF INTEREST
 Nil

4. PRESENTATIONS

4.1 Mark Booth of BRM Advisory provided a presentation to the Committee on Local Government Financial Management (refer to **Attachment A**).

4.2 The Chief Financial Officer provided a presentation to the Committee on the Council's Draft 2025-2026 Budget (refer to **Attachment B**).

Attachment A

**Presentation
BRM Advisory**





Local Government Financial Management

City of Norwood Payneham and St Peters

Audit and Risk Committee

14 April 2025

Agenda

NPSP | Audit and Risk Committee

Purpose

Functions of a Council

Strategic Management Plans

Long Term Financial Plan

Infrastructure and Asset Management Plan

Annual Business Plan and Budget

Annual Report

ESCOSA

Purpose

Financial Management Framework

Integrated strategic management planning and performance reporting

- What is integrated strategic management planning in local government
- What is the purpose of each of the key strategic management plans identified in the Act
- What mechanisms are in place to report performance against these plans

Functions of a council

Section 7 LG Act

- Plan for the local and regional area
- Provide services and facilities
- Determine the appropriate financial contribution to be made by ratepayers
- Provide for the welfare, well-being and interests of individuals and groups in the community
- Take measures to protect the area
- Manage, develop, protect, enhance and conserve the environment in an ecological sustainable manner and improve amenity
- Provide infrastructure for its community
- Promote its area for business, commerce, industry and tourism
- Establish or support organisations or programs that benefit people in its area
- Manage and develop public areas held by council
- Manage, improve and develop resources available to council
- Undertake other functions and activities under other Acts

Strategic Management Plans

Section 122 of the Act

Council's must develop and adopt strategic management plans which:

- identify council's objectives over a period of at least 4 years
- provide an assessment of the sustainability of council's financial performance and position
- identify financial and non-financial performance measures
- proposals with respect to debt levels
- anticipated changes in factors that make a significant contribution to the cost of council's activities
- include a long-term financial plan and an infrastructure and asset management plan for a 10 year period

Integrated strategic management planning^{A6}

Section 122 of the Act

- A continuous cycle of consultation and engagement with the community and other stakeholders to inform council in the development of goals, objectives and activities
- Reflected in strategic management plans
 - Strategic or Community Plan (at least 4 years)
 - Long Term Financial Plan (at least 10 years)
 - Infrastructure and Asset Management Plan (at least 10 years)
 - Annual Business Plan and Budget (1 year)

The Audit and Risk Committee is consulted on the development of the strategic management plans

Strategic Management Plans

Section 122 (1) of the Act

A Council must develop and adopt plans for the management of its local area which:

- Identify the Council's objectives for at least four years*
- Identify the principal activities that will achieve the objectives*
- Provide assessments relating to:*
 - Financial sustainability*
 - Level of services*
 - Infrastructure needs*
 - Other matters (area changes, cost impacts, debt proposals)*

State the measures to be used to monitor performance

CityPlan2030 | Shaping our Future

Strategic Management Plan



The long-term strategic management plan

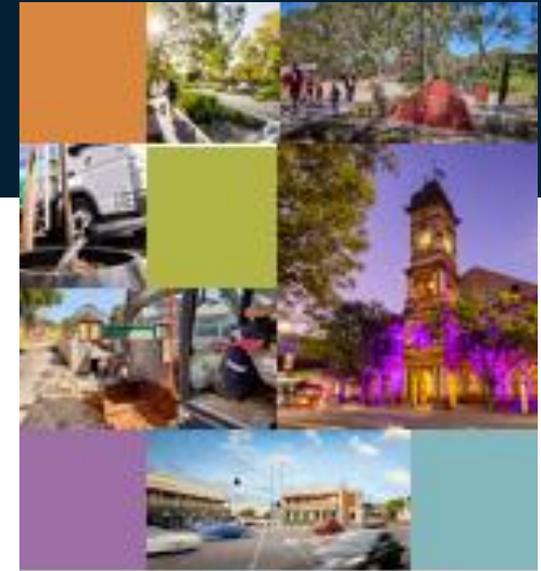
- First adopted in 2008 and updated in 2024
- Reviewed every four years
- Sets out the strategic direction for NPSP
- Subject to public consultation
- Provides the overarching planning framework for Council's decision making



Long Term Financial Plan

Section 122 (1a-b) of the Act

A Council must in conjunction with the plans under S122(1) develop and adopt a Long Term Financial Plan of at least 10 years (including a funding plan-6/23).



Long-term Financial Plan
2023–2024 to 2033–2034



An indication of Council's direction and financial capacity

Long Term Financial Plan

Section 122 of the Act

- Supports the delivery of the strategic plan and other relevant plans
- Reflects the long-term aspirations of council and tests this against financial realities
 - Minimum of 10 years
 - Includes a funding plan
 - Projects total revenue for the period
 - Sets out the intended sources of revenue
 - Be consistent with the infrastructure and asset management plan

A council's long term financial position is sustainable when planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services

Long Term Financial Plan

Key indicators

Regulation 5, Local Government (Financial Management) Regulations 2011

- A LTFP must include a summary of operating and capital investment activities and **estimates and targets** for the following ratios
 - Operating surplus ratio
 - Net financial liabilities ratio
 - Asset renewal funding ratio



Long Term Financial Plan

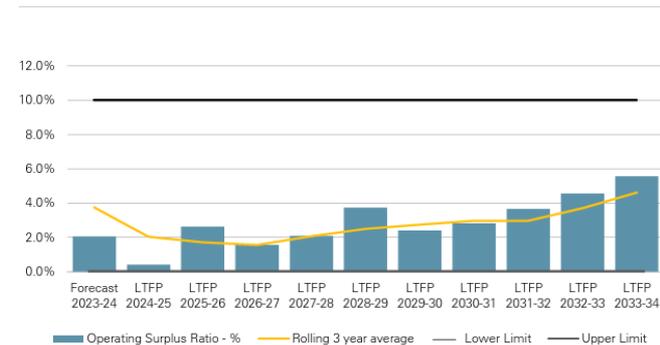
Section 122 of the Act

- Financial Goal - A City that delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner
- Four outcomes
 1. A Balanced Budget - Operating Ratio between 0% and 10%
 2. Rate Stability - Rate revenue increases between 4% and 8%
 3. Infrastructure and Asset Management - Asset Renewal Funding Ratio between 90% and 110% on 3 year rolling average
 4. Debt management - Net Financial Liabilities ratio of less than 100%
- The outcomes are forecast throughout the LTFP

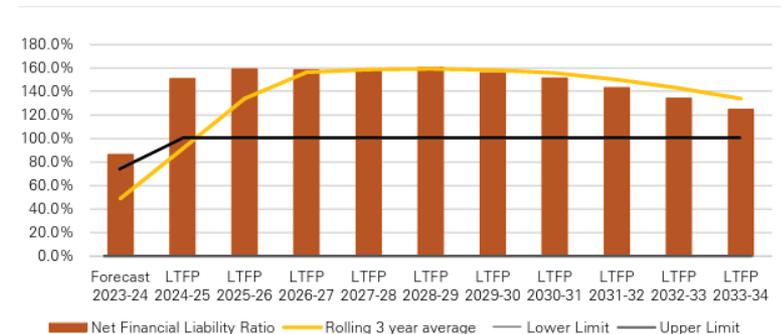
Key indicators

- Operating surplus ratio
 - Measures whether operating income is exceeding expenditure
 - If the ratio is positive then a council is likely to be operating sustainably
 - 0% to 10% target
- Net financial liabilities ratio
 - Measures the liabilities owed such as debt, creditors and provisions less financial assets such as cash, investments and debtors
 - If the ratio is falling over time it means that the council's ability to meet its future obligations is strengthening

Operating Surplus Ratio
Target between 0% and 10%



Net Financial Liability Ratio

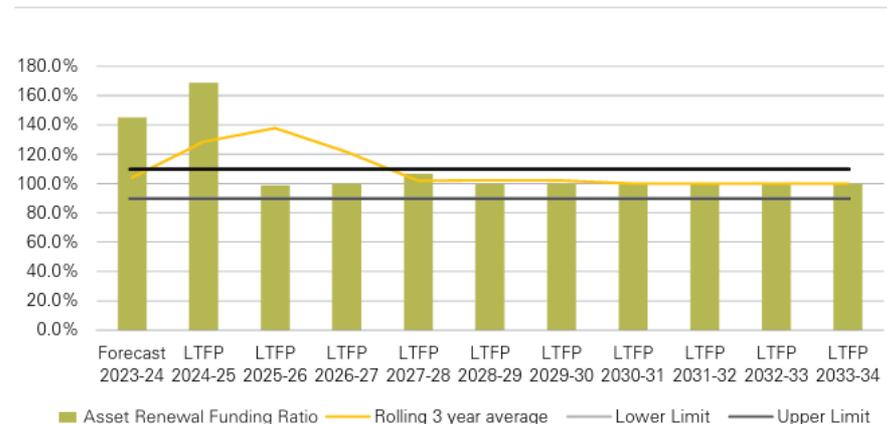


Long Term Financial Plan

Key indicators

- Asset Renewal Funding ratio
 - Measures whether a council is meeting its asset renewal commitments as measured by its IAMP
 - If the ratio is less than 100% over an extended period it may mean that assets are not being renewed as planned leading to increased maintenance costs or asset failure

Asset Renewal Funding Ratio
Target between 90% and 110%

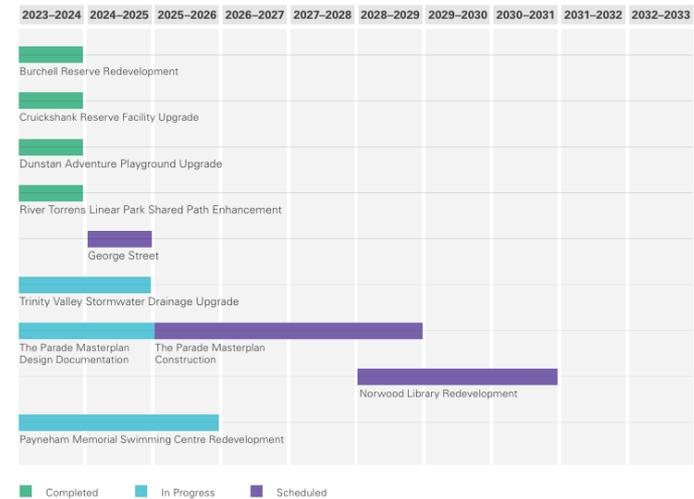


Long Term Financial Plan

Section 122 of the Act

- Strategic Projects
- Financial Statements
 - Statement of Comprehensive Income
 - Statement of Financial Position
 - Statement of Cash Flows
 - Statement of Changes in Equity
 - Uniform Presentation of Finances
- CEO’s Statement on Financial Sustainability
- Financial Indicators

Capital Projects Timeline



City of Norwood Payneham & St Peters
10 Year Financial Plan for the Years ending 30 June 2034
FINANCIAL PERFORMANCE INDICATORS - GENERAL FUND

	Current Year	Projected Years									
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Operating Surplus Ratio	2.1%	0.4%	2.6%	1.6%	2.1%	3.7%	2.4%	2.8%	3.7%	4.6%	5.6%
Net Financial Liabilities Ratio	86.3%	150.9%	180.5%	158.2%	158.3%	150.7%	154.7%	150.0%	141.6%	132.5%	122.6%
Asset Renewal Funding Ratio	145.1%	170.1%	98.7%	100.0%	106.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Interest Cover Ratio	0.6%	4.0%	5.8%	6.4%	6.8%	6.7%	6.9%	6.8%	6.5%	6.1%	5.6%
Debt Servicing Ratio	3.3%	7.2%	8.5%	13.6%	13.9%	13.4%	16.3%	16.3%	16.0%	15.6%	15.0%

Infrastructure and Asset Management Plan ^{A16}

Section 122 (1a) of the Act

A Council must in conjunction with the plans under S122(1) develop and adopt an Infrastructure and Asset Management Plan, relating to the management and development of infrastructure and major assets for a period of at least 10 years

- Supports the delivery of the strategic plan and other relevant plans with regard to the assets used to deliver services to the community
 - Recognises the consumption of existing assets
 - Determines likely future asset maintenance and renewal needs
 - Identifies the need for new assets to meet community expectations

The purpose of the IAMP is to ensure that assets are acquired, maintained, renewed, and replaced in a manner that meets the service needs of their community

Infrastructure and Asset Management Plan ^{A18}

Section 122 (1a) of the Act

- NPSP has four Asset Management Plans
 - building infrastructure
 - civil infrastructure
 - stormwater infrastructure
 - recreation and open space infrastructure



Asset Management Plan
Building Infrastructure
2025-2034



Asset Management Plan
Civil Infrastructure
2025-2034



Asset Management Plan
Stormwater Management Infrastructure
2025-2034



Asset Management Plan
Recreation and Open Space Infrastructure
2025-2034



Annual Business Plan and Budget

Section 123 of the Act

A Council must have for each financial year an annual plan and a budget. The annual business plan must:

- include a summary of a council's long-term objectives set out in the strategic management plans
- include an outline of the objectives for the year, the activities to achieve the objectives and the measures to assess performance
- Set out a summary of proposed operating expenditure, capital expenditure and sources of revenue
- Set out the rates structure and policies
- Take into account the LTFP and IAMP's
- Be subject to public consultation
- The budget must be consistent with the annual business plan

Annual Business Plan and Budget

Section 122 (1a) of the Act

The Annual Business Plan and Budget is council's annual statement of intended programs, activities and outcomes for the year and links the CityPlan 2030 and council's annual budget and allocation of resources for the year

The purpose of the APBB is to describe the activities and resource allocations required to finance a council's operations for that financial year

Annual Report

Section 131 of the Act

A council must on or before 30 November each year, prepare and adopt an annual report for the financial year ending on the preceding 30 June. It must include:

- Legal costs incurred
- Copy of the audited financial statements
- Performance in implementing strategic management plans during the financial year
- Performance against its annual business plan
- Report on the financial results
- Other prescribed matters

Annual Report

Section 131 of the Act

- The Annual Report is a key mechanism of accountability and transparency back to the community and key stakeholders.

The Annual Report is the scorecard to track achievement of the ABPB and CityPlan2030

Strategic Management Plans

Section 122 of the Act



Section 122 (1c-k) of the Act

A Council must, once in every prescribed period (not less than 3 years) provide information relating to its LTFP and IAMP to ESCOSA. This includes:

- Material amendments made/proposed to a council’s LTFP and IAMP including reasons
- Revenue sources outlined in the funding plan
- Other matters prescribed by the Regulations

ESCOSA must on or before 28 February provide advice on the appropriateness of the relevant matters or any other aspects in the LTFP and IAMP



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Attachment B

**Presentation
Chief Financial Officer**



CITY OF NORWOOD PAYNEHAM & ST PETERS



Draft 2025-2026 Budget

The purpose of this presentation is to provide an overview of the draft Budget to enable the delivery of the annual objectives and activities in the 2025-2026 financial year.

The Budget presentation covers the components of the Recurring Budget, Operating Projects Budget & New/Renewal Capital Projects Budget.

It is important to note, however, that the costs may change from those contained in tonight's presentation as the budget process progresses.

Long Term Financial Plan (LTFP)

YEAR 1



ANNUAL BUDGET

Operating Budget

Capital Budget

Recurrent

Business as Usual

*Continuing Council Services
Funded by Rates revenue, Other revenue such as fees & charges as well as grants*

Operating Projects

New Initiatives, Services, Programs

One off, non-recurring Council Services Funded by Rates revenue, Other revenue such as fees & charges as well as grants

Renewal Capital Projects

Infrastructure Renewal Program as per Asset Management Plan

Funded mainly by rates (depreciation) and grants

New Capital Projects

Building of a new facilities or Major Upgrade redesign of existing assets

Funded by grants and borrowings

ANNUAL BUSINESS PLAN (ABP)



2025-2035 LTFP Targets

Outcome	Measure	Target
A balanced Budget	Operating Surplus 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%
Rate Stability	Rate Revenue Increase <i>The annual increase in revenue generated from general rates</i>	Between 4% and 8%
Infrastructure & 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
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%
	Debt Servicing Ratio <i>Measures the Councils commitment to interest costs and debt repayments are met by general rate revenue</i>	Less than 15%

2025-2026 Budget Parameters

Budget	LTFP	Budget Parameters
Rate Revenue Increase	8%	8% <i>Includes:</i> <ul style="list-style-type: none"> • Indexation factor • Growth in New assessments • Funding for new Capital Projects
User Fees & Charges	3%	3%
Wages & Salaries	3.1%	MOA – 3% LGE – 3.5% from 01 July 2025 to 31 October 2025 LGE – 3% from 01 November 2025 to June 2026
Materials, Contracts & Other Expenses	3%	3%

Draft 2025-2026 Budget proposal

KEY PERFORMANCE INDICATORS

Outcome	Measure	2025/26 As included in LTFP	2025-26 Draft Budget Proposed
A balanced Budget	Operating Surplus Ratio - \$'000 Operating Ratio - %	1,647 2.6%	906 1.5%
Rate Stability	Rate Revenue Increase - %	8%	8%
Infrastructure & Asset Management	Asset Renewal Funding Ratio	98.7%	96.2%
Debt Management	*Net Financial Liabilities Ratio - % Debt Servicing Ratio - %	160.5% 8.5%	148.0% 5.06%

* Net Financial Liabilities includes Borrowings

Draft 2025-2026 Budget Assumptions: Recurrent

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 current Draft Budget
- Includes increases to the services that are currently provided as approved by the Council during 2024-2025
- Revision of the existing budgets to identify any savings, including indexation not being applied to some budget lines to reflect 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)
- Includes an assumption that the Payneham Memorial Swimming Centre will not be operational in 2025-2026 however includes relevant recurring costs for the period between construction completion and expected opening of the centre. This period is from April 2026 to June 2026. Assumed costs are water, electricity, insurance, security, maintenance charges for 3 months. It does not include any allocation for the promotion or opening of the centre
- Budget does not include any additional costs that may be required as a result of Service reviews that took place in 2024/2025 (such as Library or Information Technology strategies).

Draft 2025-2026 Budget Assumptions: Recurrent

Comparatives of the % in CPI, Budget Parameters & Approved/Draft Budgets over the last 5 financial years

BUDGET	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Average of Adelaide CPI & LGPI	4.2%	7.2%	4.6%	3.2%	3.0%
CPI in Budget Parametres					
Material, Contracts & Other Expenses	1.5%	2.3%	8.0%	3.3%	3.0%
Expenditure					
Materials, Contracts & Other Expenses	17,965,725	18,421,188	18,997,650	20,789,523	21,911,405
year on year change %	2.6%	2.5%	3.1%	9.4%	5.4%

LGPI = The Local Government Price Index

Draft 2025-2026 Budget Funding Submissions B9

Operating Projects

The following Operating Projects were approved by the Executive Leadership Team for presentation to the Council for consideration.

Operating Project Name	\$1,319,300
Urban Greening Program	\$ 10,000
Urban Tree Canopy Regional Mapping Contribution	\$ 10,000
Traffic Management at Ninth Avenue Christmas Lights Display	\$ 50,000
On-Street Parking Policy Implementation in Norwood and Kensington Precincts	\$ 40,000
Further Development of Tree Inventory	\$ 20,000
Public Consultation for Traffic Management Concept Designs for Payneham South, Firle and Trinity Gardens	\$ 40,000
40kph speed limit implementation in Kensington and Felixstow	\$ 45,000
William Street Bikeway Street Lighting Upgrade	\$ 115,000
Street Lighting Upgrade & Renewal	\$ 15,000
Authority upgrade (main IT System used throughout most Business Units)	\$ 516,000



Draft 2025-2026 Budget Funding Submissions B10

Operating Projects

The following Operating Projects were approved by the Executive Leadership Team for presentation to the Council for consideration (continued)

Operating Project Name	\$1,319,300 (continued)
Tour Down Under Stage 2026	\$ 55,000
Raising the Bar	\$ 38,000
Eastside Business Awards	\$ 50,000
2026 AFL Gather Round	\$ 200,000
Public Health Plan	\$ 13,000
Firstival 2025	\$ 4,000
Culturally Diverse Early Literacy Project	\$ 3,300
Arts and Culture Plan Year 2 Implementation	\$ 25,000
Library Services Catalogue and Program Review	\$ 50,000
Verge Upgrade Program	\$ 20,000

Draft 2025-2026 Budget

Recurrent/Operating Budget

Draft Budget

Type	High level	2024-2025	2025-2026	Movement	Movement %	Comments
INCOME	Rates	- 47,195,360	- 50,904,915	- 3,709,555	7.9%	
	Grant Subsidies, Contributions	- 3,121,068	- 3,704,627	- 583,559	18.7%	
	Statutory Charges	- 2,180,953	- 2,239,311	- 58,358	2.7%	
	User Charges	- 4,006,054	- 4,370,061	- 364,007	9.1% mainly due to Concert Hall, Child Care	
	Investment Income	- 77,965	- 55,000	22,965	-29.5% reduction in bank interest due to lower balance	
	Other Income	- 479,085	- 504,086	- 25,001	5.2%	
	Reimbursements	- 17,078	- 17,590	- 512	3.0%	
INCOME Total		- 57,077,563	- 61,795,590	- 4,718,027	8.3%	
EXPENSE	Employee Expenses	19,430,699	20,313,052	882,353	4.5%	Approved additional role, salary increases
	Materials, Contracts & Other Expenses	20,789,523	21,911,405	1,121,882	5.4%	mainly addition of PMSC maintenance
	Depreciation, amortisation & impairment	13,078,887	13,696,916	618,029	4.7%	
	Finance Costs	2,375,037	3,386,245	1,011,208	42.6%	Increase in Loan borrowings
	Net Loss - Joint Ventures & Associates	262,666	262,666	-	0.0%	
EXPENSE Total		55,936,812	59,570,284	3,633,472	6.5%	
Surplus on Recurrent Operations		- 1,140,751	- 2,225,306	- 1,132,055	103.5%	
Proposed Operating Projects		911,672	1,319,300	407,628	44.7%	
(Surplus) / Deficit		(229,079)	(906,006)	(724,427)	316.2%	

Draft 2025-2026 Budget Capital Works

\$25.96 million

\$11.97 million - New Capital Projects Scheduled

\$12.88 million - Renewal Capital Projects Scheduled

\$ 1.11 million - Capitalised Salaries *(staff who are involved in the delivery of Capital Projects, the cost will be capitalised as part of the asset in accordance with time spent on relevant project)*

Draft 2025-2026 Budget

New Capital Projects

Total New Capital Initiatives (\$11.97 million)

Major Public Art Project (\$279,000)

Adey Reserve Playground Shade Sail Structure (\$60,000)

St Peters Childcare Centre Shade Sail Structure (\$60,000)

Kent Town Public Realm Upgrade (\$400,000)

Building Accessibility Improvements (\$100,000)

Payneham Memorial Swimming Centre Upgrade (\$11,071,956)



Draft 2025-2026 Budget Renewal Capital Projects

Renewal Program Works (\$12.88 million)

• Building Works program	\$2.6million
• Stormwater Drainage Program	\$2.1 million
• Civil Infrastructure	\$6.6 million
• Recreation and Open Space	\$1.0 million
• Plant & Depot Equipment replacement *	\$346,688
• Other assets (Library Books, IT Equipment, Furniture & Equipment)	\$263,000

* Replacement of Twelve (12) Seater Community Bus (cost included in above Plant replacement budget)

Capitalised Salaries (\$1.109 million)

Draft 2025-2026 Budget

Next Steps

Key Steps	Dates
Budget process, parameters and objectives adopted	COMPLETED (Council Meeting)
Fees and charges adopted in principle by the Council	COMPLETED (Council Meeting)
Budget Workshop with Elected Members	COMPLETED Tuesday 11 March 2025
Budget Council Meeting <ul style="list-style-type: none"> <i>Draft Recurrent Budget considered</i> <i>Operating and Capital Projects considered</i> 	COMPLETED Monday 7 April 2025 (Council Meeting)
Draft Annual Business Plan considered by the Audit & Risk Committee	Tuesday 14 April 2025
Draft Annual Business Plan, rating model and projects carried forward and Infrastructure Whole of Life endorsed for public consultation	Monday 5 May 2025 (Council Meeting)
Draft Annual Business Plan available for viewing by the public	Friday 9 May 2025
Meeting to receive public submissions on the Annual Business Plan	Monday 26 May 2025
Consideration of public submissions	Tuesday 10 June 2025 (Special Council Meeting)
Adoption of Annual Business Plan and Budget	Monday 7 July 2025 (Council Meeting)

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**.

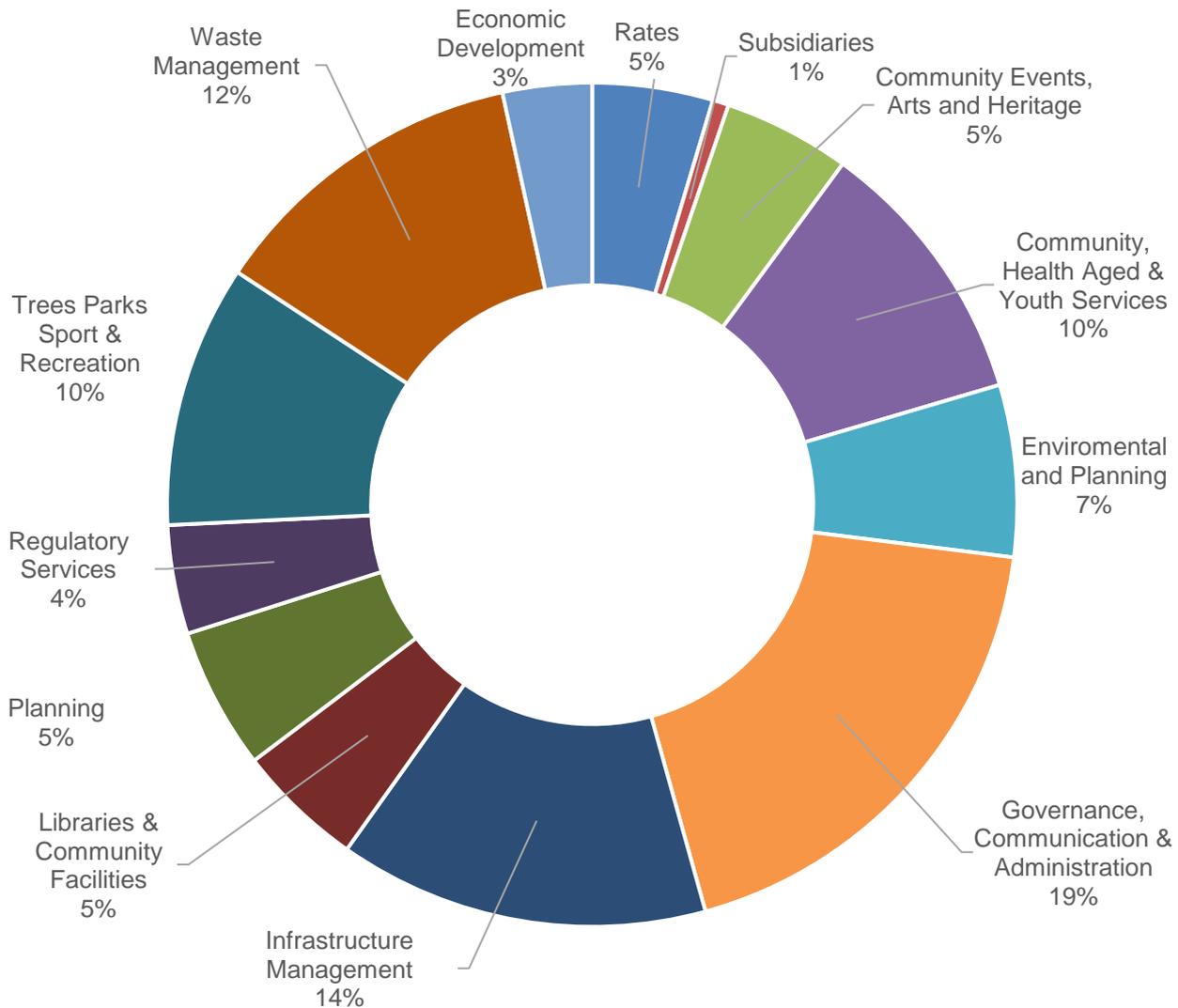
TABLE 2: DRAFT 2025-2026 RECURRENT BUDGET BY OUTCOME

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

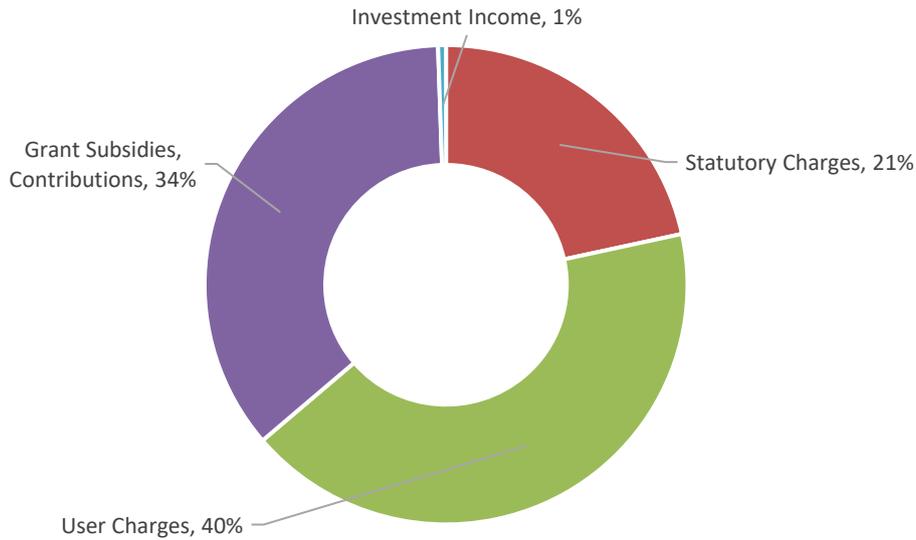


TABLE 4: BREAKDOWN OF NON-RATE REVENUE BY OUTCOME

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, Firlie 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.

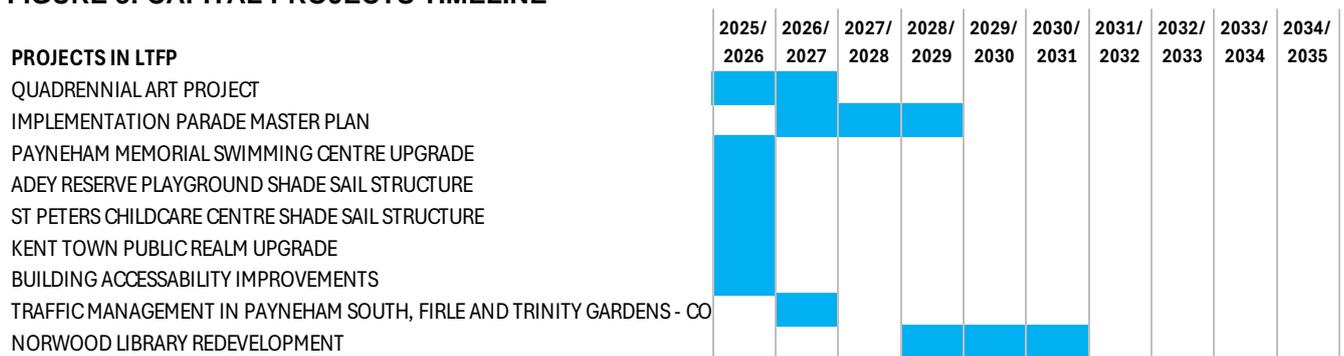
Following consideration of the above mentioned borrowing options, and conducting a thorough assessment of the financial needs as part of the Draft 2025-2026 Budget, in order to minimise the interest costs and debt servicing needs, it is anticipated that the Council will convert part of the CAD Facilities 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

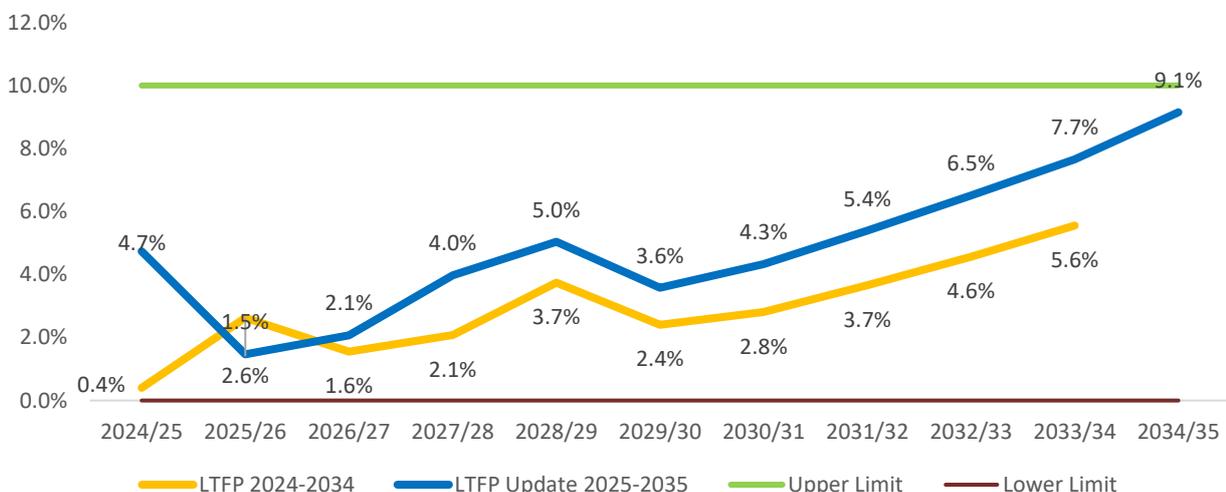


Outcome 1: A Balanced Budget

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



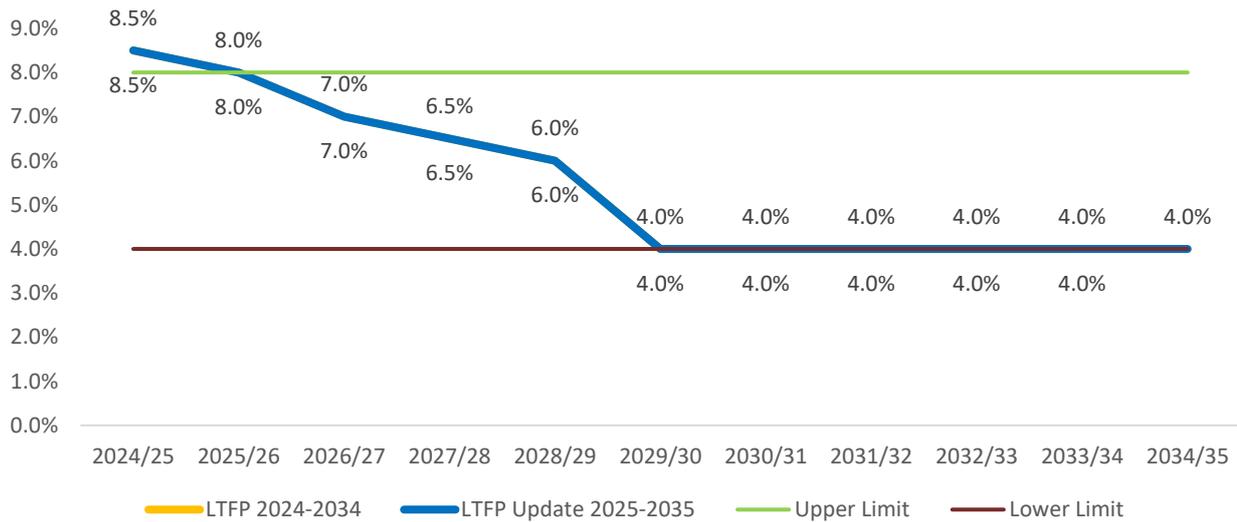
For 2025-2026, the Draft Budget has been prepared on the basis of a Rate Revenue increase of 8%, which results in an Operating Surplus ratio of 1.5%.

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



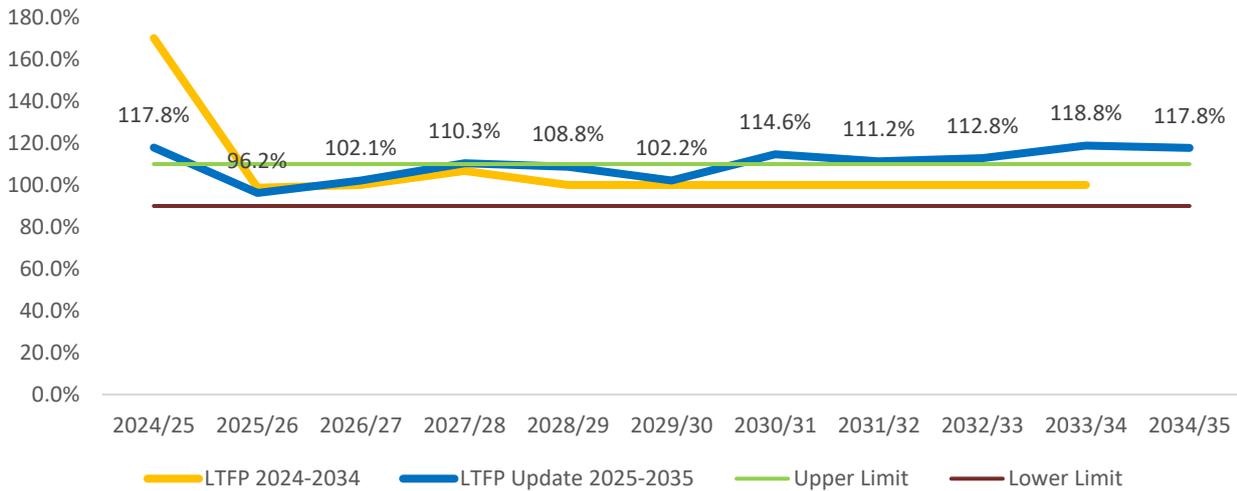
The Draft 2025-2026 Budget is based on a Rate Revenue increase of 8%, which is an increase in Rate Revenue from 2024-2025, of \$3,710,000. At the time of writing this report, the initial rate modelling of the impact of the Rate Revenue increase of 8% for the average residential ratepayer, was not available.

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

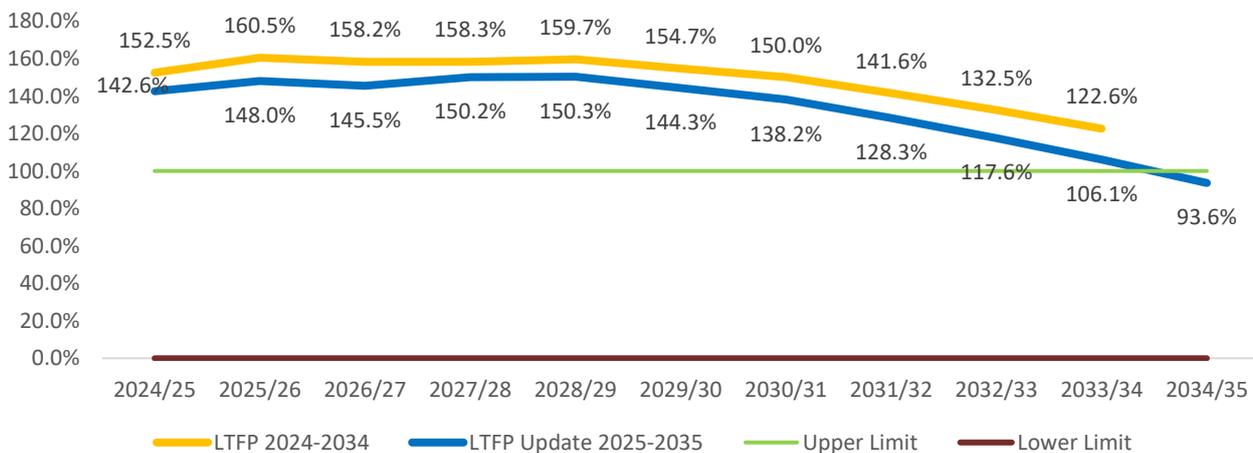
Prudent use of debt to invest in new long-term assets to ensure intergenerational equity between current and future users.

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

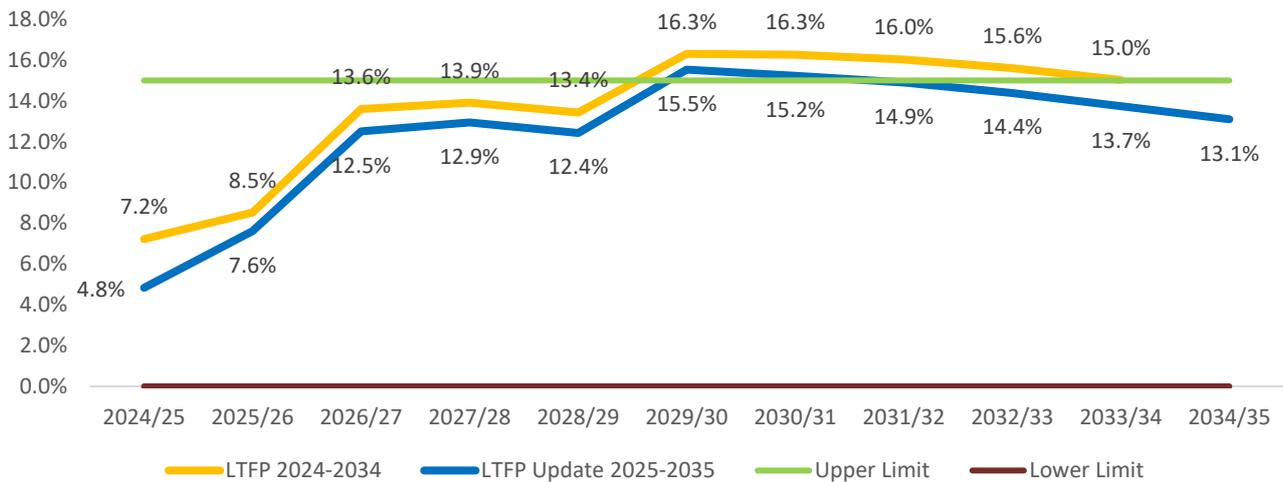
The Net Financial Liabilities Ratio measures the extent of the Council's indebtedness as a percentage of operating revenue. If the ratio falls over time, this indicates that the Council's capacity to meet its financial obligations from operating income is strengthening.

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

<i>Outcome</i>	<i>Measure</i>	<i>Target</i>	<i>Draft Budget</i>
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.

Mayor Bria moved:

- 1. The report be received and noted; and*
- 2. That the Audit & Risk Committee recommend to the Council, that it notes the projected Operating Surplus for the draft 2025-2026 Budget is lower than the figure identified in the Council's Long-Term Financial Plan and that the Operating Costs associated with the Payneham Memorial Swimming Centre, expected to be incurred between April 2026 and June 2026, have yet to be quantified and may further impact on the draft 2025-2026 Adopted Budget.*

Seconded by Mr Kym Holman and carried unanimously.

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.

Ms Tami Norman moved:

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

Seconded by Mr Kym Holman and carried unanimously.

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.

Mayor Bria moved:

That the report be received and noted.

Seconded by Ms Tami Norman and carried unanimously.

6. **CONFIDENTIAL REPORTS**
Nil

7. **OTHER BUSINESS**
Nil

8. **NEXT MEETING**
Monday 14 July 2025

9. **CLOSURE**

There being no further business the Presiding Member declared the meeting closed at 9.01pm.

Ms Cate Hart
PRESIDING MEMBER

Minutes Confirmed on _____
(date)