Audit & Risk Committee Meeting
Agenda & Reports

13 July 2026

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
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City of Norwood Payneham & St Peters

To all Members of the Audit & Risk Committee

NOTICE OF MEETING

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

Monday 13 July 2026, commencing at 6:00 pm.

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.

Yours faithfully

Mario Barone PSM
CHIEF EXECUTIVE OFFICER

9 July 2026

PRESENT

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) Marina Fischetti (Governance Officer)

APOLOGIES

1 CONFIRMATION OF MINUTES OF THE AUDIT & RISK COMMITTEE MEETING HELD ON 13 APRIL 2026

That the Minutes of the Audit & Risk Committee Meeting held on 13 April 2026 be taken as read and confirmed.

2 PRESIDING MEMBER'S COMMUNICATION

3 COMMITTEE MEMBER DECLARATION OF INTEREST

Nil

5 STAFF REPORTS

5.1 REVIEW OF FINANCIAL CONTROLS - AUDIT OPINION BY COUNCIL'S AUDITOR

REPORT AUTHOR: Chief Financial Officer
APPROVED BY: Chief Executive Officer
ATTACHMENTS: A

PURPOSE OF THE REPORT

The purpose of this report is to present the *City of Norwood Payneham & St Peters Financial Controls Review Report*, which has been submitted by the Council's Auditors, Galpins.

BACKGROUND

Pursuant to Section 129(1) of the *Local Government Act 1999 (the Act)*, in addition to undertaking an audit of the Council's Financial Statements, the Council's Auditor must also audit the controls that are exercised by the Council during the 2024-2025 financial year in respect to the receipt, expenditure, investment of money, the acquisition and disposal of property and incurring of liabilities. These audit requirements are collectively referred to as the External Audit.

In respect to the Internal Controls, pursuant to Section 125(1) of the Act, a Council must ensure that appropriate policies, practices and procedures of internal control 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, to ensure adherence to management policies, to safeguard the Council's assets and to secure (as far as possible) the accuracy and reliability of Council records.

In addition to the above, Section 125(2) of the Act and Regulation 10A of the *Local Government (Financial Management) Regulations 2011*, requires that the Council's policies, practices and procedures of internal financial control must be in accordance with the *Better Practice Model – Internal Financial Controls* approved by the Minister for Local Government.

In line with best practice, the External Audit is conducted over two sessions, an interim audit during the financial year and a final audit when the Council's Financial Statements are available. As per the *Australian Auditing Standards ASA 26*0, where the Auditor conducts an interim audit, a management letter will be provided to the Council at the conclusion of Interim Audit, to enable any required remedial action arising from the audit to be implemented as soon as possible.

Section 126(4)(c), (f) and (d) of the Act, prescribe certain functions for the Audit & Risk Committee in relation to the External Audit and the Council's internal controls.

A copy of the *City of Norwood Payneham & St Peters Financial Controls Review Report*, which includes the 2025-26 Interim Management Letter, is contained in **Attachment A**.

STRATEGIC DIRECTIONS

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

RISK MANAGEMENT

Not Applicable.

CONSULTATION

Elected Members

Not Applicable.

Community

Not Applicable.

Staff

Not Applicable.

Other Agencies

Not Applicable.

DISCUSSION

Pursuant to Section 129(3)(b) of the Act, the Council's Auditor is required to provide the Council with an Audit Opinion as to whether the Internal Controls are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law.

As part of the Interim Audit that has been undertaken, the Council's Auditor, Galpins, has performed a review of procedures and processes to gain an understanding of the Council's Internal Controls, specifically the controls exercised by the Council during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities..

The Council's Auditor has reviewed and tested 100 core Internal Controls and the review has identified that 97 out of the 100 core Internal Controls are operating effectively, no weaknesses were identified as a High Risk, (3) have been identified as representing a Moderate Weaknesses and one (1) represents a Low Weakness.

A summary of the results is provided in Table 1 below.

TABLE 1 – Financial Controls Review Summary

Business cycles	Controls Reviewed	Operating effectively				2026 Findings			
		2026	2025	2024	2023	H	M	L	BP
General Ledger	11	11	11	11	8	-	-	-	-
Fixed Assets	16	15	16	13	13	-	1	-	-
Purchasing & Procurement /Contracting	10	9	7	8	7	-	1	-	-
Accounts Payable (AP)	13	13	13	13	12	-	-	-	-
Rates / Rates Rebates	10	10	10	10	8	-	-	-	-
Banking	5	5	5	5	4	-	1	-	-
Accounts Receivable (AR)	6	6	6	6	5	-	-	-	-
Credit Cards	5	4	5	4	1	-	-	1	-
Payroll	19	19	19	19	19	-	-	-	-
Receipting	5	5	5	5	5	-	-	-	-
Total	**100**	**96**	**97**	**94**	**82**	**-**	**3**	**1**	**-**

As outlined in the *City of Norwood Payneham & St Peters Financial Controls Review Report* contained in **Attachment A**, a total of four (4) recommendations have been provided to improve the Internal Controls.

Staff have reviewed the report and recommendations and concur with the recommendations and staff are currently in the process of implementing the recommendations.

A summary of the recommendations and the actions that are being undertaken are set out below.

Moderate Risk Findings (3)

- Inconsistencies in the Procurement Policy Guidelines and opportunities to improve its contents.
  - *(Management response) - A review of the Procurement Policy and Guidelines is underway. As part of this process staff awareness and training will be provided.*

- Asset records in Conquest are not automatically integrated with the GIS system.
  - *(Management response) – While there is an annual process in place, the evaluation of integrating asset records automatically into a GIS, will be considered as part of the IT Strategy-noting there is a 3 year road map for implementation of the IT Strategy.*

- Opportunity to improve the process of reviewing bank reconciliations.
  - *(Management response) – This recommendation has been implemented and the required action completed. It was achieved through a secure electronic workflow with a record and digital audit trail.*

Low Risk Findings (1)

- Council's 'Purchase Card Policy' is overdue for review
  - *(Management response) - A review of the Council's Credit Card Policy has been completed and will be presented to the Audit & Risk Committee at this meeting.*

The Auditors have concluded that there is a high likelihood of issuing an unmodified controls opinion at the end of the financial year. This will depend on the Council demonstrating continued progress towards addressing identified control weaknesses, ensuring that the existing core controls in place continue to operate effectively and that the annual internal control activities are performed at year end.

OPTIONS

Not Applicable.

This report is provided for information purposes only.

CONCLUSION

In addressing the requirements of Section 129 of the Act, Galpins have reviewed a prioritised list of controls from the *Better Practice Model – Internal Financial Controls*.

The *City of Norwood Payneham & St Peters Financial Controls Review Report* is now presented to the Audit & Risk Committee for review, in keeping with the Committee's role pursuant to Section 126(4) of the Act.

RECOMMENDATION

That the *City of Norwood Payneham & St Peters Financial Controls Review Report* and the 2025-2026 Interim Management Letter, as contained in Attachment A, be received and noted.

Galpins

Accountants, Auditors & Business Consultants

Financial Controls Review

City of Norwood Payneham & St Peters

2025/26 Interim Management Letter

City of Norwood Payneham & St Peters

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Table of Contents

1. EXECUTIVE SUMMARY

1.1 Background

During our interim audit we perform procedures to gain an understanding of the internal controls in place relevant to the financial statements and perform tests of design and effectiveness for these controls. Based on the results of the control testing, we then assess the audit risks to define the extent and nature of our substantive procedures (e.g. inspection of documents, recalculation, reconciliation, etc) for our final visit.

In addition to an opinion on the financial statements, section 129 of the Local Government Act 1999 requires auditors to provide an opinion regarding internal controls of councils. This opinion focuses on Council's obligations under s125 of the Local Government Act 1999:

> *"A council must ensure that appropriate policies, practices and procedures of internal control 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, to ensure adherence to management policies, to safeguard the council's assets, and to secure (as far as possible) the accuracy and reliability of council records."*

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

In order to assist the Council in addressing the requirements of s129, we have reviewed a prioritised list of controls from the better practice model based on our initial audit risk assessment. Further details about our scope can be found in item 1.2 of this report.

1.2 Objectives and scope

The objectives of our interim audit were to:

- understand Council's business, business cycles and processes relevant to the financial statements
- understand the internal controls in place for the areas we consider critical for the audit of the financial statements
- design internal controls tests for the internal controls identified
- perform the internal controls tests to determine the final risks of material misstatements in the financial statements to be addressed in our final audit
- review a prioritised list of internal financial controls we consider critical for the purpose of issuing a controls opinion.

The scope of our audit included a review of internal controls we consider key controls to be in place for the purpose of addressing the requirements of s129.

These key internal controls consist of a prioritised list of controls from the better practice model. This list was defined based on our risk assessment to determine the key business cycles, and key risks within these business cycles, that we understand should be the focus of the Council's control self-assessment.

The identification of key core controls and key business risks included the following risk assessment procedures:

Risk review – A review of Council's inherent risk assessment for internal financial controls.

Financial statement review – A high level financial statement review performed to identify key accounts and transaction streams.

Internal / external audit results review – The findings and recommendations of internal / external financial audits are reviewed to identify known areas of weakness, and areas known to be attracting audit attention.

The key core controls for the following key business cycles have been identified as critical for the purpose of issuing a controls opinion this financial year:

- General Ledger
- Fixed Assets
- Purchasing and Procurement/Contracting
- Accounts Payable (AP)
- Rates / Rates Rebates
- Banking
- Accounts Receivable (AR)
- Credit Cards
- Payroll
- Receipting

We have included a list of key controls identified by the audit for these business cycles as an appendix to this report (see Appendix 1). This list does not represent a complete population of internal controls that the Council should have in place. There is an expectation that controls not in this list will still exist and be operating effectively within Council.

The list of controls is only intended to be a guide for Council to prioritise its resourcing in readiness for the audit opinion, and for the ongoing monitoring of internal controls i.e. it is a risk based listing of controls which may be desirable for Council to include in its ongoing monitoring program for internal financial controls.

The list should not be considered a minimum standard – rather, it is a starting reference point for Council to consider. It is expected that Council will have performed a risk assessment of financial risks, and given consideration to the need to monitor controls that address High / Extreme risks that may not be included in this listing.

1.3 Category of findings

In order to assist the Council in establishing the overall level of control effectiveness and prioritising areas for attention, we have provided an overall assessment of the business cycles for which we have identified performance improvements opportunities (this report is prepared on an exception basis).

We assessed each business cycle using our risk assessment which was focused on the risk of finding material weaknesses which could lead to a modified controls opinion this financial year. An overall assessment of the risk of a potential modified audit opinion per business cycle is provided in item 1.5 of this report.

Detailed findings including the controls tested as per the Better Practice Model, findings and recommendations are provided in section 2 of this report. The individual findings are also rated to assist the Council in prioritising corrective actions.

The overall assessment of the risk of non-compliance with s125 of the Local Government Act 1999 and the related findings and recommendations were rated as follows:

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

The Council should also perform its own assessment of priority based not only on audit risks, but also other risks management considers relevant such as non-compliance with pertinent legislations and regulations, and reputational risks.

1.4 Overall review of the Council's internal controls

During our interim visit we found that many key internal controls reviewed were in place and were operating effectively (96 out of 100 core controls reviewed). A summary of the results of our review is provided in the table below:

Business cycles	Controls Reviewed	Operating effectively				2026 Findings			
		2026	2025	2024	2023	H	M	L	BP
General Ledger	11	11	11	11	8	-	-	-	-
Fixed Assets	16	15	16	13	13	-	1	-	-
Purch&Procur/Contracting	10	9	7	8	7	-	1	-	-
Accounts Payable (AP)	13	13	13	13	12	-	-	-	-
Rates / Rates Rebates	10	10	10	10	8	-	-	-	-
Banking	5	4	5	5	4	-	1	-	-
Accounts Receivable (AR)	6	6	6	6	5	-	-	-	-
Credit Cards	5	4	5	4	1	-	-	1	-
Payroll	19	19	19	19	19	-	-	-	-
Receipting	5	5	5	5	5	-	-	-	-
Total	**100**	**96**	**97**	**94**	**82**	**-**	**3**	**1**	**-**

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

Audit have concluded that there is a high likelihood of issuing an unmodified controls opinion at the end of the financial year. This will depend on the Council demonstrating continued progress towards addressing identified control weaknesses, ensuring that the existing core controls in place continue to operate effectively and that the annual internal control activities are performed at year end.

1.5. Summary of findings and recommendations

Business Cycle	Findings	Risk
Purch. Proc. Contracting	2.1.1 Inconsistencies in the Procurement Policy Guidelines document and opportunities to improve its contents	M
Fixed Assets	2.2.1 Asset records in Conquest are not automatically integrated with the GIS system	M
Banking	2.3.1 Opportunity to improve the process of reviewing bank reconciliations	M
Credit cards	2.4.1 Council's 'Purchase Card Policy' is overdue for review	L
General Ledger	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A
Accts Payable (AP)	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A
Rates	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A
Accts Receivable (AR)	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A
Payroll	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A
Receipting	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A

2. DETAILED AUDIT FINDINGS

2.1 PURCHASE AND PROCUREMENT/CONTRACTING

2.1.1 Inconsistencies in the Procurement Policy Guidelines document and opportunities to improve its contents	Moderate
Control	Employees must ensure all purchases are in accordance with Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.
Risk	Council does not obtain value for money in its purchasing and procurement / Purchase of goods and services are made from non-preferred suppliers.

Finding

The Procurement Policy Guidelines include the following table providing guidance for the appropriate method of procurement:

Value of purchase	Method of purchase	Agreement type
Up to $3,000	Direct Sourcing	Nil required however, does not preclude the issuing of a purchase order.
$3,001 - $5,000	At least three (3) verbal quotes	Invoice; or Purchase order; or Other written agreement
$5,001- $10,000	At least three (3) written quotes	Invoice; or Purchase Order; or Other written agreement
$10,001 - $100,000	Request for Quotation	Purchase Order; or Contract; or Other written agreement
$100,001 - $250,000	Minimum of select tender	Contract
$250,000+	Minimum of open tender	Contract

Last year we reported the following inconsistencies in the table provided above:

- the guidelines consider the receipt of an invoice (a document that is provided after services are rendered and/or goods are delivered) as an appropriate agreement type for purchases above $3,000 and up to $10,000

Recommendations

Review the purchasing thresholds table to ensure that the inconsistencies identified are addressed.

Provide additional detail in the Procurement Policy Guidelines to guide the decision of when to use a purchase order and when to enter into a formal agreement.

Establish a list of Purchase Order Exemptions, and consider introducing a threshold for the use of purchase orders.

Management Response

A review of the Procurement Policy Guidelines is currently underway and will ensure that thresholds are clear, consistently applied and aligned with best practice and internal controls. Further clarification in the Procurement Policy Guidelines will assist staff in determining when to raise a purchase order versus when a formal agreement is required. List of Exemption categories proposed as part of draft guidelines.

• ‘written agreement’ is not defined in the Procurement Policy Guidelines. In addition, audit has reviewed Council’s Procurement Guidelines document and offer the following opportunities to improve its content: Purchase Orders Use The policy and the guidelines do not provide clear guidance in relation to the expected use of purchase orders. The guidelines document mentions that a purchase order **‘or’** a contract **‘or’** a written agreement is required for purchases above $3,000 and up to $100,000. There is an opportunity to provide better guidance on when to use a purchase order and when to enter into a formal agreement. This should not be only based on the value of the purchases, but also on the nature of the services and risks involved. An illustrative example of a summary table detailing minimum process and documentation requirements for procurement is provided in the table over page. Purchase Order Exemptions and Threshold The policy and the guidelines do not provide a list of purchase order exemptions. It is good practice to provide a list of purchase order exemptions in the procurement policy, and to establish a threshold for the use of purchase orders. This is a repeat finding from our 2023/24 interim audit. A follow-up of this matter performed during our 2025/26 interim audit revealed that a new procurement guideline has been developed. At the time of the interim audit, this procurement guideline was in draft form and under review by Finance Management.		

Example of a summary table providing minimum process and documentation for procurement

Value of purchase	Up to $3,000	$3,001 - $5,000	$5,001- $10,000	$10,001 - $100,000	$100,001 - $250,000	250,000+
Procurement Method	Direct Sourcing	At least three (3) verbal or written quotes	At least three (3) written quotes	Request for Quotation	Minimum of select tender	Minimum of open tender
Evaluation evidence	Nil	Copies of quotes Notes detailing verbal quotes from suppliers (inc. date, supplier name, value quoted)	Formal evaluation document detailing quotes and criteria for selection.	Formal evaluation document detailing quotes and criteria for selection.	Tender evaluation matrix comparing tender responses, detailing evaluation criteria, weighting used and reasons for selection.	Tender evaluation matrix comparing tender responses, detailing evaluation criteria, weighting used and reasons for selection.
Agreement type: consultancy or services where purchase order terms and conditions are not sufficient.	**Medium risk**: standard goods and services contract / **High risk**: tailored goods and services agreement.					
Agreement type – all other procurement	Nil	Purchase order	Purchase order	**Low risk**: purchase order **Medium risk**: standard goods and services contract **High risk**: tailored goods and services agreement.	**Low/Medium risk**: standard goods and services contract **High risk**: tailored goods and services agreement.	**Low/Medium risk**: standard goods and services contract **High risk**: tailored goods and services agreement.
Records Management	Where contract is used must be retained in the contract register.	Where contract is used must be retained in the contract register. Where purchase order is used must be retained in Council's record management system.	Where contract is used must be retained in the contract register. Where purchase order is used must be retained in Council's record management system. Written quotes from suppliers and evaluation documents to be retained in Council's record management system.		Contract to be retained in the contract register. Tender responses and evaluation documents to be maintained in Council's record management system.	

Notes:
1. This table is for illustrative purposes containing examples of further details which could be included in the procurement guidelines. Council should determine its own summary based on an assessment of its procurement objectives and processes in place.
2. This table should be read in conjunction with applicable delegation policies or any other relevant policy (e.g. delegations for approving purchase order, entering into a contract, awarding a procurement to a supplier, etc).

2.2 FIXED ASSETS

2.2.1 Asset records in Conquest are not automatically integrated with the GIS system	Moderate
Control	There is a process in place for the verification of fixed assets which is reconciled to the FAR.
Risk	Fixed assets acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all / Fixed asset register does not remain pertinent.

Finding	Recommendations	Management Response
Council has established good year-end asset reconciliation and financial reporting controls between Conquest and Authority. Asset information recorded within Conquest is subject to annual review and reconciliation processes as part of the valuation and financial reporting process, with validated balances subsequently recorded within Authority. These controls provide assurance that assets captured in Conquest are appropriately recorded in Authority and in the financial report. Whilst existing reconciliation controls provide assurance over financial reporting, we noted that the GIS system is not automatically integrated with Conquest and there are no mechanisms in place to identify or demonstrate inconsistencies between Conquest and the GIS system (for example, assets recorded in Conquest but not in GIS, or assets recorded in GIS but not in Conquest). Audit acknowledges that, as part of the year-end financial reporting and asset valuation process, Council identifies asset additions and disposals within Conquest, with validated asset information subsequently updated within the GIS system as part of the year-end close process. Whilst this control, together with other year-end asset reconciliation	Investigate the feasibility of implementing an automated integration between Conquest and the GIS system to ensure asset information is consistently recorded across both systems. Alternatively, implement a process to identify and investigate inconsistencies between Conquest and the GIS system, including exception reporting identifying assets recorded in Conquest but not in GIS, and assets recorded in GIS but not in Conquest.	*Asset records are not automatically integrated with the GIS system. Instead, checks and verifications are completed by an external contractor and Finance staff at financial year end on an annual basis. While there is no live reconciliation throughout the year, Financial Statements reports correct reconciled balances for each year.* *The budget constraints and the materiality of the investment required as well as ongoing service level increase (additional resource for the system and data maintenance), for the new latest version of GIS system presents difficulty to introduce this new initiative at this current time.* *The evaluation of the process and potential system upgrade or further investment would be considered as part of currently undertaken IT strategy review.*

Galpins

and financial reporting controls described above, partially mitigates the risk of inconsistencies between systems, it may not identify all inconsistencies between Conquest and GIS, including assets recorded within one system but not the other. To further strengthen this control, it is common practice for councils to set up a direct link (or if not possible, a mechanism to identify and investigate inconsistencies) between the GIS system and Conquest. This assists in ensuring that assets, asset components and modifications recorded within either the GIS system or Conquest are consistently and accurately reflected across both systems.		

2.3 BANKING

2.3.1 Opportunity to improve the process of reviewing bank reconciliations	Moderate
Control	Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated.
Risk	Banking transactions are either inaccurately recorded or not recorded at all / Fraud.

Finding	Recommendations	Management Response
Bank reconciliations are prepared by the Finance Officer and reviewed by the Chief Financial Officer. Evidence of the preparation and review is currently demonstrated by typing the names of the preparer and reviewer in the bank reconciliation template. Given the importance of bank reconciliations as a key financial control for mitigating fraud and errors, it is important that these reconciliations include an appropriate form of signature to evidence preparation and review, such as a wet ink signature or secure electronic signature.	Bank reconciliations are securely signed by both the preparer and reviewer. This can be achieved through a number of methods, including physical 'wet ink' signatures, secure electronic signatures (e.g. via Adobe, Docusign, etc), or by recording preparation and review within the Objective Management System (e.g. the preparer files the reconciliation and notes as prepared, and the reviewer logs into the system and notes as reviewed, providing a digital audit trail). Council may also consider applying a consistent approach to the signing of other reconciliations.	*Recommendation is taken and action completed.* *It was achieved through a secure electronic workflow via Gravity Internal form with the record and digital audit trail. The preparer performs the task, files the reconciliation and notes when prepared. The reviewer receives notification electronically with the request for the review and approval. Approval and digital audit trail saved in Objective records system.*

Galpins

2.4 CREDIT CARDS

2.4.1 Council's 'Purchase Card Policy' is overdue for review	Low
Control	There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage.
Risk	Credit Cards are issued to unauthorised employees / Credit Cards are used for purchases of a personal nature.

Finding	Recommendations	Management Response
The Council's 'Purchase Card Policy' was scheduled for review in October 2025. The policy has not yet been reviewed and is currently overdue.	Ensure the Purchase Card Policy is reviewed and updated as required.	*A review of the Council's credit card policy was due in October 2025. A review of the policy has been completed and is to be presented to the Audit and Risk committee at its meeting scheduled on 13 July 2026.*

APPENDIX 1 – CRITICAL INTERNAL FINANCIAL CONTROLS

GENERAL LEDGER

Risks

R1	General Ledger does not contain accurate financial information
R2	Data contained within the General Ledger is permanently lost.

RISKS	Control	Control Type
R1,R2	All major updates and changes to General Ledger finance system are authorised, tested and documented.	Core
R1,R2	Access to General Ledger maintenance is restricted to appropriately authorised personnel.	Core
R1	Reconciliation of all balance sheet accounts are completed in accordance with a schedule of review and/or procedure.	Core
R1	All balance sheet reconciliations are reviewed by a person other than the preparer at least annually.	Core
R1	Journal entry access is restricted to appropriately authorised personnel.	Core
R1,R2	Financial data is backed up and stored offsite.	Core
R1	Finance system does not allow posting of unbalanced journals or if it does regular reviews are conducted on the suspense account and discrepancies investigated and actioned.	Core
R1	Amendments to the structure of the General Ledger framework and accounts are reviewed and approved by appropriately authorised personnel.	Core
R1,R2	General Ledger policies and procedures are appropriately created, updated and communicated to relevant staff.	Core
R2	Formal disaster recovery plan is in place and communicated to relevant staff.	Core
R1	There is a process in place to review actual vs budget and significant variances investigated.	Core

FIXED ASSETS

Risks

R1	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register (FAR) does not remain pertinent.
R2	If fixed assets are not securely stored, they may be subject to damage or theft.
R3	If fixed assets are not valued correctly, the management reports and financial statements will be misstated. For example, incorrect carrying values may result from the use of inappropriate depreciation rates.
R4	Depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes inappropriate useful lives and residuals.
R5	Fixed Asset maintenance and/or renewals are inadequately planned.

RISKS	Control	Control Type
R1	There is a process in place for the verification of fixed assets which is reconciled to the FAR.	Core
R1	Recorded changes to the FAR and/or masterfile are approved by appropriate staff compared to authorised source documents and General Ledger to ensure accurate input.	Core
R1	All fixed asset acquisitions and disposals are approved in accordance with Delegation of Authority and relevant Procurement and Fixed Asset Policies.	Core
R1	Maintenance of the fixed asset register is limited to appropriate staff with consideration to segregation of duties.	Core
R1	Council has an asset accounting policy which details thresholds for recognition of fixed assets which is monitored to ensure adherence.	Core
R1	Reconciliation of fixed assets to the General Ledger is performed in accordance with schedule of review or procedure.	Core
R1	Asset register calculations are reviewed for accuracy.	Core
R1	Fixed assets are recorded on acquisition, creation or when provided free of charge to facilitate accurate identification of assets and recording of details with regards to the Asset Accounting Policy.	Core
R1	Asset maintenance is planned and monitored with relevant staff in accordance with the Asset Management Plans	Additional
R2	Where appropriate, fixed assets are secured and access is restricted to appropriate staff and authorised users.	Core

RISKS	Control	Control Type
R2	Where appropriate, identification details are recorded for portable and attractive assets such as IT and fleet assets, on acquisition to facilitate accurate identification.	Additional
R3	Relevant staff review useful lives, residuals, valuations, depreciation methodology and test for impairment as required by Accounting Standards and legislation to ensure that methods used are still appropriate and significant changes are incorporated into Asset Management Plans.	Core
R3	Profit or loss on disposal calculations can be substantiated and verified with supporting documentation.	Core
R4	Depreciation charges are calculated in accordance with the asset accounting policy and compliant with relevant accounting standards, including the useful life, depreciation method and residual values.	Core
R5	Asset Management Plans are prepared and renewal expenditure and programmed maintenance required is reviewed periodically to reflect changing priorities, additional asset data and other relevant factors.	Core
R5	Asset Management Plans for all major asset classes are adopted and reviewed by Council as required by the Local Government Act 1999.	Core

Purchasing and Procurement

Risks

R1	Council does not obtain value for money in its purchasing and procurement.
R2	Purchases of goods and services are made from non-preferred suppliers.
R3	Purchase orders are either recorded inaccurately or not recorded at all.
R4	Purchase orders are made for unapproved goods and services.

RISKS	Control	Control Type
R1	Council has a Procurement Policy that provides direction on acceptable methods and the process for procurement activities to ensure transparency and value for money within a consistent framework, with consideration of any potential conflicts of interest.	Core
R1,R2	Employees must ensure all purchases are in accordance with Council's Procurement Policy and approved in accordance with the Delegations of Authority and other relevant policies.	Core
R1	The organisation has a process in place to ensure use of preferred suppliers where relevant to maximise the best value for money to Council	Core
R2,R3	There is a process in place to review purchasing patterns and ensure maximum use of preferred suppliers	Additional
R3	Purchase order numbers are either system generated and/or sequentially numbered.	Core
R3	There is a process in place to ensure all invoices for payment are matched to relevant source documents such as purchase orders where applicable and are in line with Procurement Policy guidelines.	Core
R3	There is a process in place to follow up and action incomplete purchase orders.	Additional

CONTRACTING

Risks

R1	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process.
R2	Council does not obtain value for money in relation to its Contracting.

RISKS	Control	Control Type
R1,R2	There are robust and transparent evaluation and selection processes in place to engage contractors where relevant in accordance with the Code of Conduct, Conflict of Interest and Procurement Policy.	Core
R1	The selection panel is made up of appropriate personnel who have declared any relevant conflict of interest to ensure that informed and objective decision is made when selecting contractors.	Core
R1	Council maintains a current contract register.	Core

ACCOUNTS PAYABLE

Risks

R1	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all.
R2	Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all.
R3	Disbursements are not authorised properly.
R4	Accounts are not paid on a timely basis.
R5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.

RISKS	Control	Control Type
R1,R2,R4	Statements received from suppliers are reconciled to the supplier accounts in the accounts payable subledger regularly and differences are investigated.	Additional
R3	Records must be maintained of all payments with supporting documentation.	Core
R1	Payments are endorsed by relevant staff separate to the preparer, who ensures that they are paid to the correct payee.	Core
R5	Access to the supplier masterfile is restricted to authorised staff	Core
R2,R5	Separation of Accounts Payable and Procurement duties.	Core
R3	All invoices and payment requests are approved in accordance with relevant policies and/or Delegations of Authority.	Core
R1	Predetermined variances between Purchase Orders and Invoices are assessed and payment released only after verification by the officer with delegation to do so.	Additional
R1	Payments are verified to appropriate supporting documentation and are in line with Delegations of Authority.	Core
R4	Relevant staff to review aged payables listing on a predetermined basis and investigate where appropriate.	Core
R5	Recorded changes to the supplier master file are compared to authorised source documents to ensure that they were input accurately.	Core

RISKS	Control	Control Type
R5	Requested changes or additions to supplier masterfile are verified independently of source documentation.	Additional
R4	There is a system generated report detailing supplier invoices due for payment at any one time.	Core
R5	There is a process in place to ensure the supplier master file is periodically reviewed for ongoing pertinence.	Additonal

RATES / RATES REBATES

Risks

R1	Council does not raise the correct level of rate income.
R2	Rates and rate rebates are either inaccurately recorded or not recorded at all.
R3	The Property master file data does not remain pertinent.
R4	Rates are not collected on a timely basis.

RISKS	Control	Control Type
R1,R2	Rates are automatically generated by the rate system, including the calculation of rate rebates and other parameters as applicable.	Core
R2	Rates are generated and tested for accuracy of calculation methodology prior to the rates billing run	Core
R1	All software changes to rate modelling functionality fully tested and reviewed by relevant staff.	Core
R1	There is a rating policy in place that is reviewed annually that provides clear guidance on rating methodology and relevant rebates and remissions in line with legislation.	Core
R2	Annual valuation update is balanced prior to the generation of rates; all mismatches resolved prior to finalising rate generation.	Core
R2	All rate rebates and adjustments including write offs are appropriately authorised, with reference to Delegations of Authority and source documents.	Core
R4	There is a process in place to ensure that rates are collected in a timely manner and overdue rates are followed up.	Core
R3	Recorded changes to property master file data and any rate adjustments are compared to authorised source documents to ensure that they were input accurately. An audit trail is maintained for all changes.	Core
R3	Access to the Property master file is restricted to appropriately designated personnel, with a process in place to ensure changes are in line with policies and procedures.	Core
R2	Employees responsible for processing rate payments and rebates cannot process their own payments or rebates unless the transaction is approved by someone independent of the process	Core

RECEIPTING

Risks

R1	Receipts are either inaccurately recorded or not recorded at all.
R2	Receipts are not deposited at the bank on a timely basis.

RISKS	Control	Control Type
R2	Prior to and during the banking process, cash is stored securely at all times.	Core
R1	Customers are provided with a system generated or pre-numbered (manual) sequential tax compliant receipt detailing payment made.	Core
R1	There is a review process for the authorisation of the reversal of transactions.	Additional
R1	Receipt transactions are reconciled to the daily takings and out-of-balance banking is corrected promptly.	Core
R2	Receipts are deposited regularly at the bank by a person independent from the initial recording of the cash receipts.	Additional

PAYROLL

Risks

R1	Payroll expense is inaccurately calculated.
R2	Payroll disbursements are made to incorrect or fictitious employees.
R3	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.
R4	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.
R5	Voluntary and statutory payroll deductions are inaccurately processed or without authorisation.
R6	Employees termination payments are not in accordance with statutory and enterprise agreements.

RISKS	Control	Control Type
R1	Where possible standard programmed formulae perform payroll calculations.	Core
R1, R3	There is a process to ensure all overtime is verified and approved by relevant appropriate staff.	Core
R1	All calculations for generating payroll payments are verified for accuracy.	Core
R4,R5	Managers periodically review listings of current employees within their departments and variances are investigated.	Additional
R1	Payroll is periodically reconciled to the General Ledger accounts.	Additional
R2	The payment for the payroll must be reconciled to a system generated report detailing amount and employee prior to payment.	Core
R2	There is a process to ensure an independent review of proposed payroll payments by authorised staff.	Additional
R2	The payment of the payroll is authorised by appropriate staff not involved in the preparation of the payroll.	Core
R2	Employee records to include employment details and/or contract terms and conditions, authorisations for payroll deductions and leave entitlements.	Core
R2	There is a process to ensure employees are made inactive in payroll records upon termination	Core

RISKS	Control	Control Type
R5	All payroll deductions must be approved by the relevant employee.	Core
R3	Relevant staff are required to complete timesheets and/or leave forms, authorise them and have approved by the relevant supervisor.	Core
R2	There is a segregation of duties from those preparing the payroll to those responsible for preparation of source documents (e.g. timesheets, leave requests etc).	Core
R2	Payroll system generates audit reports detailing all payroll changes and there is a process in place to ensure all changes are reviewed and verified against source documents.	Core
R2	There is a process in place to ensure employees are not added to the payroll masterfile, nor details amended or amounts paid without receipt of the appropriate forms which have been authorised by relevant staff.	Core
R5	Access to the payroll deduction listing is restricted to authorised staff.	Core
R6	There is a process in place to ensure termination payments comply with relevant policies, procedures and legislation.	Core
R3	Time recording and attendance exceptions such as TOIL or flexitime are based on relevant policies/agreement are identified, monitored and corrected.	Core
R4	The ability to access, modify or transfer information contained in the payroll master files is restricted to authorised staff.	Core

CREDIT CARDS

Risks

R1	Credit Cards are issued to unauthorised employees.
R2	Credit Cards are used for purchases of a personal nature.
R3	Credit Card limits are set at inappropriate levels.

RISKS	Control	Control Type
R1,R3	There is a process in place to ensure there are appropriate approvals prior to the issuing of Credit Cards and limits.	
R1,R2	Credit card holders sign a declaration confirming compliance with Council policy and procedures prior to the Credit Card being released.	
R2	There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage.	
R2	Cardholders must check their statement to ensure all transactions are correct and identify any transactions of a personal nature which must be reimbursed to Council.	
R3	There is a process in place to ensure credit card limits and usage is reviewed for operational efficiency.	

BANKING

Risks

R1	Banking transactions are either inaccurately recorded or not recorded at all.
R2	Fraud (i.e. misappropriation of funds)

RISKS	Control	Control Type
R1,R2	There is a process in place to ensure all cash, blank cheques and/or cheque signing machine are adequately safeguarded.	Core
R1	Access to EFT Banking system is restricted to appropriately designated personnel.	Core
R1,R2	Bank reconciliations are performed on a predetermined basis and are reviewed by an appropriate person. Any identified discrepancies are investigated.	Core
R2	Cash transfers between bank accounts and investment bodies are undertaken by appropriate staff.	Core
R2	There is a process in place to ensure all cash collected is adequately recorded and banked regularly.	Core

DEBTORS

Risks

R1	Debtors are either inaccurately recorded or not recorded at all.
R2	Rebates and credit notes to debtors are either inaccurately recorded or not recorded at all
R3	An appropriate provision for doubtful debts is not recorded
R4	Debtors are either not collected on a timely basis or not collected at all
R5	The Debtors master file data does not remain pertinent.

RISKS	Control	Control Type	CSA Importance Weighting
R1, R4	Debtor's reconciliation performed on a regular basis to the General Ledger and reviewed by an independent person.	Core	4
R1	Council maintains a Debt Collection Policy.	Core	5
R2, R3, R4	Management and/or Council review and approve all rebates, credit notes, bad debt write-offs and movements in the provision for doubtful debts, in accordance with delegations of authority and Local Government Act.	Core	5
R3, R4	Management reviews debtors ageing profile on a regular basis and investigates any outstanding items.	Core	4
R5	Access to the debtor's master file is restricted to appropriately designated personnel and is reviewed by management for accuracy and on-going pertinence.	Core	5
R5	Recorded changes to debtor's master file data are compared to authorised source documents or confirmed with customers/ratepayers to ensure that they were input accurately.	Core	4

5.2 REVIEW OF FINANCE POLICIES

REPORT AUTHOR: Chief Financial Officer
APPROVED BY: Chief Executive Officer
ATTACHMENTS: A - G

PURPOSE OF THE REPORT

The purpose of this report is to present seven (7) finance related policies for the Audit & Risk Committee's for consideration, prior adoption of the policies by the Council.

BACKGROUND

Policies, Codes of Practice and Codes of Conduct, are important components of a Council's governance framework. Policies set directions, guide decision making and inform the community about how the Council will normally respond and act to various issues.

When a decision is made in accordance with a Council policy or code, both the decision-maker and the community can be assured that the decision reflects the Council's overall aims and principles of action.

Accordingly, policies and codes can be used in many contexts to:

- reflect the key issues and responsibilities facing a Council;
- provide a policy context and framework for developing more detailed objectives and management systems;
- guide staff and ensure consistency in delegated and day-to-day decision-making; and
- clearly inform the community of a Council's response to various issues.

It is therefore important that policies remain up to date and consistent with any position adopted by the Council.

Section 126(4)(f) of the *Local Government Act 1999* (the Act), provides that one of the functions of the Council's Audit & Risk Committee (the Committee) is:

reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.

The Council's finance related policies form a key component of the Council's financial management systems and it is therefore appropriate that the Committee consider the policies prior to their consideration for adoption by the Council.

STRATEGIC DIRECTIONS

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

RISK MANAGEMENT

Not Applicable.

CONSULTATION

Elected 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

Relevant staff members have reviewed the draft policies presented to the Audit & Risk Committee.

Other Agencies

Not Applicable.

DISCUSSION

A review of all finance related policies has commenced to ensure that all policies are relevant, contemporary and legislatively compliant and these policies will be presented to the Audit & Risk Committee for review prior to being presented to the Council for adoption.

To this end, the following policies have been reviewed and are now presented to the Committee for consideration:

1. Treasury Management Policy (**Attachment A**);
2. Bad Debt Write Off – General Debts Policy (**Attachment B**);
3. Prudential Management Policy (**Attachment C**);
4. Assets Capitalisation & Depreciation Policy (**Attachment D**);
5. Credit Cards Policy (**Attachment E**);
6. Financial Hardship Policy (**Attachment F**) and;
7. Receivables & Debt Recovery Policy (**Attachment G**).

Where required, the above policies have been amended to meet contemporary governance and best practice requirements while reflecting the Council's position on the respective matters.

As the proposed changes are of a minor nature, track changes have been used.
Once adopted by the Council, the policies will be formatted with numbered paragraphs. Numbered paragraphs have not been applied to the reviewed documents at this time to minimise the track changes displayed.

A brief description of each policy is provided below:

Treasury Management Policy

The *Treasury Management Policy* is an existing Council Policy which was originally adopted by the Council in 2009 and has been regularly reviewed and updated since then.

The purpose of the Policy is to guide the sound management of the Council's financial transactions in respect to borrowings and investments.

The Policy underpins the Council's decision-making regarding the financing of its operations as documented in its Long-Term Financial Plan, Annual Business Plan and Budget and projected and actual cash flow receipts and outgoings.

A copy of the draft *Treasury Management Policy* is contained within **Attachment A**.

Bad Debt Write Off – General Debts Policy

The *Bad Debts Write Off – General Debts Policy* is an existing Council Policy which was originally adopted by the Council in 2001 and has been regularly reviewed and updated since then.

The purpose of the Policy is to provide a clear, consistent and fair process in relation to the circumstances and procedure for writing-off general debts (not rate debts) which are owed to the Council.

A copy of the draft *Bad Debts Write Off – General Debts Policy* is contained within **Attachment B**.

Prudential Management Policy

The *Prudential Management Policy* is an existing Council Policy which is a legislative requirement as set out in Section 48(aa1) of the Act.

This Policy has been in place since being adopted on 5 March 2018 and has been regularly reviewed and updated since then.

The Policy provides guidance to ensure that projects are assessed with due care and diligence, including the identification and management of risks associated with the project.

Where a proposed project exceeds prescribed thresholds or meets criteria set out in the legislation, a Prudential Report must be obtained and considered before engaging in the project. The report must address the prudential issues identified in Section 48(2) of the Act and:

- financial impacts and affordability;
- funding and borrowing requirements;
- risks and mitigation strategies;
- impact on future rates and Council finances;
- strategic and community benefits; and
- long-term sustainability of the project.

The Policy has been updated to reflect the indexing provisions within the Act in relation to Section 48(1)(b)(ii). Irrespective of the threshold amount, Section 48(1) of the Act also provides that a Prudential Report may be obtained whenever the Council considers that it is necessary or appropriate.

A copy of the draft *Prudential Management Policy* is contained within **Attachment C.**

Assets Capitalisation & Depreciation Policy

The *Asset Capitalisation & Depreciation Policy* is an existing Council Policy which has been in place since 2015 and has been regularly reviewed and updated since then.

The purpose of the Policy is to provide guidance to staff in respect to the management of the Council's financial records and accounts associated with the Council's infrastructure, property, plant & equipment.

A copy of the draft *Asset Capitalisation & Depreciation Policy* is contained within **Attachment D**.

Credit Cards Policy

The *Credit Cards Policy* is an existing Council Policy which was originally adopted by the Council on 2 April 2012 and has been regularly reviewed and updated since then.

The purpose of the Policy is to provide guidance with respect to the use of Council issued Credit Cards to Council Staff.

A copy of the draft *Credit Cards Policy* is contained within **Attachment E**.

Financial Hardship Policy

The *Financial Hardship Policy* is an existing Council Policy which was originally adopted by the Council on 1 June 2020 and has been regularly reviewed and updated since then.

The purpose of the Policy is to provide guidance to ensure that outstanding debts are managed fairly and equitably and the application this policy is consistent. In applying this Policy, the Council maintains that parties who incur debts, do so in full expectation of meeting the prescribed repayment terms.

A copy of the draft *Financial Hardship Policy* is contained within **Attachment F**.

Receivables & Debt Recovery Policy

The *Receivable & Debt Recovery Policy* is an existing Council Policy which was originally adopted by the Council on 6 December 2010 and has been regularly reviewed and updated since then.

The objective of the Policy is to ensure the effective management of the organisation's receivables, to minimise credit risk and to ensure the timely recovery of outstanding debts.

A copy of the draft *Receivable & Debt Recovery Policy* is contained within **Attachment G**.

OPTIONS

The Committee can determine not to endorse the draft Policies, however as the draft Policies are required and have been prepared to meet legislative requirements and manage particular finance matters, it is recommended that the Committee endorses the draft Policies as presented.

CONCLUSION

A comprehensive financial policy framework is essential for public accountability, transparency and consistency in Council decision making.

Policies should be supported by a comprehensive set of documented procedures detailing the specific staff responsibilities and processes to be followed to give effect to the policies and ensure that sound financial management practices are in place. Without such documented financial policies and procedures, the Council could be subject to criticism, (rightly or wrongly), that their financial management framework lacks transparency, legislative compliance or does not reflect contemporary standards.

The requirement on the Council's Auditors to provide an opinion on the adequacy of the Council's internal financial controls further emphasise the need for an explicit, clearly documented, framework of policies and procedures.

RECOMMENDATION

That the Audit & Risk Committee recommends to the Council that the following policies be adopted:

1. Treasury Management Policy (**Attachment A**);
2. Bad Debt Write Off – General Debts Policy (**Attachment B**);
3. Prudential Management Policy (**Attachment C**);
4. Assets Capitalisation & Depreciation Policy (**Attachment D**);
5. Credit Cards Policy (**Attachment E**);
6. Financial Hardship Policy (**Attachment F**) and;
7. Receivables & Debt Recovery Policy (**Attachment G**).

City of Norwood Payneham & St Peters

NAME OF POLICY:	Treasury Management Policy
POLICY MANUAL:	Finance

~~BACKGROUND~~PURPOSE

The Local Government Act 1999, requires Councils to have a long-term financial planning focus to ensure financial sustainability. This and a requirement to use accrual accounting, have been catalysts for changes in Local Government treasury management practices.

Treasury management refers to the way in which borrowings are raised and cash and investments are managed. In addition to changes in the level of borrowings and changes in interest rates, a Council's treasury management practices, also can have a significant effect on its interest costs. Councils have flexibility in respect to the maturity of their borrowings (i.e. when borrowings are scheduled for repayment) and more importantly, how frequently the interest rate on an individual borrowing is re-set.

This flexibility enables Councils to manage their interest rate exposures in a deliberate fashion.

Regardless of the level of a Council's borrowings, each Council undertakes treasury management to minimise interest costs, in a risk averse manner, over the medium to longer term.~~:~~~~[1]~~

This Treasury Management Policy aims to ensure sound management of the Council's financial transactions in respect to borrowings and investments. The Policy underpins the Council's decision-making regarding the financing of its operations as documented in its Long-Term Financial Plan, Annual Business Plan and Budget and projected and actual cash flow receipts and outgoings.

T~~t~~his Policy provides a framework to ensure that:

- funds are available as required to support approved outlays;
- interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly and prudentially managed; and
- the net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.

Requirements of the Local Government Act 1999

Sections 134, 139 and 140 of the *Local Government Act 1999*, set out the following in respect to borrowings and investments:

Section 134 – Borrowings and Related Financial Arrangements

(1) A council may borrow money and obtain other forms of financial accommodation.
(2) A borrowing may take any form considered appropriate by the council, including through the use of an overdraft or finance lease.
(3) A council may enter into financial arrangements for the purpose of managing, hedging or protecting against movements in interest rates or other costs of borrowing money, including—

(a) interest rate swaps;
(b) forward interest rate agreements;

~~[1] LGA Financial Sustainability Program – www.lga.sa.gov.au/FSP~~

(c) interest rate options;
(d) other prescribed arrangements.

(4) However, a council must not enter into a financial arrangement under subsection (3) unless or until—

(a) the council has obtained and considered independent and impartial advice about the proposed financial arrangements and the appropriate risk-management policies, controls and systems that should be in place from a person whom the council reasonably believes to be competent to give the advice; and
(b) the council has adopted risk-management policies, controls and systems by a resolution passed by at least a two-thirds majority of the members of the council.

Section 139 – Investment Powers

(1) A council may invest money under its control.
(2) A council must, in exercising its power of investment—

(a) exercise the care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons; and
(b) avoid investments that are speculative or hazardous in nature.

(3) Without limiting the matters that a council may take into account when exercising its power of investment, a council must, so far as may be appropriate in the circumstances, have regard to—

(a) the purposes of the investment;
(b) the desirability of diversifying council investments;
(c) the nature of and risk associated with existing council investments;
(d) the desirability of maintaining the real value of the capital and income of the investment;
(e) the risk of capital or income loss or depreciation;
(f) the potential for capital appreciation;
(g) the likely income return and the timing of income return;
(h) the length of the term of a proposed investment;
(i) the period for which the investment is likely to be required;
(j) the liquidity and marketability of a proposed investment during, and on the determination of, the term of the investment;
(k) the aggregate value of the assets of the council;
(l) the likelihood of inflation affecting the value of a proposed investment;
(m) the costs of making a proposed investment;
(n) the results of any review of existing council investments.

(4) Without limiting the matters that a council may take into account when exercising its power of investment, but subject to the operation of subsection (3), a council may, so far as may be appropriate in the circumstances, have regard to—

(a) the anticipated community benefit from an investment;
(b) the desirability of attracting additional resources into its local community.

(5) A council may obtain and consider independent and impartial advice about the investment of funds or the management of its investments from a person whom the council reasonably believes to be competent to give the advice.

Section 140 – Review of Investments

A council must, at least once in each year, review the performance (individually and as a whole) of its investments.

~~**OBJECTIVE**~~

~~The objective of this Policy provides a framework to ensure that:~~

~~funds are available as required to support approved outlays;~~
~~interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly and prudentially managed; and~~
~~the net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.~~

~~**POLICY**~~

Treasury Management Strategy

Decisions in respect to the Council's Capital and Operating expenditure are made on the basis of the following:

- identified community need and benefit relative to other expenditure options;
- cost effectiveness of the proposed means of service delivery;
- affordability of proposals having regard to the Council's long-term financial sustainability and the Council's Net Financial Liabilities, Debt Servicing and Interest Cover ratios;
- borrowing funds in accordance with the requirements set out in its annual budget and projections in its Long-Term Financial Plan (LTFP);
- investing any funds that are not immediately required to meet approved expenditure with the Local Government Finance Authority and/or the ANZ Bank, in accounts which will generate the best return for the time the funds are projected to be available; and
- where excess funds are expected to be available for a considerable period of time as identified in the LTFP, consideration is to be given to reduce the level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

Borrowings

This P~~p~~olicy establishes guidelines for determining the most appropriate and prudent borrowing option for the Council's financing needs. The Council has an option of its borrowing arrangements using financial instruments such as Cash Advance Debenture (CAD) or Traditional Loan (Loan) provided by the Financial Institution. This policy aims to ensure that borrowing decisions are made strategically, considering factors such as cost, risk, and suitability to the Council's financial objectives.

The Council recognises that borrowing is an essential tool for financing operations, investments, and growth initiatives. The following principles will guide the determination of borrowing options:

- Financial Needs Assessment.

Council will only utilise long-term borrowings to fund capital expenditure (fixed assets). Borrowing requirements shall be determined through the Annual Budget and Long-Term Financial Plan, having regard to the Annual Capital Works Program.

Prior to undertaking any borrowing, Council shall assess its financial needs and borrowing capacity to ensure debt levels remain affordable, manageable and financially sustainable. Borrowing decisions shall be informed by key financial indicators, including Net Financial Liabilities, Debt Servicing and Interest Cover Ratios, and shall support the ongoing financial sustainability and resilience of the Council.

~~The Council will borrow on a long-term basis to fund Capital Expenditure only (i.e. Fixed Assets). The maximum value of borrowings will be determined with reference to the Annual Capital Works Program as part of the Annual Budget setting process and Long-Term Financial Plan. Before considering borrowing options, Council staff will conduct an assessment of its financial needs, including capital requirements for investments and strategic initiatives. Borrowing decisions will be guided by the principle of financial sustainability, ensuring that the Council's debt levels remain manageable and sustainable over the long term. These would be measured by Financial Indicators such as Net Financial Liabilities, Debt Servicing and Interest Cover Rations. Borrowing options will be selected in a manner that supports the Council's ongoing financial health and resilience.~~

- Cost-Benefit Analysis.

Page 3 of 6

- Borrowing options will be evaluated based on a comprehensive cost-benefit analysis, considering factors such as interest rates (i.e. fixed or variable options), fees, repayment terms, and overall cost of capital as well as its useful life. The term of the borrowing will not exceed the useful life of the asset which is being funded. The option offering the most favourable terms and lowest cost will be preferred, provided it aligns with the Council's risk tolerance and financial goals.

- Fixed rate vs Variable rate.

  The Council will manage interest rate risk through maintaining a prudent mix of fixed and variable interest rate borrowings, with a preferred target portfolio allocation of approximately 70% fixed rate debt and 30% variable rate debt.
  This allocation is intended as a guide and desired long-term target rather than a mandatory requirement. Council may deviate from the benchmark allocation where doing so is considered to be financially advantageous or consistent with prudent financial management. In particular, where prevailing market conditions result in materially lower variable interest rates compared to fixed rates, Council may maintain a higher proportion of variable rate debt to reduce overall borrowing costs and minimise pressure on rates. The objective of the borrowing mix is to balance certainty of debt servicing costs through fixed rate borrowings with flexibility and potential cost efficiency through variable rate borrowings.

  Fixed rate loans will generally be utilised for long-term borrowings associated with strategic asset creation and major capital projects, while variable rate borrowings may be used for short-to-medium term funding requirements, working capital purposes, or where interest rate conditions are expected to decline.

- Risk Management.
-

  Risk considerations, including interest rate risk, will be carefully evaluated when selecting borrowing options. To manage interest rate exposure, Council will maintain an appropriate mix of fixed and variable rate borrowings and, where applicable, stagger fixed-rate loan maturity dates. Independent advice may be obtained from the Local Government Financing Authority (LGFA) when assessing borrowing options. Borrowings will support Council's financial sustainability and debt servicing capacity.
- ~~Risk Management. Risk considerations, including interest rate risk, will be carefully evaluated when selecting borrowing options. In order to spread its exposure to movements in interest rates, the Council staff will aim to have a variety of maturity dates on its fixed interest rate borrowings over the available maturity range and will consider the best option available at the time (i.e. variable or fixed rate options). Independent advice will be sought from the Local Government Financing Authority (LGFA) for the consideration of the various borrowing options. Council staff will strive to maintain an appropriate balance between risk and return, taking into account its financial stability and ability to service debt obligations. When required, Council staff will take out long-term borrowings with the Local Government Financing Authority (LGFA). Borrowing from other financial institutions must be authorised by the Council.~~

- ~~Transparency and Accountability. Borrowing decisions will be transparent, accountable, and subject to appropriate oversight. Clear documentation, including borrowing proposals as part of Budget preparation and adoption, loan agreements, and Council's approval and endorsement, will be maintained to ensure accountability and compliance with Council's policies and procedures.~~

- Evaluation and Review. Council staff will periodically review and evaluate its borrowing options to ensure that these remain aligned with evolving financial needs, market conditions and strategic priorities. Adjustments to borrowing strategies may be made as necessary to optimise financing outcomes and mitigate risks.

- The Council's Chief Financial Officer ~~(CFO)~~is ~~will be~~ responsible for overseeing the implementation of this P~~p~~olicy and ensuring compliance with its provisions. The Councils ~~-~~Chief Executive Officer ~~(CEO)~~ and Chief Financial Officer ~~(CFO)~~, will be engaged and authorised in the borrowing decision-making process as appropriate up to the annual maximum value which is set by the Council.

Investments

Funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings, will be invested. The balance of funds held in any operating bank account that is held by the Council, will be kept at a level that is no greater than the amount which is required to meet the immediate working capital requirements.

Funds available for investment will be lodged 'at call' or, having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term. In the case of fixed term investments, the term should not exceed a point in time where the funds otherwise could be applied to cost-effectively either defer the need to raise a new borrowing or reduce the level of the variable interest rate borrowing facility.

When investing funds long term, the Councils Chief Financial Officer ~~CFO~~ in consultation with the Chief Executive Officer, will select the investment type which delivers the best value, having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.

The Council's Chief Financial Officer ~~CFO~~ in consultation with the Chief Executive Officer, may from time to time invest surplus funds in:

- deposits with the Local Government Finance Authority; and/or
- bank interest bearing deposits.

Any other form of investment will require the specific approval of the Council.

Reporting

At least once a year, an ~~report~~ information regarding the performance of the Council's treasury management relative to this Policy, will be provided to the Council's Audit & Risk Committee. The Financial report will highlight the following in terms of the Council's borrowings and investment:

- the quantum of funds, its interest rate and maturity date, and changes in the quantum since the previous report; and
- the proportion of fixed interest rate and variable interest rate borrowings at the end date of the reporting period.

REVIEW PROCESS

This Policy will be reviewed within 24 months of the adoption date of the Policy.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is the Council's Chief Financial Officer, telephone 8366 4548.

ADOPTION OF THE POLICY

This Policy was originally adopted by the Council on 20 January 2009 and has been reviewed on a regular basis ~~(annually/biannually),~~ since that time.

~~This Policy was reviewed by the Audit & Risk Committee on 20 May 2024.~~
~~This Policy was adopted by the Council on 3 June 2024.~~
This Policy was reviewed by the Audit & Risk Committee on 13 July 2026.
This Policy was adopted by the Council on xxxx.

TO BE REVIEWED

~~March~~ July 202~~6~~8

Page 5 of 6

City of Norwood Payneham & St Peters

NAME OF POLICY:	Bad Debt Write-Off – General Debts
POLICY MANUAL:	Finance

~~BACKGROUND~~PURPOSE

Section 132A(a) of the *Local Government Act 1999* (the Act), requires a Council to have policies, practices and procedures to ensure compliance with any statutory requirements; and to achieve and maintain standards that reflect good administrative practices.

~~OBJECTIVE~~

The ~~objective~~ purpose of this Policy is to provide a framework for the management of debts that are owed to the Council.

This Policy therefore seeks to ensure that the circumstances and procedure for writing-off debts which are owed to the Council reflects a consistent and fair process.

~~DISCUSSION~~

There are two (2) types of debts that can be owed to the Council:

- Rate Debts - those that are charges or charged against a property (predominantly rates); and
- General Debts - those that are not charged against a property. (These debts generally relate to services that have been provided to a citizen).

This Policy does not apply to Rate Debts.

The Council provides a number of services to citizens for the payment of a fee or charge in accordance with the Council's Schedule of Fees & charges which is considered and adopted by the Council as part of the Annual Budget process.

A number of fees and charges are levied after the provision of the service, consistent with industry practice, which requires a debtors invoice to be issued, which the debtor is then required to pay.

After the expiry of the Council's trading terms, there are numerous steps that the Council can take to recover any outstanding monies that are owed from debtors. This can include reminder notices, other verbal or written communication and negotiation of payment arrangements and can also escalate to include refusal of further services and referral of the debt to a specialist debt collector.

There will also be situations, as a result of various circumstances where difficulty will be experienced with recovering a debt, and the debt collection process can reach a point where it is inappropriate, overly expensive or uneconomic to pursue further action. In these situations, it may be more cost effective for the Council to write off the debts, rather than pursuing further action.

Section 143 of the Act makes provision for a Council to write off any debts to the Council:

(1) A council may write off any debts owed to the council-

- *(a) if the council has no reasonable prospect of recovering the debts; or*
- *(b) if the costs of recovery are likely to equal or exceed the amount to be recovered.*

(2) A council must not write off a debt under subsection (1) unless the chief executive officer has certified-

- *(a) that reasonable attempts have been made to recover the debt; or*
- *(b) that the costs of recovery are likely to equal or exceed the amount to be recovered.*

(3) If a council delegates the power to write off debts under this section, the council must set an amount above which the delegation will not apply.

~~KEY PRINCIPLES~~

~~As part of the management of the Council's financial resources, only debts that have been authorised in accordance with this Policy are written-off.~~

~~KEY TERMS~~DEFINITIONS

~~*Council* means the City of Norwood Payneham & St Peters Council.~~

Debt means an amount of money that is owed to the Council.

Debtor means a natural person (which includes a company or corporation) obligated or allegedly obligated to pay a debt to the Council.

~~POLICY~~
KEY PRINCIPLES

As part of the management of the Council's financial resources, only debts that have been authorised in accordance with this Policy are written-off.

Outstanding debts owed to the Council will be pursued and when necessary legal action undertaken to recover the debt.

The Chief Financial Officer will undertake an annual review of outstanding accounts greater than one hundred and fifty (150) days to determine the recoverability of the debt.

Recommendations to write-off debts will be made following consultation with the staff member responsible for the raising of the debt and a review of the debt recovery processes which have been undertaken.

Debts will only be written-off in circumstances where the following applies:

- it is not economical to pursue recovery of the debt further; or
- there is no reasonable prospect of the debt being recovered; or
- the debt has been raised in error and recovery is not legally enforceable; or
- the debt cannot be proved; or
- advice from a solicitor and/ or collection agent, confirming that the debt cannot be pursued.

If a debt is written-off, the amount of the debt together with any collection costs, will be debited to the relevant cost centre, as a bad debt expense.

The Council's Chief Executive Officer is delegated pursuant to Section 143 of the *Local Government Act 1999*, to approve the writing-off of a bad debt up to a maximum of $ $10,000. The writing-off of any debts exceeding this amount must be approved by the Council.

In each case, when a debt is recommended to be written-off, details of the debt recovery action undertaken and the reasons as to why the debt cannot be recovered, will be documented and maintained on the Council's Document Management System. The Chief Executive Officer will review and certify that all appropriate action has been taken prior to approving the write-off of debt.

Debts written-off during the financial year, by the Chief Executive Officer under Delegated Authority, will be advised to the Council as part of the Budget Review process.

REVIEW PROCESS

The Council will review this Policy within 36 months of the adoption date of the Policy.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is the Council's Chief Financial Officer, telephone 8366 4548 or via email: naxenova@npsp.sa.gov.au.

ADOPTION OF THE POLICY

This Policy was originally adopted by the Council on 7 May 2001 and has been reviewed on a regular basis since that time.

~~This Policy was adopted by Council on 7 May 2001.~~
~~This Policy was reviewed and adopted by Council on 5 September 2005.~~
~~This Policy was endorsed by the Audit Committee on 25 October 2010.~~
~~This Policy was adopted by the Council on 6 December 2010.~~
~~This Policy was endorsed by the Audit Committee on 25 February 2013.~~
~~This Policy was adopted by the Council on 4 March 2013.~~
~~This Policy was endorsed by the Audit Committee on 26 October 2015.~~
~~This Policy was adopted by the Council on 2 November 2015.~~
~~This Policy was endorsed by the Audit Committee on 23 October 2017.~~
~~This Policy was adopted by the Council on 6 November 2017.~~
~~This Policy was endorsed by the Audit Committee on 24 February 2020.~~
~~This Policy was adopted by the Council on 2 March 2020.~~
~~This Policy was endorsed by the Audit & Risk Committee on 1 November 2023.~~
~~This Policy was adopted by the Council on 6 November 2023.~~
This Policy was ~~endorsed~~reviewed by the Audit & Risk Committee on 13 July 2026.
This Policy was adopted by the Council on xxxx.

TO BE REVIEWED

July 202~~6~~9

City of Norwood Payneham & St Peters

NAME OF POLICY:	Prudential Management Policy
POLICY MANUAL:	Finance

PURPOSE

The purpose of this Policy is to provide guidance to the Council, the community and staff, ~~with ~~in respect to the requirements for appropriate due diligence and prudential management of projects.

~~BACKGROUND~~

Prudential Management requires financial risks or adverse financial consequences to be considered, minimised or offset to ensure that the proposed benefits are achieved.

~~LEGISLATIVE CONTEXT~~

Section 48(aa1) of the *Local Government Act 1999* (the Act), requires that the Council~~'s~~ must~~to~~ maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the Council;

- acts with due care, diligence and foresight;
- identifies and manages risks associated with a project
- makes informed decision; and
- is accountable for the use of Council and other public resources

A Prudential Management Report must be prepared by a qualified person for projects where;

- the expected expenditure over the ensuring 5 years is likely to exceed 20% of the Council's average annual operating expense for the previous five years; or
- the expected capital cost of the project over the ensuring 5 years is likely to exceed $~~4.0~~10* million (~~indexed~~prescribed as at June 2026); or
- the Council considers it necessary or appropriate.

The Prudential Management Report must address the issues outlined in Section 48~~ ~~(2) of the Act.

KEY PRINCIPLES

Where a proposal exceeds prescribed thresholds or meets criteria set out in regulations and Council policy, a Prudential Report must be obtained and considered before a decision is made. The report should address:

- f~~F~~inancial impacts and affordability;
- f~~F~~unding and borrowing requirements;
- r~~R~~isks and mitigation strategies;
- i~~I~~mpact on future rates and Council finances;
- s~~S~~trategic and community benefits; and
- l~~L~~ong-term sustainability of the project.

~~The Principles of this Policy are:~~

- ~~To ensure that the Council undertakes projects only after an appropriate level of 'due diligence" is applied to the proposed projects; and~~

~~* Indexed to Sept 2021 Adelaide CPI~~
~~* At the date of adoption, the project value requiring a Prudential Management Report is $5.1 million~~

- ~~Each project is managed during and evaluated after to ensure that the project achieved the identified public benefit and or needs and to minimise financial risk.~~

~~POLICY~~

1. The Council will be guided by the requirements of Section 48 of the Act when assessing projects.
2. For projects greater than $~~5.1~~10 million (~~indexed to Sept 2021~~prescribed as at June 2026), the Council will prepare a Prudential Management Report which complies with the requirements of Section 48(2) of the Act.
3. The Chief Executive Officer will appoint a suitably qualified independent person to prepare the Prudential Management Report.
4. The suitably qualified independent person may be an employee of the Council, whom is not engaged with the project.
5. Prudential projects will not commence until the Council has considered and adopted the Prudential Management Report.
6. Except where information is required to be protected under Section 48 (5), once adopted Prudential Management Reports will be made available to the public on the Council's website and for inspection at the Council's Principal Office.
7. The Council will not call for the preparation of a Prudential Management Report during the Local Government Election Caretaker Period.
8. For projects less than $~~5.1~~10* million (~~indexed to Sept 2021~~prescribed as at 2026), the Council will prepare a Due Diligence Report (Funding Submissions) which at a minimum, are required to assess the following;
   - the benefits (financial or otherwise) and the needs of the project;
   - identification and quantification of the whole of life financial and other costs, including staffing and project management;
   - assessment of associated risks (including the risk of delaying or not proceeding) and considerations of ways the risk can be managed or mitigated.
9. The Council will manage and evaluate projects with reference to the Due Diligence Report or Prudential Management Report.

REVIEW PROCESS

The Council will review this Policy within 36 months of the adoption date of the Policy.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is Council's ~~General Manager, Corporate Services~~Chief Financial Officer, telephone 8366 ~~4585~~4548.

ADOPTION OF THE POLICY

This Policy was originally adopted by the Council on 5 March 2018 and has been reviewed on a regular basis since that time.

~~This Policy was endorsed by the Audit Committee on 26 February 2018.~~
~~This Policy was adopted by the Council on 5 March 2018.~~
~~This Policy was endorsed by the Audit Committee on 25 July 2022.~~
~~This Policy was adopted by the Council on 4 July 2022.~~
This Policy was ~~endorsed~~reviewed by the Audit Committee on 1~~2~~3 July 2026.
This Policy was adopted by the Council on xxx.

TO BE REVIEWED

~~February 2025~~July 2029

- ~~*Indexed to Sept 2021 Adelaide CPI*~~
- ~~*At the date of adoption, the project value requiring a Prudential Management Report is $5.1 million*~~

City of Norwood Payneham & St Peters

NAME OF POLICY:	Assets Capitalisation and Depreciation Policy
POLICY MANUAL:	Finance

~~BACKGROUND~~PURPOSE

The *Local Government (Financial Management) Regulations 2011* (the Regulations) Part 3 Section 11 (1,) requires a Council to "*ensure that all accounting records, accounts and financial statements are prepared and maintained in accordance with all relevant Australian Accounting Standards*".

In addition, Part 4 Section 13 of the Regulations requires that the Financial Statements of a Council "*must be in accordance with the requirements set out in the Model Financial Statements*" and under Part 1 Section 4 b (4) of the Regulations the approval of the Minister is required for any alteration to the Model Financial Statements.

This purpose of this Policy is ~~has been prepared~~ to provide guidance to staff in the management of the Council's financial records and accounts associated with the Council's infrastructure, property, plant & equipment.

Separate Asset Accounting Policies have been prepared for:

- Asset Revaluation; and
- Asset Impairment.

KEY PRINCIPLES

This Policy refers to the *Local Government (Financial Management) Regulations 2011* and *Accounting Standards AASB 116 Property, Plant and Equipment* (AASB 116) and *AASB 1051 Land under Roads* (AASB 1051).

~~POLICY~~

1. Land under Roads

AASB 1051 (Australian Accounting Standards Board 1051) deals with "*Land Under Roads*."

Based on this standard, land under roads, which includes land under roadways and road reserves, including land under footpaths, nature strips, and median strips, acquired before 1 July 2008, may not be recognised as an asset in Financial Statements. This option acknowledges the historical difficulty in measuring and recognising such land accurately. The Council has determined not to recognise Land under Road that is acquired before 1 July 2008 as an asset, due to the practical challenges associated with valuing and recording such land accurately. The Council is of the opinion that this approach ensures that Financial Statements remain reliable and relevant, without being unduly burdensome.

In accordance with AASB 1051, Land under Roads acquired on or after 1 July 2008, must generally be recognised as an asset if it meets the recognition criteria set out in AASB 116 (Property, Plant and Equipment) or AASB 140 (Investment Property), or it does not have specific circumstances or policy choices.

The Council has determined not to recognise Land under Roads acquired on or after 1 July 2008 as an asset as it is not able to meet the required recognition criteria.

The criteria which is not able to be met includes:

lack of Reliable Measurement of the cost or fair value of the land as well as value of the land under roads is considered immaterial to the financial statements.

2. Other Infrastructure, Property, Plant and Equipment

In accordance with Accounting Standard AASB 116, the Council will;

a) capitalise material expenditure which creates a physical asset that provides future benefits of more than twelve (12) months; and,

In accordance with Australian Accounting Standard AASB 116, the cost of an item of property, plant and equipment, will be recognised as an asset in the Council's financial records if, and only if:

- it is probable that future economic benefits embodied in the asset will eventuate. The probability of the future economic benefit eventuating must be greater than 50%; and
- the asset possesses a cost or other value that can be measured reliably.

For all other expenditure, where the above mentioned criteria are not met, the expenditure must be recognised as an expense in the period within which the expenditure is incurred.

b) recognise as a maintenance expense in the period within which the expenditure is incurred, any expenditure that is incurred to ensure that the physical asset will continue to operate at normal capacity until the end of its life; and

c) depreciate the cost of the asset over the useful life of the asset, subject to the inclusion of a residual value where applicable, to reflect the consumption of the economic benefits embodied in the physical asset.

3. Works in Progress

Capital works still in progress at balance date, will be recognised as other Non-Current Assets on the Statement of Financial Position and will be recognised as Infrastructure, Property or Plant & Equipment, when the physical asset is ready for use.

4. Salary Capitalisation

As part of the Asset Capitalisation Policy, an asset includes not only costs incurred in the acquisition or construction of infrastructure, but also directly attributable internal resources required to bring the asset to its intended use. This includes employee time and related costs where staff are engaged predominantly in capital activities such as planning, design, project management, construction oversight, asset data capture, and commissioning. Capitalisation is limited to costs that are directly attributable, supported by appropriate documentation, and subject to materiality thresholds to exclude immaterial or indirect expenditure.

Eligible roles typically include project management, engineering and technical staff, asset management personnel, and relevant field, procurement, and administrative support where their work directly contributes to capital delivery, such as planning, design, data capture, procurement, reporting, and on-site project support.

The City of Norwood Payneham & St Peters applies a conservative approach using job descriptions, role specifications, and project allocations to determine capitalisation eligibility. At the end of each year, each role will be reviewed and involvement in projects will be confirmed to verify the correct split between allocation of time in New or Renewal Capital projects as well as reflecting correct resources in case of vacancies (if any).

~~4.~~5. Capitalisation Threshold

Capital expenditure which meets the recognition of the criteria set out in Accounting Standard AASB116, will be recorded as an asset in the financial records of the Council only if the following expenditure thresholds set out in Table 1 below are met:

TABLE 1

ASSET CATEGORY	CAPITALISATION THRESHOLD
Land	With the exception of Land under Roads and Easements, all land will be capitalised and recorded as an asset of the Council
Building & Other Structures	$3,000
Plant & Equipment	$~~1~~3,000
Furniture & Fittings	$~~1~~3,000
Civil Infrastructure	$3,000
Library Resources	$1,000
Open Space Assets	$~~1~~3,000

~~5.~~6. Depreciation of Assets

The Council will apply **straight line depreciation** for all assets on the basis that the economic benefits provided by the assets are consumed in a consistent manner throughout the useful life of the asset.

Annual Depreciation Charge will be calculated as follows:

(Cost of Asset minus Residual Value) divided by the Useful Life of the particular asset.

~~6.~~7. Useful Life

To calculate the annual depreciation of physical non-current assets, the useful lives set out in Table 2 will be applied. The useful lives are based on the Council's current Asset Management Policies, historical evidence and data and professional judgement.

TABLE 2

ASSET CATEGORY	USEFUL LIFE
Building & Other Structures	10 -100 Years
Plant & Equipment	3 - 20 Years
Furniture & Fittings	10 - 20 Years
Civil Infrastructure	
• Road Seal	15~~0~~ - 40 Years
• Road Pavement Base	65~~80~~ - 18~~5~~0 Years
• Road Pavement Sub-Base	160~~80~~ - 300 Years
• Off Road Carpark	100 Years
• Linear Park	30 - 60 Years
• Traffic Control	30 - 60 Years
• Footpath	15 - 50 Years
• Kerbing	40 - 70 Years
• Stormwater	80 - 100 Years
Library Purchase	2 - 8 Years
Open Space Assets	10 - 100 Years

~~7.~~8. Commencement of Depreciation Charge

All assets will be capitalised at 30 June of the year in which the asset is ready for use and the depreciation expenditure will commence from 1 July of that year.

REVIEW PROCESS

The Council will review this Policy within two (2) years of the adoption date of the Policy or in event of any significant change in legislation or Accounting Standards.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is the Council's Chief Financial Officer, telephone 8366 4548.

ADOPTION OF THE POLICY

This Policy was originally adopted by the Council on 3 August 2015 and has been reviewed on a regular basis since that time.
~~This Policy was endorsed by the Audit Committee on 27 July 2015.~~
~~This Policy was adopted by the Council on 3 August 2015.~~
~~This Policy was endorsed by the Audit Committee on 24 October 2016.~~
~~This Policy was adopted by the Council on 7 November 2016.~~
~~This Policy was endorsed by the Audit Committee on 14 August 2019.~~
~~This Policy was adopted by the Council on 2 September 2019.~~
~~This Policy was endorsed by the Audit Committee on 25 July 2022.~~
~~This Policy was adopted by the Council on 1 August 2022.~~
~~This Policy was endorsed by the Audit & Risk Committee on 19 August 2024.~~
~~This Policy was adopted by the Council on 2 September 2024.~~
This Policy was ~~endorsed~~ reviewed by the Audit & Risk Committee on 13 July 2026.
This Policy was adopted by the Council on xxx.

TO BE REVIEWED

~~July~~ July 202~~6~~8

City of Norwood Payneham & St Peters

NAME OF POLICY:	Credit Cards Policy
POLICY MANUAL:	Finance

~~BACKGROUND~~PURPOSE

Section 125 of the *Local Government Act 1999* (the Act), requires a Council to *ensure that appropriate policies, practices and procedures of internal control 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, to ensure adherence to management policies, to safeguard the Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records*.

The City of Norwood Payneham & St Peters operates in an environment which is subject to public scrutiny. The Council is required to ensure that cash resources are allocated and used in an effective manner to minimize rate increases to its rate payers and to ensure the continuation of service provision to the community in the most efficient and cost-effective manner.

The use of credit cards to make small value purchases is considered to be a cost-effective purchasing method.

The purpose of this Policy is to provide guidance with respect to the use of Council issued Credit Cards that are from time to time issued to Council Staff.

The Credit Cards Policy forms part of the Council's internal controls framework in accordance with the Act.

~~OBJECTIVE~~

~~The objective of this Policy is to provide guidance with respect to the use of Council issued Credit Cards to Council Staff.~~

~~DISCUSSION~~

~~The City of Norwood Payneham & St Peters operates in an environment which is subject to public scrutiny. The Council is required to ensure that cash resources are allocated and used in an effective manner to minimize rate increases to its rate payers and to ensure the continuation of service provision to the community in the most efficient and cost-effective manner.~~

~~The use of credit cards to make small value purchases is considered to be a cost-effective purchasing method.~~

KEY PRINCIPLES

Corporate Credit cardholders must have regard to the following principles when using their Corporate Credit Cards:

a. the business purpose of the expenditure was clearly justified at the time with the expenditure being necessary for the Council to carry out its functions in an efficient manner;

b. the transaction was compliant with the relevant Council policies and within the staff member's financial delegations;

c. the transaction record is properly documented and explains the nature of the expense.

~~POLICY~~

Council Credit Cards will be issued only to a staff member approved and on the authority of the Chief Executive Officer.

All credit card holders are required to sign a declaration confirming knowledge and agreement with the Council's policy and procedures prior to being provided with a credit card and authority to use the credit card.

Council Credit Cards are not to be issued to short-term contractors, consultants, or contract personnel, who have contracts that provide for them to be reimbursed for costs which they may incur.

Council Credit Cards must not be used to incur personal expenditure, or expenditure on behalf of other organisations, even if it will be reimbursed at a later date.

The Card Holder is the staff member whose name appears on the Corporate Credit Card.

The Card Holder is responsible and must be aware of all transactions and activities that incur on their Credit Card. A cardholder has a responsibility for ensuring their usage of their credit card complies with all relevant polices, the cardholder conditions of use and must have sufficient financial delegation.

It is the Card Holder's responsibility to adhere to the following requirements:

- ensure use of the credit card is within the Council's Expenditure Policy;
- sign the Credit Card immediately upon receipt;
- keep the Credit Card and associated Pin Number in a safe and secure place;
- keep card holder and account details up to date;
- retain all original tax invoices, sales vouchers and receipts and attach these to the Monthly Statement;
- a Missing Receipt form is required to be completed in the event of a lost receipt;
- reconcile Statements, providing the appropriate account number, description of transaction, including the business purpose, for each item on the Statement and submitted to their manager for authorisation during the monthly reconciliation period; and
- notifying the bank and relevant Finance staff if the Credit Card is lost or stolen.

Credit cards are not to be used to set up direct debit payments of any kind unless pre-approved by the Chief Financial Officer.

The Card Holder's Manager is responsible to review and authorise the Credit Card Monthly Reconciliation.

Misuse of a Council Credit Card may lead to the Card being cancelled and the staff member may be required to pay restitution to the Council and disciplinary action may be taken against the staff member.

REVIEW PROCESS

The Council will review this Policy within 24 months of the adoption date of the Policy.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is the Council's Chief Financial Officer, telephone 8366 4548.

ADOPTION OF THE POLICY

This Policy was originally adopted by the Council on 2 April 2012 and has been reviewed on a regular basis ~~(annually/biannually)~~, since that time~~.~~

~~This Policy was reviewed by the Audit Committee on 1 November 2023.~~
This Policy was adopted by the Council on 6 November 2023.

This Policy was adopted by the Council on xxx

TO BE REVIEWED

~~October 2025~~July 2028

City of Norwood Payneham & St Peters

NAME OF POLICY:	Financial Hardship Policy
POLICY MANUAL:	Finance

~~BACKGROUND~~PURPOSE

The Council is committed to assisting customers and ratepayers experiencing financial hardship. This Policy sets out how the Council assists customers and ratepayers, who are experiencing temporary or ongoing financial hardship, and are finding it difficult to manage the payment ~~-~~ of rates and/or sundry charges which are currently outstanding or will be due and payable at a future date.

An important consideration to acknowledge is that a person in financial hardship can reasonably be expected to recover their financial position if appropriate assistance or arrangements are provided. Financial hardship assistance is intended to bridge the time between when a person's circumstances change and the time when they can start paying their debt in full – either because the original financial situation is restored (e.g. a person is re-employed after a period of unemployment) or because a new repayment arrangement is agreed which the person can meet.

Financial hardship does not include circumstance where a person chooses not to meet an unpaid financial obligation for which they are liable for.

KEY PRINCIPLES

When responding to requests for financial hardship, the Council will always show respect, empathy and sensitivity towards the situation.

The ~~priciples~~principles that underpin the assessment of financial hardship are:~~;~~

Accountability and Transparency

The Council's practices and decisions are underpinned by accountability and transparency and must accord with the requirements and intent of relevant legislation and accepted conventions.

Fairness and Equity

The Council will ensure that outstanding debts are managed fairly and equitably and the application this policy is consistent. In applying this Policy, the Council maintains that parties who incur debts, do so in full expectation of meeting the prescribed repayment terms.

The Council also acknowledges that organisational and individual financial circumstances can change. If difficulties are anticipated, individuals and organisations must promptly initiate discussions seeking alternative payment arrangements.

Responsibilities

The Council will ensure that customers and ratepayers fully understand the commitments that they and the Council agree to and the requirements that both parties need to do to fulfil those commitments.

Hardship, though, is a partnership that also relies customers and ratepayers being committed to the principles and requirements of the arrangements put in place, including remaining in contact with the Council and providing information to help the Council understand your circumstances so we can provide the most appropriate assistance to you.

Responsibility for managing the review of financial hardship requests rest with the Council's Finance Unit.

~~POLICY~~

Financial hardship is when a person is willing but unable to meet their financial obligations because of unexpected events or unforeseen changes that impacts cash flow, for example;

- Loss of employment or reduced income
- Serious illness or medical incapacity
- Family or domestic circumstances impacting financial capacity
- Other significant unforeseen events affecting financial stability~~changes in income or expenditure;~~
- ~~changes in employment status (such as losing a job or having hours reduced);~~
- ~~significant life events such as a relationship breakdown or death in the family;~~
- ~~injury or illness; and~~
- emergency events or natural disasters

~~An important consideration to acknowledge is that a person in financial hardship can reasonably be expected to recover their financial position if appropriate assistance or arrangements are provided. Financial hardship assistance is intended to bridge the time between when a person's circumstances change and the time when they can start paying their debt in full – either because the original financial situation is restored (e.g. a person is re-employed after a period of unemployment) or because a new repayment arrangement is agreed which the person can meet.~~

~~Financial hardship does not include circumstance where a person chooses not to meet an unpaid financial obligation for which they are liable for.~~

There are two types of financial hardship: ongoing and temporary.

- **Temporary Financial Hardship** – Customers and or ratepayers who may have been identified as experiencing temporary hardship are those who have experienced a short-term change in circumstances. In the case of temporary financial hardship, the Council will provide payment flexibility and temporary assistance, such as extension of time to pay or an alternative payment arrangement.

- **Ongoing Financial Hardship** – Customers and or ratepayers who may have been identified as experiencing ongoing hardship are those who have experienced a change in circumstances and one in which they do not expect to recover from within a reasonable timeframe. The Council will provide ongoing assistance focussed on bridging the time between when a person's circumstance change and the point when they can start paying their debit in full – either because their original financial situation is restored or because a new repayment arrangement is agreed which the customer can meet.

Depending on the type of hardship being experienced, the needs will be different, which require different solutions.

The Council will require persons seeking ~~Finacial~~Financial Hardship to submit an application, certified by an ~~acredited~~accredited ~~financiail~~financial ~~councellor~~advisor, including details of the applicant(s) and a Statement of Financial Position (Income and Expenditure) with an express opinion of the financial hardship.

While an application for financial hardship is being assessed, the Council will place on hold and/or suspend debt recovery process.

The Council will not commence legal action for the recovery of the debt relating to rates and/or a sundry debtors invoice for a customer, if the customer has agreed to a payment arrangement and continues to adhere to the terms of the payment arrangement, irrespective of whether the customer has been assessed for financial hardship.

When assessing an application for financial hardship assistance, consideration will be given to but not limited to the following:

- the applicant is on Centrelink income and holds a pensioner concession card or holds a Centrelink low income health care card;
- the applicant is eligible for a South Australian Government concession;
- the applicant has been referred by an accredited financial counsellor or welfare agency;
- the applicant advises they have previously applied for emergency relief (irrespective of whether or not their application was successful);
- the applicants payment history indicates that they have had difficulty meeting their financial obligations in the past;
- the applicant, through self-assessment, has identified their position regarding their ability to pay
- other personal circumstances that the applicant(s) may choose to disclose in order to support their application.

Where the applicant is a non-residential ratepayer, the Council will consider the following criteria;

- independent evidence from the applicant that financial hardship is being experienced, such as a letter from the applicant's accountant, auditor or bank manager; and
- a written commitment from the applicant to an agreed timeframe in which the deferred rates will be paid.

~~It is acknowledged that industrial/commercial businesses may have tenants who are not directly paying Council rates. The Council will consider applications from landlords on behalf of tenants. The same approval criteria will apply.~~

~~As any unpaid rates will ultimately be a charge on the property, no rate deferral agreement will be entered into without the express consent of the property owner.~~

Financial Assistance provided to successful applicants claiming ~~fincial~~financial hardship for ~~outstaning~~outstanding rates payments may include;

Postponement (Section 182 *Local Government Act 1999*~~s182~~)

In eligible circumstances, Council may approve postponement of rates in accordance with legislative provisions and Council policy. Postponed amounts remain payable and may accrue interest. In the case of postponement, if approved, the balance of rates will be deferred for a period of between three (3) to twelve (12) months, depending on the nature of the~~ the~~ financial hardship (~~ie~~i.e. temporary or ongoing). A review of the circumstances will be carried out at the end of the postponement time period.

Postponement (Section ~~s~~182A *Local Government Act 1999*) - Seniors

Council supports the rate postponement provisions available under Section 182A of the *Local Government Act 1999* (SA), enabling eligible senior ratepayers to defer payment of all or part of their rates on their principal place of residence. The postponement scheme provides financial relief by allowing all or part of the rates payable on a principal place of residence to be deferred until the property is sold, transferred, or otherwise ceases to qualify. Interest may be applied in accordance with the Act.

Payment Arrangements

Payment plans may be offered subject to a fair an reasonable minimum payment amount. A condition of a payment plan is paying a minimum amount to ensure the payment of future rate instalment to avoi~~n~~d the ~~outstading~~outstanding debt increasing further.

Interest – Penalty Interest (Section 181 *Local Government Act 1999*)

Section 181 of the *Local Government Act 1999* (the Act) permits the Council to require a person to pay interest on any amounts of rates and charges which a person is liable to pay. Under Section 181(8)(b) & (c) of the Act ~~*Local Government Act 1999 (SA)*~~ the fine and interest applies to overdue council rate instalments. It mandates that once a rates instalment is in arrears, interest accrues at a prescribed percentage on the total unpaid balance (including previous fines and interest) upon the expiration of each full month. A fine of 2% of the amount of the instalment is payable. ~~The interest rate is fixed under S181(8)(c) of the Act~~

The Council recognises that setting a penalty interest rate which is consistent with Section 181(8)(c) of the Act could have a negative effect on the finances of ratepayers, which prolongs their hardship. As such, under Section 181(9) of the Act ~~*Local Government Act 1999 (SA)*~~ *the* C~~c~~ouncil may waive, or reduce interest (or penalties) on overdue rates in prescribed circumstances where the council has decided to do so under this policy framework.

Application of money in respect of rates (Section ~~s~~183 *Local Government Act 1999*)

Under Section 183 of the Act ~~*Local Government Act 1999 (SA)*~~, Council must allocate funds recovered from a property or debtor when rates are in arrears in following order:

- recoverable costs associated with enforcement action (e.g. legal and sale costs).
- Interest (unless waived)
- Fines (unless waived)
- Remaining funds are then applied to outstanding rates charges.

~~S 181(9) of the Act allows for a reduction in the penalty interest rates for the ratepayer.~~

~~The Council recognises that setting a penalty interest rate which is consistent with S181(8)(c) of the Act could have a negative effect on the finances of ratepayers, which prolongs their hardship.~~

~~As such, where hardship is established and subject to any agreed payament arrangements being adhered to;,~~

- ~~the interest rate applied will be cash advance debenture rate for the financial year on the deferred amount; and~~
- ~~fines for non-payment of quarterly rates instalment we be suspended for the term of the postponement.~~

~~Interest on outstanding rates will be levied at the penalty interest rate unless a postponement is granted and a reduced interest rate approved.~~

REVIEW PROCESS

The Council will review this Policy within 24 months of the adoption date of the Policy.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is Council's ~~Financiail Services Manager~~Chief Financial Officer, telephone 8366 4548

ADOPTION OF THE POLICY

This Policy was originally adopted by the Council on 1 June 2020 and has been reviewed on a regular basis since that time.
~~This Policy was endorsed by the Audit Committee on 25 May 2020~~

Page 4 of 5

~~This Policy was adopted by Council on 1 June 2020~~
~~This Policy was endorsed by the Audit Committee on 23 May 2022~~
~~This Policy was adopted by Council on 6 June 2022~~
This Policy was ~~endorsed~~reviewed by the Audit Committee on 13 July 2026
This Policy was adopted by Council on xxx

TO BE REVIEWED

~~May~~ July 2028

City of Norwood Payneham & St Peters

NAME OF POLICY:	Receivable and Debt Recovery Policy
POLICY MANUAL:	Finance

~~BACKGROUND~~PURPOSE

The Receivable and Debt Recovery Policy has been prepared to ensure the effective management of the organisation's receivables, to minimise credit risk and to ensure the timely recovery of outstanding debts.

This Policy applies to all receivables and debt recovery activities, including rates, accounts receivable that apply to a comprehensive range of services provided by the City of Norwood Payneham & St Peters and purchased by a wide range of individuals and organisations.

KEY PRINCIPLES

Accountability and Transparency

The Council's practices and decisions are underpinned by accountability and transparency and must accord with the requirements and intent of any relevant legislation and accepted conventions.

Fairness and Equity

All receivables and debt recovery activities will be conducted with the highest ethical standards to ensure fairness and transparency.
The Council also acknowledges that organisational and individual financial circumstances can change. If difficulties are anticipated, individuals and organisations must promptly initiate discussions seeking alternative payment arrangements.

Responsibilities

Prime responsibility for managing receivables and related debt will lie with the Council's Finance Unit.

Risk Management

Risk Management principles will underpin decisions made in relation to receivables and related debt management. Strategies for mitigating credit risk include requiring advance payments, bonds, deposits, or guarantees. Regular reviews will be conducted to assess and manage credit risk.

~~POLICY~~

Receivables Management

The management and recovery of outstanding revenue is an important component of the Council's financial management function. The principles that will apply in the management of and recovery of debt are as follows:

- Ensure timely and accurate invoicing for all goods and services provided. Invoices should include clear payment terms and due dates.
- Standard Credit terms are 30 days from the date of the Invoice.
- The Council has a responsibility to recover monies owing to it in a timely and efficient manner in order to finance its operations and ensure effective management of cash flow.
- The Council, through the Chief Financial Officer will regularly monitor receivables using aging reports to identify overdue accounts and take appropriate action.
- The Council aims to minimise the amount of outstanding monies that is owed to the Council.
- Debtors are expected to take responsibility for their debt obligations to the Council and to organise their affairs in such a way as to be able to meet their payment obligations as required.
- The debtor is expected to contact the Council at the earliest opportunity to make appropriate arrangements to address the debt in cases where their obligations to pay by the due date cannot be met.
- The Council will explain the debtor's rights and obligations in relation to any action that the Council might take to recover debt.
- The Council will not issue a letter of demand to a debtor without taking all reasonable steps to establish a payment arrangement or negotiate settlement of the outstanding debt.

Debt Recovery – Rates

The Council's Finance Unit is responsible for debt management and initiating the debt recovery process in respect to rates payments.

The following debt collection practices will be applied:

- Following an unpaid quarterly instalment, an Overdue Notice will be issued within 14 days of the due date for each quarter.
- Overdue balances of greater than $3,000 or 'in arrears' overdue balances brought forward from prior to the current year will be reviewed bi-annually (close to October and April). The following will be taken into account as part of the review;
  - If the owner has not made contact with the Council, staff will attempt to contact the property owner to establish the reasons for the arrears balance and establish a payment arrangement to prevent further debt collection action; and
  - If the property owner has contacted the Council and advised staff of a financial difficulty due to certain circumstance, they could be exempt from forwarding the debt for Debt Collection; and
  - Staff will review the payment arrangement to ensure the agreed arrangement is being adhered to prior to further debt collection action being taken.
- Where no contact has been established with the property owner or the property owner fails to adhere to the payment arrangements, a final 'letter of Demand' will be issued informing them that legal action will be pursued if the matter cannot be urgently resolved. Formal Debt Collection process will commence.

TABLE 1: DEBT COLLECTION EXEMPTION CRITERIA

Criteria	Action
Postponed rates	No action required
Payment arrangement	Review adherence to payment arrangement to ensure compliance
Health/social issues	Review on a case-by-case basis. Documentary evidence to support claim to be provided where possible or is appropriate and a payment arrangement established.
Financial Distress	Requests must be lodged in writing. It is advised that, requests should include attached supporting documentation from a financial counsellor or similar where relevant and have a payment arrangement established.
Awaiting Sale or Settlement of property	Review on a case-by-case basis. Evidence of impending sale to be provided.

Debt Recovery – General Debtors

The Council's Finance Unit is responsible for receivables management and initiating the debt recovery process.

In consultation with the Accounts Receivable officer, negotiated exemptions may be provided depending on the nature of the debt and risk of the debtor, for example community groups or welfare recipients.

The following debt collection practices will be applied:

- When an account is thirty (30) Days overdue; a statement will be issued with an overdue notification requesting payment within seven (7) days.
- When an account is forty-five (45) days overdue and no response has been received from the initial request, a reminder letter and/or email will be forwarded, requesting payment within fourteen (14) days or for contact to be made with Council to enter into an alternative payment arrangements.
- When an account is sixty (60) days overdue and no responses have been received to prior requests, a telephone call or second reminder letter and/or email will be forwarded requesting payment within fourteen (14) days or to contact the Council to enter into an alternative payment arrangement.
- When an account is ninety (90) days overdue and where no response has been received, a 'letter of demand' will be forwarded to the individual or organisation concerned informing them that legal action will be pursued if the matter cannot be urgently resolved. Where no payment or response is been received within fourteen (14) days, the outstanding debt will be forwarded to the Council's debt recovery agency.

Provision for Doubtful Debts

Aged debts greater than one hundred and fifty (150) days, a provision for the doubtful debt should be provided for according to an assessment which has regard for –

(a) the size and nature of the debt

(b) the debtor in question

A provision for doubtful debts may be provided for aged debts less than one hundred and fifty (150) days if the recovery of the debt is known to be unlikely.

Any adjustments to the provision shall be made annually and will be charged as an expense to the responsible department.

Write Offs

Where debts are considered unrecoverable, or where the cost of recovery is uneconomic, the debt shall be written off against the Provision (if applicable) in accordance with the Bad Debt Write Off Policy.

REVIEW PROCESS

The Council will review this Policy within 24 months of the adoption date of the Policy.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is the Council's Chief Financial Officer, telephone 8366 4548.

ADOPTION OF THE POLICY

This Policy was originally adopted by the Council on 6 December 2010 and has been reviewed on a regular basis since that time.
~~This Policy was endorsed by the Audit Committee on 25 October 2010.~~
~~This Policy was adopted by Council on 6 December 2010.~~
~~This Policy was endorsed by the Audit Committee on 25 February 2013.~~
~~This Policy was adopted by the Council on 4 March 2013.~~
~~This Policy was endorsed by the Audit Committee on 26 October 2015.~~
~~This Policy was adopted by the Council on 2 November 2015.~~
~~This Policy was endorsed by the Audit Committee on 23 October 2017.~~
~~This Policy was adopted by the Council on 6 November 2017.~~
~~This Policy was endorsed by the Audit Committee on 27 May 2019.~~
~~This Policy was adopted by the Council on 3 June 2019~~
~~This Policy was endorsed by the Audit Committee on 24 May 2021.~~
~~This Policy was adopted by the Council on 7 June 2021~~
~~This Policy was endorsed by the Audit & Risk Committee on 19 August 2024.~~
~~This Policy was adopted by the Council on 2 September 2024.~~
This Policy was ~~endorsed~~reviewed by the Audit & Risk Committee on 13 July 2026.
This Policy was adopted by the Council on xxx.

TO BE REVIEWED

~~July~~ July 2028~~6~~

5.3 PROGRESS UPDATE ON THE ESSENTIAL SERVICES COMMISSION OF SA LOCAL GOVERNMENT ADVICE TO THE COUNCIL

REPORT AUTHOR: Manager, Governance
APPROVED BY: General Manager, Governance & Civic Affairs
ATTACHMENTS: A

PURPOSE OF THE REPORT

The purpose of this report is to present the Audit & Risk Committee with a progress update on the recommendations from the *Essential Services Commission of South Australia (ESCOSA) Local Government Advice*.

DISCUSSION

Section 122 of the *Local Government Act 1999* (the Act) prescribes the requirements for all Councils in relation to Strategic Management Plans. Section 122(1b)-(1k) of the Act sets the requirements for the *Local Government Advice Scheme* (Scheme) for which ESCOSA is the 'designated authority'.

The Scheme covers a review of information relating to the Council's Long Term Financial Plan and Infrastructure and Asset Management Plans.

As discussed at the Committee Meeting held on 25 February 2026, ESCOSA published its report, *Local Government Advice City of Norwood Payneham & St Peters February 2026* (ESCOSA Advice) on 19 February 2026.

After receiving the ESCOSA Advice in February 2026, an independent report was commissioned and prepared by Ms Bennetts from LGiQ (Consultants), which was presented to the Council at its Meeting held on 5 May 2026.

As identified in the LGiQ Report, while ESCOSA highlighted that the Council was doing a number of things well to reduce the potential of being financially unsustainable, ESCOSA provided the following recommendations:

1. *Adopt a more comprehensive and transparent Long-Term Financial Plan annual review process to ensure ongoing financial sustainability and accountability.*
2. *Improve the transparency of assumptions and explicitly state the basis of preparation of Annual Business Plans, budgets and the Long-Term Financial Plan.*
3. *Consider strategically rationalising assets in consultation with the community, to reduce debt, streamline the Council's cost structure and provide the service standards that the community wants and is prepared to pay for, aiming for a more robust and sustainable position.*
4. *Improve the reporting of debt reduction targets or productivity improvements in its Long-Term Financial Plan and Annual Business Plans (as appropriate), to assure the community of how debt will be reduced.*
5. *Review its pace of development of new and upgraded assets, having regard to debt levels, rates affordability, the affordability of the stream of future operating costs created by new and upgraded assets, and the need to prioritise and fully fund asset renewal and replacement.*
6. *Disclose cost savings targets or productivity improvements in its Long-Term Financial Plan and Annual Business Plans (as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.*
7. *Update the costings for The Parade Masterplan project, including indexing out-years of the staged implementation, based on the detailed design and before commencing the project, and consult with the community if the new costings exceed the earlier $30 million projection.*
8. *Undertake deeper and ongoing community consultation regarding the scale, cost escalation, and long term financial impact of any future significant capital expenditure projects.*
9. *Consider providing more clarity around the risks and the impact on rates (and develop mitigation strategies) if the Council's expectations regarding its operational performance do not materialise and/or its financial strategy becomes stressed.*
10. *Consider publicly separating out the finances of the Payneham Memorial Swimming Pool Centre in the Council's overall accounts, to provide transparency on its performance and adequacy of user charges.*

A report was subsequently presented to the Council on 2 June 2026 that provided an update on the progress made in relation to the above recommendations.

Section 126(4)(b) of the *Local Government Act 1999* (the Act), prescribes that one of the functions of the Council's Audit & Risk Committee (the Committee) is to propose and provide information relevant to, a review of the Council's strategic management plans.

In addition, Section 126(4)(f) of the Act prescribes that the Committee will also review the adequacy of the Council's financial management systems and practices on a regular basis.

To support the Committee to meet its legislative functions, the report presented to the Council at its Meeting held on 2 June 2026, which provided a progress update on the recommendations from the ESCOSA Advice, is contained in **Attachment A**.

RECOMMENDATION

That the report be received and noted.

13.3 PROGRESS UPDATE ON THE ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA LOCAL GOVERNMENT ADVICE TO THE COUNCIL

REPORT AUTHOR: Chief Financial Officer
APPROVED BY: Chief Executive Officer
ATTACHMENTS: A - B

PURPOSE OF THE REPORT

The purpose of this report is to present to the Council, a progress update on the recommendations from the Essential Services Commission of South Australia's (ESCOSA) Local Government Advice.

BACKGROUND

The Essential Services Commission of South Australia (ESCOSA) is an economic regulator for industries such as water, sewerage, electricity and gas.

In April 2022, ESCOSA was granted a new function under the *Local Government Act 1999* (the Act), to provide independent advice to Councils on their financial and asset management plans.

The introduction of ESCOSA into the Local Government Sector was in response to and an alternative to the previous State Government's policy to introduce rate capping for Local Government — a policy that has had severe financial impacts on councils in both New South Wales and Victoria where rate capping has been in place for many years.

In terms of providing advice to Councils, in accordance with Section 122 of the Act, ESCOSA provides advice on the following matters:

- material amendments made, or proposed to be made, to a Council's Long-term Financial Plan (LTFP) and Infrastructure and Asset Management Plan and the reasons for those amendments;
- revenue sources as set out in a Council's LTFP and Annual Business Plan, and
- any other matter prescribed by regulation.

As part of the implementation of the *Local Government Advice Scheme*, ESCOSA prepared a Schedule of Councils commencing in 2022-2023 and ending in 2025-2026. This Council was required to participate in the Scheme in 2025-2026. On Thursday, 19 February 2026, ESCOSA published its report, *Local Government Advice City of Norwood Payneham & St Peters February 2026.*

A copy of the ESCOSA Advice is contained in **Attachment A**.

Subsequent to this, an independent report to assist the Council in responding to the ESCOSA Advice was commissioned and prepared by Ms Bennetts from LGiQ (Consultants) and was presented to the Council for consideration at its meeting held on 5 May 2026.

A copy of the LGiQ Report is contained in **Attachment B**.

As identified in the LGiQ Report, while ESCOSA highlighted that the Council was doing a number of things well to reduce the potential of being financially unsustainable, ESCOSA provided the following recommendations:

1. *Adopt a more comprehensive and transparent Long-Term Financial Plan annual review process to ensure ongoing financial sustainability and accountability.*
2. *Improve the transparency of assumptions and explicitly state the basis of preparation of Annual Business Plans, budgets and the Long-Term Financial Plan.*
3. *Consider strategically rationalising assets in consultation with the community, to reduce debt, streamline the Council's cost structure and provide the service standards that the community wants and is prepared to pay for, aiming for a more robust and sustainable position.*

4. *Improve the reporting of debt reduction targets or productivity improvements in its Long-Term Financial Plan and Annual Business Plans (as appropriate), to assure the community of how debt will be reduced.*
5. *Review its pace of development of new and upgraded assets, having regard to debt levels, rates affordability, the affordability of the stream of future operating costs created by new and upgraded assets, and the need to prioritise and fully fund asset renewal and replacement.*
6. *Disclose cost savings targets or productivity improvements in its Long-Term Financial Plan and Annual Business Plans (as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.*
7. *Update the costings for The Parade Masterplan project, including indexing out-years of the staged implementation, based on the detailed design and before commencing the project, and consult with the community if the new costings exceed the earlier $30 million projection.*
8. *Undertake deeper and ongoing community consultation regarding the scale, cost escalation, and long-term financial impact of any future significant capital expenditure projects.*
9. *Consider providing more clarity around the risks and the impact on rates (and develop mitigation strategies) if the Council's expectations regarding its operational performance do not materialise and/or its financial strategy becomes stressed.*
10. *Consider publicly separating out the finances of the Payneham Memorial Swimming Pool Centre in the Council's overall accounts, to provide transparency on its performance and adequacy of user charges*

In summary, the LGiQ Report contains a Financial Sustainability Improvement Plan (the Plan), which sets out a structured program of actions designed to address the Advice that has been provided by ESCOSA, in order to strengthen the Council's long-term financial position.

The Plan builds on the Council's existing strategies and incorporates a range of financial, operational and governance initiatives, aimed at improving resilience, enhanced transparency and ensuring sustainable service delivery.

LGiQ prioritised these Actions into Short Term (0 to 12 months) and Medium Term (1 to 3 years) in order to provide a clear and achievable pathway and supported by ongoing monitoring and reporting to the Council and the Council's Audit & Risk Committee.

- **Short Term (0-12 months)**
  - *Improved Annual LTFP Review*;
  - *Debt Reduction Strategy*;
  - *Inclusion in Strategic Risk Register*;
  - *Rating Strategy Review*;
  - *Financial Sustainability Performance Monitoring*;
  - *Future Grants Strategy*;
  - *Separate Reporting for Major Facilities*; and
  - *Treasury Management Review*.

- **Medium Term (1 - 3 years)**
  - *Cost Control*;
  - *Service Level Review Program*;
  - *Capital Program Prioritisation Framework*;
  - *Major Project Governance Framework*;
  - *Asset Rationalisation Strategy*;
  - *Fees and Charges Review*; and
  - *Asset Management Maturity (AMP Alignment.*

LGiQ has also advised that these measures will provide confidence that the Council is pro-actively managing its financial sustainability and is well positioned to respond to future challenges.

A response and the status of these Actions is set out in the Discussion section of this report.

STRATEGIC DIRECTIONS

***CityPlan 2030* Alignment**

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

RISK MANAGEMENT

From a risk management perspective, whilst it is important to note that ESCOSA's role is advisory only and that ESCOSA cannot require Councils to follow the Advice, ESCOSA is an independent body that provides independent and transparent information to inform a Council's decision making in respect to ongoing financial sustainability. It is therefore prudent for all Councils to consider the advice that is provided by ESCOSA and respond to that Advice, in a considered, strategic and practical manner to mitigate any financial risks that are identified by ESCOSA as part of their review of the Council's financial and asset management plans and revenue sources (ie rates).

CONSULTATION

Elected Members

An Elected Members Information Session was held on Tuesday, 28 April 2026, regarding ESCOSA's Advice.

The Independent Review of ESCOSA's Advice prepared by LGiQ, was presented to and considered by the Council at its meeting held on Tuesday, 5 May 2026.

Community

Not Applicable.

Staff

Not Applicable.

Other Agencies

Not Applicable.

DISCUSSION

As set out above, LGiQ has recommended 15 Actions to ensure the Council can pro-actively manage its financial sustainability and is well positioned to respond to future challenges measures.

A number of the Actions are already in progress (ie Inclusion in the Council's Strategic Risk Register, Rating Strategy Review, Future Grants Strategy, etc), and consideration of a number of the other actions recommended actions in terms of practical implementation, resources and cost, has now been undertaken.

ESCOSA RECOMMENDATION 1 & 2

- *Adopt a more comprehensive and transparent Long-Term Financial Plan annual review process to ensure ongoing financial sustainability and accountability.*
- *Improve the transparency of assumptions and explicitly state the basis of preparation of Annual Business Plans, budgets and the Long-Term Financial Plan.*

LGiQ Recommendation:

Undertake a comprehensive annual review of the Long-Term Financial Plan during the annual business plan development with clearly articulated assumptions, including:

- *Rate revenue increases clearly detailing growth, CPI and other factors;*
- *Inflation;*
- *Debt levels, interest rates and debt servicing costs;*
- *Major projects costs and cost escalations;*
- *Operating results of major operating facilities such as the childcare centre and swimming centre.*

STATUS: Improved Annual LTFP Review – ONGOING

The recommendation that has been made by ESCOSA regarding the enhancement of the annual Long-Term Financial Plan (LTFP) review process, including clearer articulation of key assumptions to support improved transparency and decision-making, is supported.

Implementation of this recommendation has already commenced as part of the most recent LTFP review process that has been undertaken during the 2026 update cycle. The updated LTFP presented as part of Draft 2026-2027Annual Business Plan, incorporated strengthened and clearly articulated assumptions relating to key financial drivers, including rate revenue increases (with explicit consideration of growth, CPI, and other contributing factors), inflation, debt levels, interest rates, and debt servicing costs. In addition, major project cost estimates and escalation factors were reviewed and updated to reflect current planning and delivery expectations, ensuring a more robust and realistic forward financial outlook.

Overall, it is considered that this approach appropriately balances improved transparency and financial clarity with practicality and consistency in reporting, while still supporting long-term financial sustainability and informed decision-making. LTFP updates will continue to be strengthened through future review cycles. To address this recommendation, the following actions will be implemented:

- enhanced disclosure of key assumptions; and
- improved transparency of major capital projects by incorporating updated cost estimates, project staging, affordability considerations, and long-term operating implications within LTFP reporting.

ESCOSA RECOMMENDATION 3

- *Consider strategically rationalising assets in consultation with the community, to reduce debt, streamline the Council's cost structure and provide the service standards that the community wants and is prepared to pay for, aiming for a more robust and sustainable position.*

LGIQ Recommendation:

Identify and assess underutilised or non-core assets for potential disposal or repurposing to reduce costs, optimise the asset base and support debt reduction.

STATUS: Asset Rationalisation Strategy – NOT COMMENCED

The recommendation to identify and assess underutilised or non-core assets for potential disposal or repurposing to support cost reduction, asset optimisation and debt reduction is supported. The potential value of periodically reviewing the Council's asset base to ensure assets remain aligned with service requirements, community needs and long-term financial sustainability objectives, is an important action, noting that it will take some time to progress.

In response to the recommendation, consideration will be given to incorporating an assessment of underutilised and non-core assets into future strategic asset planning processes. This would involve evaluating asset utilisation, service relevance, operating and maintenance costs, potential alternative uses, and broader financial implications, including opportunities to reduce ongoing costs or support debt management outcomes.

Future consideration of asset disposal or repurposing would be undertaken carefully and in consultation with the community where appropriate, ensuring decisions are balanced against service impacts, community value, and long-term strategic objectives. Some of the expected activities include:

- Develop an Asset Optimisation structured framework.
- Classify Asset Base (Core / Non-core / Discretionary). Develop a clear classification system to identify core service-delivery assets versus non-core or lower-priority assets to support decision-making.
- Undertake Asset Performance and Utilisation Review. Review asset utilisation, operating costs, renewal requirements, and service demand to identify underperforming or underutilised assets.
- Assess Financial Impact and Debt Reduction Opportunities. Evaluate the financial implications of potential rationalisation, including impacts on operating costs, maintenance expenditure, renewal liabilities, and debt reduction capacity.
- Develop Decision-Making Criteria for Rationalisation. Establish clear criteria and governance pathways for considering asset disposal, retention, repurposing, or consolidation, including financial, social, and service impact considerations.
- Align Service Standards with Affordability Framework. Link asset decisions to agreed service levels and affordability parameters to ensure alignment between community expectations and Council's financial capacity.

ESCOSA RECOMMENDATION 4

- *Improve the reporting of debt reduction targets or productivity improvements in its Long-Term Financial Plan and Annual Business Plans (as appropriate), to assure the community of how debt will be reduced.*

LGiQ Recommendation:

Develop and implement a clear debt reduction framework outlining:

- *Clear debt reduction targets;*
- *Clear timings of when the targets are to be achieved by;*
- *Strategies for debt reduction; and*
- *Risks associated with strategies.*

STATUS: Debt Reduction Strategy - ONGOING

The recommendation to develop a formal debt reduction framework, including defined targets, timeframes, strategies, and associated risks. Is considered appropriate. The Council has already commenced strengthening its debt management approach through the most recent update to its Long-Term Financial Plan, which included revised debt projections and a planned reduction in borrowings driven by a review and prioritisation of capital projects. This has effectively embedded the consideration of debt into broader financial planning and capital decision-making processes rather than treating it as a standalone framework. The Council's current approach manages debt levels through the annual budget and LTFP processes, with borrowing decisions assessed in the context of overall financial sustainability, service delivery requirements and project prioritisation. While explicit standalone debt reduction targets and formalised strategy documentation are not currently established, debt levels continue to be actively monitored and managed within sustainable limits through these integrated planning processes, with consideration given to interest rate exposure, cash flow impacts, and delivery risks associated with capital programs.

Proposed additional improvements:

- Include explicit debt trajectory reporting in the LTFP. Clearly present projected debt levels over the LTFP period, including movements year-on-year and key drivers influencing changes (capital investment, repayments, cash flow impacts).
- Link debt outcomes to capital program decisions. Clearly demonstrate how changes to the capital works program (including staging, deferral, or removal of projects) directly influence debt levels and long-term financial sustainability.
- Report productivity and cost containment initiatives. Include a structured summary of operational efficiencies, service reviews, procurement improvements, and cost control initiatives that contribute to reducing reliance on debt and rate revenue growth.

These actions will provide the community with clearer visibility of how the Council is managing and progressively reducing debt within a sustainable financial framework.

ESCOSA RECOMMENDATION 6

- *Disclose cost savings targets or productivity improvements in its Long-Term Financial Plan and Annual Business Plans (as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.*

LGiQ Recommendation:

Maintain an organisation of continuous improvement finding efficiencies and reducing waste and undertake formal structured reviews of:

- *Efficiency and productivity improvement across departments/service areas; and*
- *Procurement practices and contract efficiency.*

STATUS: Cost Control - ONGOING

The recommendation to improve transparency around cost savings and productivity improvements as evidence of ongoing efficiency and cost control across operations and service delivery, is supported.

While specific standalone “cost savings targets” are not currently set at an organisation-wide level within the Long-Term Financial Plan (LTFP), efficiency outcomes are implicitly embedded within key assumptions such as constrained operating expenditure growth, service prioritisation, and capital program review processes. These assumptions effectively reflect productivity and cost containment measures already applied through annual budget development.

Productivity improvements and cost control initiatives are presently managed and delivered at the service level. These are achieved through a range of mechanisms, including process and efficiency improvements overseen by the Manager, Organisational Improvement & Transformation in collaboration with Operational Managers; monthly financial reviews involving Operational Managers, General Managers, and Finance Business Partners; annual business planning processes; procurement practices; and ongoing continuous improvement activities. These efforts are undertaken in lieu of a consolidated corporate target framework.

In response to the recommendation, it is proposed to enhance future iterations of the LTFP and Annual Business Plan, by more explicitly documenting key efficiency assumptions and summarising major cost containment and productivity initiatives where appropriate. Maintain records of identified and delivered efficiency initiatives across departments, including procurement savings, service reviews, process improvements, and contract optimisation. This will improve transparency and provide clearer visibility of how the Council is managing cost growth over time while maintaining service delivery at the agreed levels.

LGiQ Recommendation:

Undertake a comprehensive review of fees and charges to understand the full cost of service delivery and the extent of subsidy (community service obligation) versus user-pays. This will support appropriate cost recovery, improve transparency, and ensure fees are set at an affordable level while aligning with financial sustainability and community expectations.

STATUS: Fees and Charges Review - ONGOING

A comprehensive review of fees and charges is already undertaken annually at the commencement of each budget cycle as part of the Annual Business Plan and Budget preparation process as part of Fees and Charges review.

This review considers the cost of delivering the service, affordability, benchmarking where appropriate, legislative constraints, and Council's broader financial sustainability objectives.

The review process also provides an opportunity to consider the extent of subsidisation for services where community benefit outcomes justify a level of cost recovery below full service cost, while balancing user-pays principles and affordability for the community. Fees and charges are subsequently presented to the Council as part of the annual budget process, supporting transparency and informed decision-making.
The Council will continue to refine this process over time, including opportunities to strengthen visibility of cost recovery levels and community service obligations where appropriate, to further align with the intent of the recommendation.

ESCOSA RECOMMENDATION 5, 7 & 8

- *Review its pace of development of new and upgraded assets, having regard to debt levels, rates affordability, the affordability of the stream of future operating costs created by new and upgraded assets, and the need to prioritise and fully fund asset renewal and replacement.*

- *Update the costings for The Parade Masterplan project, including indexing out-years of the staged implementation, based on the detailed design and before commencing the project, and consult with the community if the new costings exceed the earlier $30 million projection.*

- *Undertake deeper and ongoing community consultation regarding the scale, cost escalation, and long-term financial impact of any future significant capital expenditure projects.*

LGiQ Recommendation:

Strengthen governance, prioritisation and staging of major projects based on affordability and lifecycle cost to ensure projects are delivered within the Council's financial capacity and long-term financial sustainability.

- *Review recent major projects and apply lessons learned;*
- *Implement a clear capital/project prioritisation framework;*
- *Align projects with the Council's financial capacity and consider full lifecycle costs in decision-making; and Improve transparency and reporting on project costs and risks*

STATUS: Major Project Improved Governance Framework - ONGOING

To strengthen Council's long-term financial sustainability, as part of LTFP update included in the 2026-2027 Draft ABP, major capital projects have been reviewed and reprioritised to better align with the Council's financial capacity. As part of this process, **The Parade Masterplan Project** is proposed to be rescoped to deliver essential asset upgrades and renewal through the renewal capital program, rather than a major redevelopment requiring additional funding. The revised scope removes the need for substantial borrowings that would materially increase debt levels and place pressure on Council's long-term financial sustainability. This approach balances responsible financial management with the continued renewal and functionality of the asset.

This reflects a more disciplined approach to capital investment aligned with the Council's financial sustainability objectives.

The prioritisation of projects is already guided through existing annual budget processes, asset management planning, and governance frameworks, where affordability, service needs, and risk are key considerations. Lifecycle costing is increasingly being applied to inform decision-making, ensuring that both capital and ongoing operating impacts are considered in project assessments.

In response to the recommendation, the Councils capital projects governance approach will be strengthened by formalising and enhancing prioritisation criteria, with greater emphasis on financial capacity, risk, and whole-of-life costs. Transparency in reporting will be improved in respect to major project costs, staging, and associated risks through budget and LTFP reporting.

Additionally, the Council will continue to seek opportunities for improvement to inform future capital planning and delivery, ensuring continuous improvement in governance, cost control, and project assurance practices.

For example:

- Integrating consultation outcomes into LTFP and Annual Business Plan updates.
- Development of standardised capital project consultation templates, use consistent formats that explain project scope options, cost ranges, affordability impacts, and long-term financial implications to support informed community feedback.
- Enhancing financial information provided during consultation and clearly present lifecycle costs, debt implications, operating cost impacts, and cost escalation risks in community engagement materials for major projects.
- Ensuring community feedback and financial implications are directly reflected in updated long-term financial planning and budget decisions.

ESCOSA RECOMMENDATION 5 and 6

- *Review its pace of development of new and upgraded assets, having regard to debt levels, rates affordability, the affordability of the stream of future operating costs created by new and upgraded assets, and the need to prioritise and fully fund asset renewal and replacement.*

- *Disclose cost savings targets or productivity improvements in its Long-Term Financial Plan and Annual Business Plans (as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.*

LGiQ Recommendation:

Strengthen alignment between Asset Management Plans and the Long-Term Financial Plan.

STATUS: Asset Management Maturity (AMP Alignment) - ONGOING

Alignment between the Council's Asset Management Plans (AMPs) and Long-Term Financial Plan (LTFP), is already embedded within existing asset and financial planning processes, with asset renewal programs and major capital requirements informing long-term financial forecasts.

While Asset Management Plans are formally developed on a four-year cycle in accordance with the requirements of the Local Government Act 1999, the LTFP is reviewed and updated annually between the broader four-year strategic reporting periods. These annual reviews incorporate a reassessment of the capital program, including project reprioritisation, affordability considerations, and timing adjustments to better align infrastructure investment with Council's financial capacity.

The annual LTFP review process also incorporates updates to AMP assumptions, including cost escalation and indexation factors (for example, adjustments to capital renewal costs based on CPI and relevant construction cost increases), to ensure financial forecasts remain current and reflective of market conditions.

In response to this recommendation, integration of the LTFP and AMPs will continue by enhancing the consideration of lifecycle costing, asset renewal requirements, and associated operating costs within future LTFP updates and asset planning processes. This will improve visibility of the long-term financial implications of asset decisions and support more sustainable funding of infrastructure over time.

The importance of ensuring that future asset investment decisions appropriately consider affordability, service outcomes, and whole-of-life costs to maintain long-term financial sustainability and responsible asset stewardship, is recognised.

ESCOSA RECOMMENDATION 3 and 8

- *Consider strategically rationalising assets in consultation with the community, to reduce debt, streamline the Council's cost structure and provide the service standards that the community wants and is prepared to pay for, aiming for a more robust and sustainable position.*

- *Undertake deeper and ongoing community consultation regarding the scale, cost escalation, and long-term financial impact of any future significant capital expenditure projects.*

LGiQ Recommendation:

Develop and implement a program of service level reviews to align service levels with community expectations, utilisation and affordability, ensuring resources are directed to areas of greatest value.

This would include:

Developing a baseline service register detailing mandatory and discretionary services;
Reviewing service levels and utilisation of the Councils priority areas/services; and
Align services with community expectations and affordability constraints.

STATUS: Service Level Review Program - IN PROGRESS

The Council is in the process of development and implementation of a structured program of service level reviews to better align services with community expectations, utilisation, and affordability, and to ensure resources are directed to areas of greatest value.

Service level considerations are already embedded within existing annual business planning, Long-Term Financial Plan development, and budget processes, where service priorities, funding constraints, and community expectations are routinely assessed at both organisational and service-area levels. This includes ongoing consideration of statutory obligations versus discretionary services and the allocation of resources in line with the Council's strategic priorities. The Council also recognises the importance of community input in determining appropriate service levels and associated costs.
As such, consultation on major capital projects and changes to service standards/levels is undertaken through established engagement processes, ensuring that community expectations are considered alongside financial sustainability and long-term affordability.

In response to this recommendation, the Councils approach to the review of service level will be strengthened by progressively developing a more structured service framework and formal reporting within Annual Business Plan. This will include the development of a service /baseline view that clearly identifies core, statutory, and discretionary services, providing improved transparency and a clearer foundation for decision-making.

The review processes will also be strengthened by more explicitly assessing service utilisation, demand, and cost-effectiveness within priority service areas, and ensuring these insights inform future budget and planning decisions. More detailed service level costing by outcomes will be incorporated as part of the budget preparation process in the next financial year, further strengthening the link between service delivery, resource allocation, and community value.

This will support more transparent alignment of services with community expectations and affordability constraints over time, while maintaining compliance with statutory responsibilities and Council's financial sustainability objectives.

ESCOSA RECOMMENDATION 9

- *Consider providing more clarity around the risks and the impact on rates (and develop mitigation strategies) if the Council's expectations regarding its operational performance do not materialise and/or its financial strategy becomes stressed.*

LGiQ Recommendation:

Incorporate financial sustainability risks and mitigation actions into the Council's Strategic Risk Register to ensure risks are formally monitored, managed and regularly reviewed.

STATUS: Inclusion of financial sustainability in the Council's Strategic Risk Register - COMPLETED

This recommendation has been implemented. Financial sustainability risks, along with associated mitigation actions, have been incorporated into Council's Strategic Risk Register. This ensures that key risks relating to financial performance, including operating pressures, debt management, and long-term asset funding, are formally identified, monitored, and subject to regular review through Council's established risk management framework. This integration strengthens governance oversight and supports proactive management of financial sustainability risks as part of Council's broader strategic planning and reporting processes.

LGiQ Recommendation:

Undertake a review of the rating structure to improve equity, transparency and sustainability in the distribution of the rate burden across the community.

STATUS: Rating Strategy Review - COMPLETED

This recommendation has been implemented through the Rating Strategy Review that was undertaken in April and May 2026. The review was progressed via a series of workshops and meetings and is currently in consultation with the community as part of the engagement process. A key focus of the review was the fairness and equitability of the rate burden across residential, commercial, industrial, and vacant land ratepayers, with consideration given to the distribution of rates to ensure a balanced and transparent approach.
The outcomes of the review will inform future rating decisions through the annual budget process, supporting Council's ongoing objectives of affordability, equity, and financial sustainability.

LGiQ Recommendation:

Establish and maintain a financial sustainability performance framework, including the following key indicators:

- *Net Financial Liabilities Ratio;*
- *Operating Surplus Ratio; and*
- *Debt servicing • Interest Cover Ratio.*

STATUS: Financial Sustainability Performance Monitoring - ONGOING

The recommendation to establish and maintain a formal financial sustainability performance framework incorporating key indicators such as Net Financial Liabilities Ratio, Operating Surplus Ratio, debt servicing, and interest cover ratio, together with improvement plan actions and associated outcomes is supported.

Several of these indicators are already reported as part of Council's regular financial reporting cycle, including during quarterly and year-end financial reporting, which provides ongoing visibility of financial performance and sustainability trends. These existing reports include key measures such as operating results, debt levels and servicing impacts, and other relevant financial indicators used to monitor Council's financial position.

The value of enhancing the structure, consistency, and presentation of this information is recognised and this recommendation will be progressed through improvements to reporting formats to strengthen clarity, transparency, and ease of interpretation.

Accordingly, while core elements of the framework are already embedded within the Council's existing reporting processes, further enhancements to reporting structure and content are planned to better align with the intent of the recommendation and support more comprehensive ongoing monitoring of financial sustainability.

Proposed additional improvements for the Annual Business Plan (ABP) / Budget (withing 12 month) are set out below:

- Establish a structured efficiency and productivity reporting section. Include a dedicated section summarising key efficiency initiatives, cost containment measures, and productivity improvements across Council operations.
- Enhance transparency of service level and cost trade-offs. Clearly communicate where efficiency gains have enabled service maintenance or where cost pressures have been managed through operational adjustments.
- Integrate productivity improvements into annual budget narratives. Ensure Annual Business Plans explicitly describes key efficiency initiatives that support constrained cost growth and improved financial outcomes.
- Enhance explanatory commentary in Annual Business Plan. Clearly communicate financial pressures, assumptions, and contingency responses in the annual budget documentation to improve community understanding.

These enhancements will improve transparency, strengthen accountability, and provide clearer evidence of how Council is actively managing cost growth while maintaining service delivery within a sustainable financial framework.

ESCOSA RECOMMENDATIONS 4 and 9

- *Improve the reporting of debt reduction targets or productivity improvements in its Long-Term Financial Plan and Annual Business Plans (as appropriate), to assure the community of how debt will be reduced.*

- *Consider providing more clarity around the risks and the impact on rates (and develop mitigation strategies) if the Council's expectations regarding its operational performance do not materialise and/or its financial strategy becomes stressed.*

LGiQ Recommendation:

Develop and implement a targeted grants strategy to increase external funding opportunities and reduce reliance on debt and rate revenue.

STATUS: Future Grants Strategy - COMMENCED

As Elected Members will recall, the Council has adopted an Advocacy Strategy.

This document provides a framework for the Council's advocacy on a policy and capital projects. With this strategy in place, the Council can take a targeted approach as recommended by LGiQ.

ESCOSA RECOMMENDATION 10

- *Consider publicly separating out the finances of the Payneham Memorial Swimming Pool Centre in the Council's overall accounts, to provide transparency on its performance and adequacy of user charges.*

LGiQ Recommendation:

Develop separate reporting to improve transparency, accountability and understanding of their financial performance.

STATUS: Separate Reporting for Major Facilities – NOT COMMENCED

This recommendation will be progressed following the commencement of operations at the Payneham Memorial Swimming Centre, once sufficient actual operational and financial data becomes available. As the facility is newly established, meaningful separate reporting will be better informed by actual performance outcomes rather than assumptions or forecast estimates alone.

In the interim, relevant financial information will continue to be monitored and reported through Council's existing budget and financial reporting processes until sufficient operational data is available to support more robust standalone reporting.

In respect to the Council's other facilities and Business Units such as the Norwood Concert Hall and Childcare Centre, it is proposed to introduce quarterly performance reports which will provide financial information.

OPTIONS

As set out in the ESCOSA Advice, ESCOSA has made a number of recommendations to the Council to "*further strengthen the Council's financial sustainability*".

An independent review of the ESCOSA Advice has been undertaken by LGiQ and a number of actions have been recommended to the Council to respond to and progress implementation of ESCOSA's Advice.

The response and progress associated with the Actions as set out in this report will ensure that "*the Council is well placed to maintain long-term financial sustainability while continuing to deliver valued services and infrastructure to the community*." (LGIQ Report)

For these reasons it is recommended that the Council endorses the response to the ESCOSA Advice as set out in this report.

CONCLUSION

The LGiQ report states that "*In summary, while ESCOSA has identified areas requiring ongoing attention, the Council's financial position remains sound and well managed. The risks that have been identified reflect a period of planned investment and are being actively addressed through established governance and planning processes. The proposed Financial Sustainability Improvement Plan provides a clear and structured pathway to further strengthen the Council's financial position and the progress of the plan will be regularly reported to the Council and the Audit and Risk Committee through formal reporting and informal briefings*."

RECOMMENDATION

That the report on the response and status of the Actions undertaken regarding the Advice provided by ESCOSA, be received and noted.

OFFICIAL

Advice

Local Government Advice

City of Norwood Payneham & St Peters

February 2026

OFFICIAL

Enquiries concerning this advice should be addressed to:

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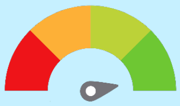
City of Norwood Payneham & St Peters

AT A GLANCE

OVERVIEW

The Essential Services Commission finds the City of Norwood Payneham & St Peters Council's historical financial performance to be **sustainable**, its current financial performance to be **mostly sustainable** and its forecast financial performance to be **potentially unsustainable.** This is due to elevated capital expenditure, that is to be funded using substantial debt, creating a stream of future operating costs for the community to bear. The current and planned development of new and upgraded infrastructure poses risks for affordability and long-term sustainability.

FINANCIAL PERFORMANCE



Past 10 years
Sustainable

Current
Mostly Sustainable

Projected
Potentially Unsustainable

RISKS IMPACTING SUSTAINABILITY

- ⚠ The Council's plans to reduce debt and achieve consistent operating surpluses will depend upon increases in rates above CPI and limiting growth in expenses to levels below what it has achieved historically.
- ⚠ The Council will need to double its renewal spending in its Forecast Period to ensure it adequately maintains its growing infrastructure asset base.
- ⚠ The development of new and upgraded assets that must be maintained, renewed and replaced over time contributes to affordability risks.

KEY FACTS

- ▶ population in 2024 was **40,062** residents
- ▶ the Council covers **15.1** square kilometres
- ▶ **20,536** rateable properties in 2024-25
- ▶ **$59.2 million** of income in 2024-25
- ▶ value of infrastructure, property and equipment assets held in 2024-25 equals **$699.9 million**

The Essential Services Commission is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory function on economic matters. For more information, please visit www.escosa.sa.gov.au.

Table of contents

1 Executive summary

1.1 Summary of observations

The City of Norwood Payneham and St Peters (the Council) has a range of robust financial and asset management practices that has enabled it to operate sustainably over the 10 years to 2023-24 (the Historical Period), however, some risks to its future sustainability are emerging.

This is primarily due to high expenditure on new and upgraded assets, rising debt levels, and increasing affordability risks for ratepayers.

While the redevelopment of the Payneham Memorial Swimming Centre will deliver improved services to the community, the significant cost escalation raises serious concerns about governance and financial sustainability. Greater community consultation should have occurred to ensure transparency and manage expectations regarding levels of debt and rate impacts.

The Council's borrowings are forecast to peak at $106.7 million in 2028-29 before declining to $81.3 million by 2034-35. Achieving this debt reduction and forecast surpluses is contingent upon the Council increasing rates higher than CPI, and constraining expense growth below historical trends, while also servicing the higher debt levels.

The Council will need to double its spending on asset renewal and replacement over the Forecast Period (10 years to 2034-35) compared to the Historical Period, to maintain its growing infrastructure base. The Commission encourages the Council to assess the long-term service and financial implications of its asset stock and consider asset sales to reduce future liabilities, if consultation with ratepayers determines some assets are no longer required, noting that the Council has two swimming centres, three libraries and a childcare centre.

The Commission notes with concern that the Council appears to be consciously transitioning from a historically sustainable financial position to one of elevated financial risk, without a clear or compelling rationale. This shift is occurring without demonstrable community support and includes the duplication of assets - such as swimming centres and libraries - at considerable expense. These decisions reflect a departure from prudent financial management, placing a growing burden on ratepayers who have not been adequately consulted or given the opportunity to consent to these cost implications

In addition to these observations, the Commission notes that rate revenue per property is projected to grow at an average of 4.3 percent per annum - almost double the forecast inflation rate raising affordability concerns. The Commission makes a range of recommendations geared to improving financial sustainability and reducing the need for future rate increases, while delivering the services that the Council's community wants and is prepared to pay for.

The community would also benefit from improved transparency in the Council's financial planning, including clearer disclosure of assumptions, cost savings targets, and debt reduction strategies. Separating the Payneham Memorial Swimming Centre's financials in published accounts would further improve transparency and help the community to understand the extent of subsidisation and adequacy of user charges.

1.2 Summary of recommendations

The Council has a range of sound practices in its strategic planning and asset management, including:

- Sensitivity analysis in its Long-Term Financial Plan to provide its ratepayers with a better understanding of the variables, such as interest rate changes, that impact its operating performance and financial sustainability

- maintaining a rolling program of asset valuations to inform its AMPs and depreciation charges and annually indexing asset values between formal valuations and
- Setting out in its 2023-24 to 2033-34 Long-Term Financial Plan the intention to reduce debt repayments through refinancing, increasing operational efficiencies, asset liquidation, improved cash flow management and strict monitoring.

To further strengthen the Council's sustainability, the Commission recommends that the Council:

1. Adopt a more comprehensive and transparent Long-Term Financial Plan annual review process to ensure ongoing financial sustainability and accountability.
2. Improve the transparency of assumptions and explicitly state the basis of preparation of Annual Business Plans, budgets and the Long-Term Financial Plan.
3. Consider strategically rationalising assets in consultation with the community, to reduce debt, streamline the Council's cost structure and provide the service standards that the community wants and is prepared to pay for, aiming for a more robust and sustainable position.
4. Improve the reporting of debt reduction targets or productivity improvements in its Long-Term Financial Plan and Annual Business Plans (as appropriate), to assure the community of how debt will be reduced.
5. Review its pace of development of new and upgraded assets, having regard to debt levels, rates affordability, the affordability of the stream of future operating costs created by new and upgraded assets, and the need to prioritise and fully fund asset renewal and replacement.
6. Disclose cost savings targets or productivity improvements in its Long-Term Financial Plan and Annual Business Plans (as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.
7. Update the costings for The Parade Masterplan project, including indexing out-years of the staged implementation, based on the detailed design and before commencing the project, and consult with the community if the new costings exceed the earlier $30 million projection.
8. Undertake deeper and ongoing community consultation regarding the scale, cost escalation, and long-term financial impact of any future significant capital expenditure projects.
9. Consider providing more clarity around the risks and the impact on rates (and develop mitigation strategies) if the Council's expectations regarding its operational performance do not materialise and/or its financial strategy becomes stressed.
10. Consider publicly separating out the finances of the Payneham Memorial Swimming Pool Centre in the Council's overall accounts, to provide transparency on its performance and adequacy of user charges.

2 About the advice

2.1 Background

The State Parliament has tasked the Commission, South Australia's independent economic regulator and advisory body, to provide advice on material changes proposed by local councils in relation to elements of their Strategic Management Plans (SMP), and on the proposed revenue sources, including rates, which underpin those plans.[1]

A primary purpose of the Local Government Advice Scheme (Advice or the Scheme) is to support councils to make financially sustainable strategic decisions in their annual business plans and budgets, in the context of their Long-Term Financial Plans (LTFP) and Infrastructure and Asset Management Plans (IAMP).[2] IAMPs are commonly referred to as Asset Management Plans (AMP). The LTFP and the IAMP are both required as part of a council's SMP.[3] Financial sustainability encompasses intergenerational equity,[4] program (service level) and rates stability in this context.[5] The other main purpose is for the Commission to consider ratepayer contributions in the context of all revenue sources, as outlined in the LTFP.[6] In addition, the Commission has discretion to provide advice on any other aspect of a council's LTFP or IAMP it considers appropriate, having regard to the circumstances of that council.[7]

The first cycle of the scheme extends over four years from 2022-23 to 2025-26. The Commission has selected 19 councils for advice in the fourth year (2025-26) of the Scheme, including the City of Norwood Payneham & St Peters.

This report provides the Local Government Advice for the Council in 2025-26.

The Council is obliged under the *Local Government Act 1999* (LG Act) to publish this advice and its response, if applicable, in its 2026-27 Annual Business Plan (including any draft Annual Business Plan) and in subsequent plans until the next cycle of the Scheme.[8] Decision-making remains in the control of the Council.

The Commission thanks the Council for meeting with Commission staff and for providing information to assist the Commission in preparing this advice.

2.2 The Commission's approach

In providing its Advice for the Council, the Commission has followed the approach set out in the Framework and Approach – Final Report (F&A).[9]

1 Amendments to the LG Act (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local councils for the Local Government Scheme Advice. The Commission must provide advice to each council in accordance with the matters outlined in s122(1e), (1f) and (1g).
2 Commonly referred to as Asset Management Plans (AMP).
3 The objectives of the advice with reference to a council's LTFP and IAMP are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a council's SMP, including the LTFP and IAMP.
4 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.
5 Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.
6 LG Act s122(1f)(a) and (1g)(a)(ii).
7 LG Act s122(1f)(b) and (1g)(b).
8 LG Act s122(1h).
9 Commission, *Framework and Approach – Final Report*, August 2022, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

The Commission has considered the Council's SMP documents and other documents (set out in the box below), with a particular focus on its performance and outlook against three financial indicators: the Operating Surplus Ratio (**OSR**), the Net Financial Liabilities Ratio (**NFLR**) and the Asset Renewal Funding Ratio (**ARFR**).[10] Analysis of these three indicators captures financial and service sustainability, cost control and affordability risk.[11]

The Commission reviews 10 years of historical data, being the years 2014-15 to 2023-24 (**Historical Period**) the "current year" 2024-25 and 10 forecast years, being 2025-26 to 2034-35 (**Forecast Period**).

Table 1: Strategic management documents referred to

- City of Norwood Payneham & St Peters, Annual Report 2024-25
- City of Norwood Payneham & St Peters, Annual Report 2023-24
- City of Norwood Payneham & St Peters, Annual Business Plan 2025-26 (July 2025)
- City of Norwood Payneham & St Peters, Annual Business Plan 2024-25 (July 2024)
- City of Norwood Payneham & St Peters, Long-Term Financial Plan 2023-24 to 2033-34 (August 2024)
- City of Norwood Payneham & St Peters, Building Infrastructure Asset Management Plan 2025-2034 (November 2024)
- City of Norwood Payneham & St Peters, Civil Infrastructure Asset Management Plan 2025-2034 (November 2024)
- City of Norwood Payneham & St Peters, Stormwater Management Infrastructure Plan 2025-2034 (November 2024)
- City of Norwood Payneham & St Peters, Recreation and Open Space Infrastructure Plan 2025-2034 (November 2024)
- City of Norwood Payneham & St Peters, CityPlan 2030 Shaping Our Future (November 2024)
- City of Norwood Payneham & St Peters, Payneham Memorial Swimming Centre Redevelopment Project Information
- Prudential Management Report - Payneham Memorial Swimming Centre Updated December 2023

Given that the Commission must, in providing its advice, have regard to the objective of councils maintaining and implementing their IAMPs and LTFPs,[12] it has also considered the Council's performance in that context. Findings regarding the content of the Council's AMPs, and the alignment between its LTFP and AMPs,[13] are discussed in Section 5.

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[10] The three financial indicators are specified in the Local Government (Financial Management) Regulations 2011. Since 2011, each council has been required to include these three indicators in its plans, annual budget, mid-year budget review and annual financial statements. Councils can adopt their own target range for each ratio, but the Commission is guided by the Local Government Association (**LGA**) target ranges, which were established and agreed during the development of the LGA Financial Sustainability Papers (2006-2011).

[11] The F&A listed 29 analytical questions that the Commission has considered in assessing the Council's performance against these indicators to determine affordability, cost control and other sustainability risks.

[12] LG Act s122(1g)(a)(i).

[13] As required under s122(1b) of the LG Act.

The Commission has also reviewed the financial template provided by the Council, including its 2025- 26 LTFP forecasts for 2025-26 to 2034-35, historical financial data, the number of rateable properties and Council staff (Full Time Equivalent or **FTE**) numbers from 2014-15 onwards.[14] The charts and tables in the Advice are primarily sourced from these datasets. In addition, the Commission has reviewed the Council's audit committee reports, and other public information, as appropriate.

The Commission has reported estimates in nominal terms to identify 'real' rather than 'inflationary' effects. In the charts, the Consumer Price Index (**CPI**) line for the Historical Period is calculated as the compound annual growth rate in the CPI (Adelaide) series from 2014-15 to 2023-24, being 2.9 percent[15]. Each financial year is the average of the four quarterly results. The CPI for the Forecast Period is calculated as the compound annual growth rate in the CPI (Australia) series from 2025-26 based on the Reserve Bank of Australia (RBA) (Australia-wide) inflation forecasts to the December 2027 quarter, and the midpoint of the RBA target range (2.5 percent) thereafter, yielding an average inflation rate for the Forecast Period of 2.5 percent. Similarly, for the current year 2024-25, we have observed a CPI (Adelaide) of 2.4 percent.

Finally, in formulating this Advice, the Commission has had regard to all discussions and engagement with the Council, including the face-to-face onsite meeting at the Council offices and the individual circumstances of the Council, including:

- its location as an Urban Development and Urban City Centre
- its income level ($59.2 million in 2024-25[16]), and
- the size of its rates base (around 20,536 ratepayers in 2024-25[17]).

Throughout this Advice, the Commission has identified several key points and assigned the following risk category to those points:

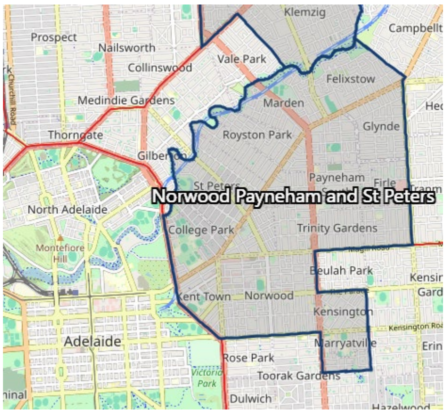
Legend: Low-risk Moderate-risk High-risk

[14] The Council's estimates for the 2024-25 financial year were unaudited at the time of preparing this advice.
[15] The assumed CPI for the Historical Period is 2.9 percent, being the compound annual growth rate in the CPI (Adelaide) series from 2014-15 to 2023-24. Source: Consumer Price Index, Australia, June Quarter 2024 | Australian Bureau of Statistics.
[16] Based on the Council's financial reporting template provided to the Commission.
[17] Based on the Council's financial reporting template provided to the Commission.

3 Council profile

The Council is classified by the Commission as an 'Urban Development and Urban City Centre ' council and is one of 16 in this category in South Australia.[18] It covers an area of 15.1 square kilometres, has an estimated resident population of 40,062 (at 30 June 2024),[19] and approximately 20,536 rateable properties (at 1 January 2025).[20]

Figure 1: Council Area



The Council region has the following attributes:

- stable rateable property growth of approximately 0.5 percent per annum[21]
- population density of 2,652 persons per square kilometre[22]
- 173 kilometres of sealed roads and no unsealed roads[23]
- employment sectors mainly in health care and social assistance (17.8 percent), professional, scientific and technical services (12.2 percent) and education and training (10.9 percent),[24] and
- a median population age of 39.9 years.[25]

[18] Commission, *Fact Sheet - Local Government Advice Scheme – Schedule of Councils*, May 2023, available at https://www.escosa.sa.gov.au/ArticleDocuments/21947/20240731-Advice-ScheduleOfCouncils-FactSheet.pdf.aspx?Embed=Y.

[19] Refer to Australian Bureau of Statistics, *Data by region*, available at https://dbr.abs.gov.au/region.html?lyr=lga&rgn=45290 .

[20] Based on the Council's Financial Reporting template provided to the Commission.

[21] Based on the Council's Financial Reporting template provided to the Commission.

[22] Refer to Australian Bureau of Statistics, *Data by region*, available at https://dbr.abs.gov.au/region.html?lyr=lga&rgn=45290 .

[23] Refer to the Department of Infrastructure and Transport - Local Government Grants Commission, *2023-24 Database Reports*, available at: https://www.dit.sa.gov.au/local-government/grants-commission/publications#database.

[24] Refer to Australian Bureau of Statistics, *Data by region*, available at: https://dbr.abs.gov.au/region.html?lyr=lga&rgn=45290.

[25] Refer to Australian Bureau of Statistics, *Data by region*, available at: https://dbr.abs.gov.au/region.html?lyr=lga&rgn=45290 .

4 Material plan amendments in 2025-26

The Council has made various amendments to its 2024-25 budget and forward projections, compared with the previous year's LTFP, partly for inflation and partly for other revenue and spending initiatives. The material amendments to some of its main financial forecasts are listed in the table below (in nominal terms).[26] To ensure a comparable analysis of estimates between the 2024-25 and 2025-26 LTFPs, the Commission has reviewed the nine overlapping years' statistics: 2025-26 to 2033-34 and identified material amendments accordingly.

4.1 Key points

- ✓ The Council has a structured strategic planning approach, integrating LTFP reviews into its ABP process and aligning with its CityPlan 2030 goals.
- ⚠ Key assumptions—such as inflation rates and projected rate increases—are not explicitly stated for the Council's 10-year forecast within its ABP. This limits public understanding and engagement.
- ⚠ Given the material impact of its capital expenditure decisions on its 10-year financial forecast, the Council should prepare a stand-alone LTFP on an annual basis.

Table 2: Historical and forecast financial items

Selected Financial Item	Sum of 2025-26 to 2033-34 estimates in 2024-25 LTFP ($ million)	Sum of 2025-26 to 2033-34 estimates in 2025-26 LTFP ($ million)	Change in 2025-26 estimates ($ million)	Change in 2025-26 estimates (percent)
Employee costs	234.4	206.6	(27.8)	(11.8)
Infrastructure, property, plant and equipment	6,944.8	8,570.5	+1,625.7	+23.4
Capital expenditure on renewal of assets[27]	130.4	145.1	+14.7	+11.3
Capital expenditure on new and upgraded assets[28]	71.3	59.9	(11.4)	(15.9)

4.2 General observations on the LTFP, ABP

The Council has demonstrated a structured approach to strategic planning, with annual LTFP reviews integrated into its Annual Business Plan (ABP) process and considered by its Audit and Risk Committee

[26] Table 2 shows only selected financial items to demonstrate the material amendments made by the Council in its 2024-25 estimates. It excludes various financial items, and individual items do not sum to totals.
[27] The capital expenditure estimates are based on the 2024-25 LTFP estimates provided by the Council to the Commission (in an Excel template).
[28] The capital expenditure estimates are based on the 2024-25 LTFP estimates provided by the Council to the Commission (in an Excel template).

and Council meetings.[29] However, major strategic reviews of the LTFP occur less frequently. The current advice is based on the Council's proposed 2025-26 LTFP forecast, endorsed in its 2025-26 ABP and submitted to the Commission on 30 September 2025, following community consultation in May 2025.

In the Commission's view, the Council should prepare a stand-alone LTFP[30] annually, given the material impact of its capital expenditure decisions on its financial forecasts, particularly the construction of the Payneham Memorial Swimming Centre.

The Council's comprehensive review of its 2023-24 LTFP outlines a financial strategy focused on maintaining expenses below revenue and achieving intergenerational equity through long-term borrowings. Forecasts are based on its adopted 2025-26 budget and a mix of internal and market-driven assumptions over a 10-year horizon. The strategic framework is anchored in CityPlan 2030, using the Quadruple Bottom Line approach—Social Equity, Cultural Vitality, Economic Prosperity, and Environmental Sustainability.

Supporting AMPs, covering civil infrastructure, stormwater, recreation, open space, and buildings, were reviewed and adopted in November 2024, consistent with the legislative requirement to review SMPs within two years of a council election.[31] These AMPs incorporate asset condition assessments and valuation reviews, including unit rates and indexation.

Given the scale and financial implications of recent capital decisions, the Commission recommends that the Council:

1. Adopt a more comprehensive and transparent LTFP annual review process to ensure ongoing financial sustainability and accountability.

4.3 Indexation adjustments

Ratepayers would benefit from a clearer LTFP updated annually, that sets out its assumptions for projected rate income, projected fees, charges and grants, and future operational and capital expenditure.

The Council last published a stand-alone LTFP for the 2023-24 to 2033-34 period, outlining its financial assumptions and projections. While the Council includes an updated 10-year LTFP forecast in the appendix of its Annual Business Plan and Budget each year, the Commission notes that key assumptions—such as inflation and rate increases—are not explicitly stated.

This lack of transparency may limit the ability of ratepayers and stakeholders to fully understand the Council's financial strategy. Clearer disclosure of yearly assumptions would improve accountability and public understanding. To support financial transparency and community engagement, the Commission recommends that the Council:

2. Improve the transparency of assumptions and explicitly state the basis of preparation of ABPs, budgets and the LTFP.

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[29] Under s.122(4)(a)(i) of the LG Act the Council must undertake a review of its Long-Term Financial Plan on an annual basis.

[30] A 'stand-alone' Long-Term Financial Plan (LTFP) refers to a complete, separately published document that sets out the Council's 10-year financial forecasts, key assumptions, cost drivers, funding strategies and risks.

[31] LG Act s122(4)(a) and (b). General elections were last held for SA Councils on 11 November 2022.

4.4 Capital expenditure estimates

The Council's 2025-26 LTFP indicates an increase in capital expenditure for asset renewals (by $14.7 million or 11.3 percent), and a decrease for new and upgraded assets (by $11.4 million or 15.9 percent), compared to the previous year's LTFP (for the period from 2025-26 to 2033-34). For the nine-year projections in the 2025-26 LTFP, the Council has factored in a total of $145.1 million in capital renewal and replacement works and $59.9 million in new and upgraded capital works, accounting for 70.8 percent and 29.2 percent of the total capital expenditure program respectively.

The Council provides a capital expenditure forecast for its ABP (2025-26) that includes a breakdown of all of its planned capital renewal and replacement works and new and upgraded capital works.

Assets, the AMPs, and the Council's capital expenditure outlook are discussed further in Section 5.3.

5 Financial sustainability

5.1 Overview

The Council has consistently achieved operating surpluses over the Historical Period and forecasts that surpluses will continue through the Forecast Period, however, risks to the Council's financial sustainability are emerging.

- The Council is taking on significant debt to fund the Payneham Memorial Swimming Centre project and other projects, peaking at $106.7 million. As a result, the Council's NFLR is projected to exceed the LGA-suggested target range throughout the Forecast Period, peaking at 166.8 percent in 2028- 29 and averaging 145.2 percent.
- Operating surpluses over the Forecast Period will depend upon rates growing at an average of 4.8 percent and the Council containing growth in operating expenses to below historical levels, while also servicing the increased debt. The LTFP does not state how the lower growth in expenses will be achieved.
- The services that the Council provides include two (upon completion) swimming centres and three libraries and a childcare centre over an area of only 15.1 square kilometres.
- The LTFP mentions[32] reviewing and assessing assets to potentially identify and sell non-performing assets but does not show commitment to asset rationalisation to reduce debt.
- The Council is undertaking detailed design for The Parade Masterplan project, for which the Council has allocated $30 million, based on costings prepared in 2020 that are likely to be significantly under-stated, depending upon the scope at that time relative to the scope in forthcoming detailed designs.
- The Council has fully funded asset renewal and replacement in line with requirements set out in its AMPs over the Historical Period and plans to continue to do so over the Forecast Period, however, the cost of that work over the Forecast Period is double that of the Historical Period.
- Heavy historical and forecast investment in new and upgraded assets contributes additional future liabilities that ratepayers must bear.

5.2 The Commission's recommendations on financial sustainability

The Commission has observed that the Council has a range of good practices that support its financial sustainability and effective asset management.

- It regularly updates its strategic planning documents, which are supported by a range of documented assumptions.
- It uses sensitivity analysis in its LTFP.
- It provides additional disclosure/transparency using interest cover ratio and debt service ratio.
- It has outlined in its 2023-24 to 2033-34 LTFP the intention to reduce debt repayments through refinancing, increasing operational efficiencies, asset liquidation, improved cash flow management and strict monitoring.

[32] City of Norwood Payneham & St Peters, Long-Term Financial Plan 2023-24 to 2033-34, p. 24

The Commission recommends that the Council:

3. **Consider** strategically rationalising assets in consultation with the community, to reduce debt, streamline the Council's cost structure and provide the service standards that the community wants and is prepared to pay for, aiming for a more robust and sustainable position.
4. **Improve** the reporting of debt reduction targets or productivity improvements in its LTFPs and ABPs (as appropriate), to assure the community of how debt will be reduced.
5. **Review** its pace of development of new and upgraded assets, having regard to debt levels, rates affordability, the affordability of the stream of future operating costs created by new and upgraded assets, and the need to prioritise and fully fund asset renewal and replacement.
6. **Disclose** cost savings targets or productivity improvements in its LTFP and ABPs (as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.
7. **Update** the costings for The Parade Masterplan project, including indexing out-years of the staged implementation, based on the detailed design and before commencing the project, and consult with the community if the new costings exceed the earlier $30 million projection.
8. **Undertake** deeper and ongoing community consultation regarding the scale, cost escalation, and long-term financial impact of any future significant capital expenditure projects.
9. **Consider** providing more clarity around the risks and the impact on rates (and develop mitigation strategies) if the Council's expectations regarding its operational performance do not materialise and/or its financial strategy becomes stressed.
10. **Consider** publicly separating out the finances of the Payneham Memorial Swimming Pool Centre in the Council's overall accounts, to provide transparency on its performance and adequacy of user charges.

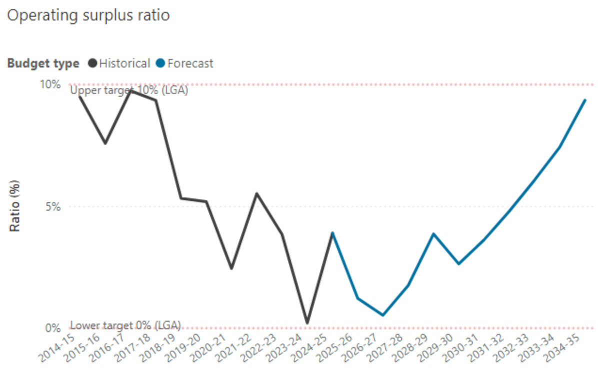
5.3 Operating performance

5.3.1 Key points

- The Council has consistently achieved operating surpluses over the Historical Period, with surpluses at the higher end of the target range (zero to 10.0 percent) in seven of the past ten years.
- The Council risks further rate increases if it cannot limit expense growth in line with its forecast.
- The capital expenditure projects have caused significant increases to the Council's depreciation and finance costs, requiring forecast rate increases almost twice the rate of projected CPI and significantly higher than Historical Period rate increases.
- The Council risks further cost increases if it has underestimated the cost of The Parade Masterplan.

5.3.2 Operating surpluses, income and expenses

Figure 2: Operating surplus ratio – historical and forecast



5.3.2.1 Over the Historical Period:

- Average OSR was 5.7 percent,[33] indicating that on average, the Council has sufficient funds to cover its operational costs and has surplus funds available for future investment.
- Operating surpluses ranged from $0.1 million to $4.2 million.

5.3.2.2 Over the Forecast Period:

- The Council projects an average OSR of 4.4 percent, with annual OSRs ranging from 0.5 percent to 9.4 percent, which is dependent upon a rate of growth in operating expenses that is lower than the Council has achieved historically, while increasing rate revenue at nearly twice the projected average inflation rate.
- Operating surpluses forecast to range from $0.3 million to $8.4 million.

Table 3: Growth in income and expenses – historical and forecast

	Average (CAGR) growth over Historical Period	Average (CAGR) growth over Forecast Period
Total income	3.0 %	4.2 %
Rates component of income	3.7 %	4.8 %
Operating expenses	4.1 %	3.3 %
Expenses per rateable property	3.6 %	2.7 %
Depreciation	6.3 %	4.0 %
Employee costs	3.7 %	3.0 %
Materials contracts other	3.6 %	3.2 %

33 Which is within the LGA target range of zero to 10.0 percent.

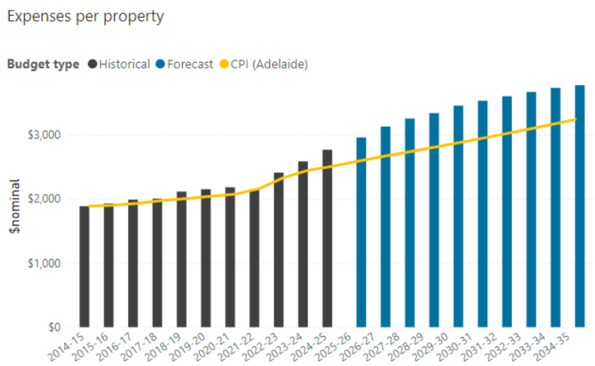
Average growth rates are compared with average CPI of 2.9 percent over the Historical Period and 2.5 percent over the Forecast Period.

Table 4: Finance costs – historical and forecast

Finance costs as a percentage of total operating expenses	
Average over Historical Period	Average over Forecast Period
1.4% of total expenses	6.6 % of total expenses
$0.6 million per annum	$4.8 million per annum

The Council forecasts average expense growth of 3.3 percent, even though it will be servicing loan repayments on a significantly higher level of debt.

Figure 3: Expense by rated property - historical and forecast



5.4 Net financial liabilities

5.4.1 Key points

- The Council's (NFLR) is projected to exceed the suggested target range throughout the Forecast Period, peaking at 166.8 percent in 2028-29 and averaging 145.2 percent.
- The Council's capital expenditure program, in particular the $60 million Payneham Memorial Swimming Centre redevelopment, has significantly increased its financial liabilities.
- The Council has allocated $30 million to The Parade Masterplan.

5.4.2 Changes in financial liabilities

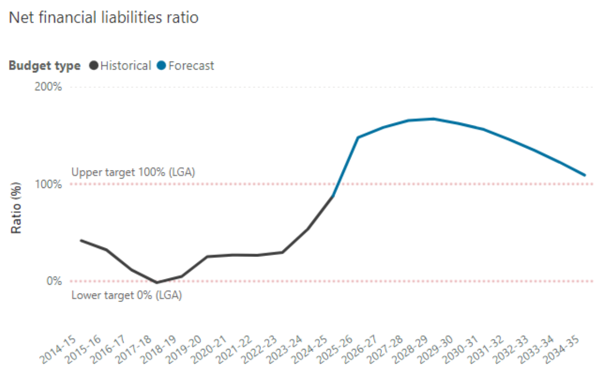
5.4.2.1 Over the Historical Period

- The Council's NFLR averaged 25.4 percent, indicating that the Council had capacity to service its liabilities.

5.4.2.2 Over the Forecast Period

- The NFLR is forecast to peak at 166.8 percent in 2028-29, averaging 145.2 percent. It increases sharply from 2025-26 and remains high throughout the Forecast Period brought about by the Council's capital expenditure projects that are financed mostly through borrowings. Projects include:
  - Payneham Memorial Swimming Centre Redevelopment (2023–2026)
  - The Parade Masterplan (2023–2029)
  - Norwood Library Redevelopment (2028–2031)
  - Trinity Valley Stormwater Drainage Upgrade (2023–2025)
  - George Street Upgrade (2024–2025).

Figure 4: Net financial liabilities ratio – historical and forecast

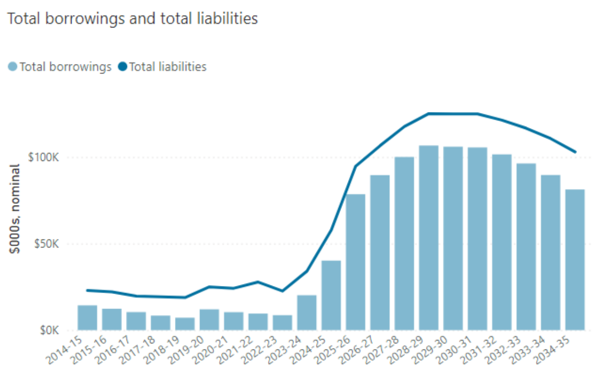


The LGA recommends that the Council's net financial liabilities do not exceed total income. The Council forecasts that it will exceed that level throughout the Forecast Period.[34] This might indicate difficulty in servicing its financial liabilities, depending upon its borrowing arrangements (See Figure 4)

Figure 5 shows that borrowings are forecast to rise from $20.2 million in 2023-24 to $106.7 million in 2028–29 before declining. The average debt for the Forecast Period is $95.5 million, compared with $11.3 million over the Historical Period. The Council's capacity to reduce debt towards the end of the Forecast Period will depend upon containing growth in costs to below historical trends and achieving forecast surpluses – or further rate increases might be necessary.

[34] The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities. The suggested LGA target range is between zero and 100.0 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

Figure 5: Total borrowings and total liabilities – historical and forecast



5.4.3 Impact of the Payneham Memorial Swimming Centre project on financial liabilities

The Council's increased debt is primarily due to the redevelopment of the Payneham Memorial Swimming Centre, which escalated in cost from $24 million to $60 million, raising concerns about scope and project management, community consultation and financial transparency.

5.4.3.1 Project timeline:

- In 2021, the Council received a $5.6 million grant via the Local Government Infrastructure Partnership Programme and set an initial budget of $24 million based on its Masterplan.[35]
- The initial project budget of $24 million was based on a cost estimate of the Masterplan concept adopted by the Council in December 2020.
- In May 2022, the Council adopted the schematic design for the Payneham Memorial Swimming Centre as the basis for preparing the construction documentation. The Council also resolved to construct a new 50 metre main pool at the Payneham Memorial Swimming Centre (instead of refurbishing the existing 50 metre pool), and that the new 50 metre main pool be a ten (10) lane pool.
- October 2022: revised estimate of $32.6 million due to post-pandemic economic pressures.[36]
- November 2023: final cost increased to $60 million following updated financial assessments and tender evaluations.[37] Financial impacts presented to elected members.

[35] City of Norwood Payneham & St Peters, Payneham Memorial Swimming Centre Redevelopment Project Information, p. 4, available at https://www.npsp.sa.gov.au/projects/payneham-memorial-swimming-centre-redevelopment .

[36] City of Norwood Payneham & St Peters, Payneham Memorial Swimming Centre Redevelopment Project Information, p. 4, available at https://www.npsp.sa.gov.au/projects/payneham-memorial-swimming-centre-redevelopment.

[37] City of Norwood Payneham & St Peters, Payneham Memorial Swimming Centre Redevelopment Project Information, p. 5, available at https://www.npsp.sa.gov.au/projects/payneham-memorial-swimming-centre-redevelopment .

- December 2023: updated Prudential Management Report presented to the Audit & Risk Committee and committee recommendations adopted by Council.
- January 2024: it is the Commission's understanding that the Council awarded the construction contract to Badge Constructions in January 2024;[38] construction began in February 2024 and is expected to be completed by early 2026.
- May 2024: The Council's draft ABP 2024-25 and LTFP 2024-25 to 2033-34 were released to its community later in 2024, after the Council had signed the construction contract.

5.4.3.2 Observations

- The extent to which the Council consulted with its community regarding the increased cost and/or scale of the project and impact on rates, before committing to the project, is not clear.
- The project has a significant impact on the Council's financial sustainability.
- Separating out the finances of the asset in published accounts would help the Council and community to understand whether or the extent to which general rates subsidise the asset's operations.

5.5 Asset renewals expenditure

5.5.1 Key points

- ⚠ The increasing value of asset stock creates an increasing stream of future operating costs that the community will have to pay for.
- Over the Forecast Period the cost of asset renewal and replacement is double that of the Historical Period.
- The community would benefit from a detailed review and consultation on the financial and service delivery implications of the Council's capital expenditure plans, what service levels the community wants and is willing to pay for and opportunities for asset rationalisation to support long-term financial sustainability.

5.5.2 Asset management practices

The Council has established a structured and strategic approach to asset management, supported by updated plans, regular assessments, and lifecycle planning, that includes indexing its asset values between revaluations. The Council has individual AMPs for major asset classes, updated in 2024. Expenditure requirements per the AMPs are aligned with the LTFP.

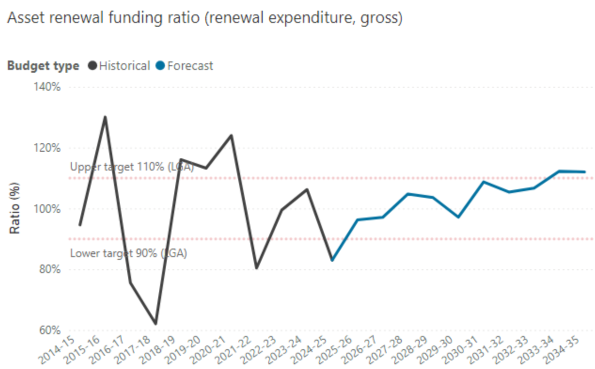
The Council has a rolling schedule for condition assessment and revaluation (in subsequent years) for all major asset classes.

[38] City of Norwood Payneham & St Peters, Payneham Memorial Swimming Centre Redevelopment Project Information, p. 6, available at https://www.npsp.sa.gov.au/projects/payneham-memorial-swimming-centre-redevelopment .

The Council's gross ARFR[39] averaged 98.5 percent[40] over the Historical Period and it forecasts 104.6 percent over the Forecast Period, indicating that asset renewal and replacement requirements were sufficiently funded relative to the requirements set out in its Asset Management Plans (AMPs) (See Figure 6).

The cost of asset renewal and replacement averaged $8.1 million per annum over the Historical Period and is planned to cost $16.4 million over the Forecast Period, indicating that the Council will need to double its renewal spending compared to its Historical Period to ensure it adequately maintains its growing infrastructure asset base.

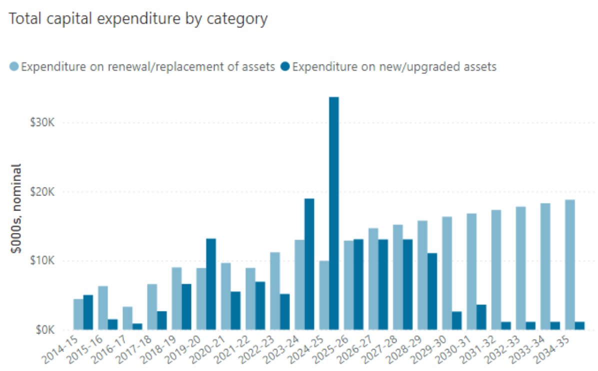
Figure 6: Asset renewal funding ratio (renewal expenditure gross) – historical and forecast



39 The IAMP-based method is the current industry standard whereby asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). Ideally, this will show the extent to which a council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan. The suggested LGA target range for the ratio is 90.0 to 110.0 percent (LGA SA Financial Indicators Paper, p. 9).

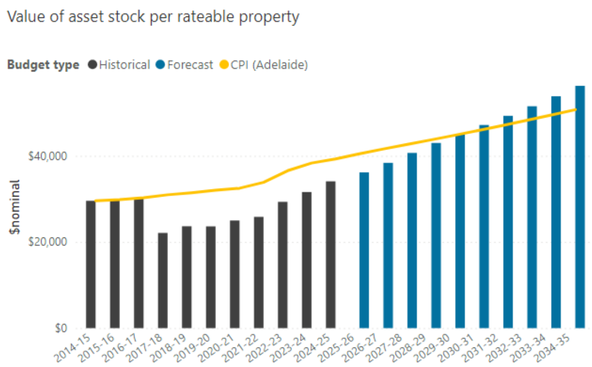
40 The quoted averages for the ratio are based on 'gross asset renewal expenditure' (before the sale of replaced assets) rather than 'net asset renewal expenditure'.

Figure 7: Total capital expenditure by category – historical and forecast



As shown in Figure 7, over the Historical Period, 45.0 percent of capital expenditure was on new and upgraded assets. This is planned to be 27.1 percent over the Forecast Period. While expenditure on new and upgraded assets adds amenity and level of service, it also creates a stream of future operating costs for renewal and replacement that the community must fund.

Figure 8: Value of asset stock per rateable property – historical and forecast



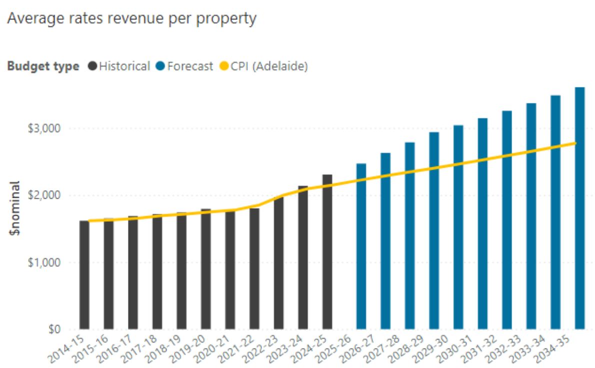
The Council's asset stock per rateable property declined in real terms over the Historical Period, despite recent increases in capital investment, primarily due to a significant downward revaluation of land and buildings in 2017-18 (See Figure 8). The Council's asset stock per rateable property is forecast to increase at an annual average rate of 5.0 percent over the Forecast Period, which is twice the rate of forecast inflation.

6 Advice on current and projected rate levels

6.1 Key points

- Rate revenue per property increased at an average rate of 3.2 percent per annum over the Historical Period, which is slightly above the average rate of inflation (2.9 percent over the Historical Period).
- Over the Forecast Period rate revenue per property is proposed to increase at a rate significantly higher than the Historical Period, at 4.3 percent.
- Affordability risk among the community for the further rate increases appears to be emerging.

Figure 9: Average rates revenue per property – historical and forecast



6.2 Historical rates increases

Over the Historical Period, rate revenue per property increased at an average annual rate of 3.1 percent (See Figure 9). This growth was slightly above the average annual CPI increase of 2.9 percent, indicating an increase in real terms, noting that the number of rateable properties grew by 0.5 percent per annum over that period.

6.3 Proposed rates increase for 2025-26

The Council states in its 2025-26 ABP that it considered both the CPI and the Local Government Price Index (LGPI) when determining the 8.5 percent overall rate revenue increase,[41] to account for inflationary pressures on operational and capital costs, particularly in materials, labour, and construction. The Council's average residential rates are broadly in line with the state average, however, the Commission notes that included in the overall rate revenue increase is an average residential rate revenue increase of 9.4 percent.

[41] City of Norwood Payneham & St Peters, 2025-26 Annual Business Plan, p. 9.

The Council uses a differential rating system based on land use, under which non-residential properties' cent-in-the-dollar is 20.0 percent higher than that for residential properties, to reflect their typically higher demand on infrastructure and services.

The Council also raises separate rates from The Parade precinct, in consultation with traders, for promotion and projects in those areas.

6.4 Projected further rate increases

Over the Forecast Period, the Council projects annual average rate revenue increases of 4.8 percent. Taking into consideration the forecast growth in the numbers of rateable property, this represents an increase of 4.3 percent growth per annum per property.

6.5 Affordability risk

The Commission notes the Council has relatively mid-range Socio-Economic Indexes for Areas (SEIFA) economic resources ranking.[42] However, affordability risk among the community for these further rates increases appears to be emerging on balance, when considering:

- the cumulative effect of further planned increases in rates per existing ratepayer of approximately 4.3 percent per annum for the Forecast Period, which is above the forecast rate of CPI of 2.5 percent per annum
- community concerns expressed through 42 written submissions received during the 2025-26 budget process regarding the planned 2025-26 residential rate rise of 9.4 percent and concerns about the cost and scope of the Payneham Memorial Swimming Centre Redevelopment
- doubt about the feasibility of forecast constraint in expense growth, with a risk of further rate increases, and
- the cost of maintaining the Council's expanding asset base.

6.6 The Commission's recommendations on affordability risk

The Council's public consultation report concluded that there was a strong message within the consultation findings that the community is concerned about the impact the rate increases will have on their household budgets in the current economic climate.

The Commission's recommendations on financial sustainability in this report are designed to help to reduce the need for future rate increases above CPI.

[42] City of Norwood Payneham & St Peters area is ranked 36 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2021), where a lower score (e.g., 1) denotes relatively lower access to economic resources in general, compared with other areas, available at https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/latest-release .

7 The Commission's next advice and focus areas

In the next cycle of the scheme, the Commission will review and report upon:

- how the Council has addressed emerging financial sustainability risks and affordability risks
- achievement of debt reduction and its continued reporting of debt reduction strategies
- ongoing performance against its LTFP forecasts, including containment of costs and rate increases
- the identification of opportunities for cost savings, including the disposal of assets that are surplus to requirements to reduce debt and exposure to future streams of operating costs, and
- greater reporting transparency, including more in-depth discussions in its LTFP of its approach to capital expenditure projects, and how these relate to ratepayer affordability and asset/service rationalisation.

8 Appendix: Glossary of terms

Term	Explanation
ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
ARFR	Asset Renewal Funding Ratio: renewal expenditure based (gross): Asset Renewal Expenditure / IAMP Renewal Expenditure (where IAMP expenditure includes sale of replaced assets) Asset Renewal Funding Ratio - renewal expenditure based (net) - if IAMP excludes sale of replaced assets: Asset Renewal Expenditure / IAMP Renewal Expenditure (where IAMP expenditure excludes sale of replaced assets) Asset Renewal Funding Ratio (depreciation based): Asset Renewal Expenditure / Depreciation (IAMP Renewal Expenditure is that required according to the IAMP.)
CAGR	Compound Annual Growth Rate: CAGR = $(V_{final} / V_{begin})^{1/t} - 1$ CAGR represents the mean annualized growth rate for compounding values over a given time period. CAGR smooths the effect of volatility of periodic values that can render arithmetic means less meaningful. (Source: Wikipedia)
Commission	Essential Services Commission, established under the *Essential Services Commission Act 2002*
CPI	Consumer Price Index (Adelaide, All Groups)
Council	City of Norwood Payneham and St Peters
ESC Act	*Essential Services Commission Act 2002*
F&A	Local Government Advice: Framework and Approach – Final Report
Forecast Period	10 years from 2025-26 to 2034-35
FTE	Full Time Equivalent
Historical Period	10 years 2014-15 to 2023-24
IAMP	Infrastructure and asset management plan (also called an AMP)
LG Act	*Local Government Act 1999*
LGA SA Financial Indicators Paper	Local Government Association of South Australia, Financial Sustainability Information Pa per 9 - Financial Indicators Revised May 2019

Term	Explanation
LTFP	Long-term financial plan
NFLR	Net Financial Liabilities Ratio Net Financial Liabilities are defined as: Total Liabilities LESS Current Assets (Cash and Cash Equivalents) LESS Current Assets (Trade and Other Receivables) LESS Current Assets (Other Financial Assets) LESS Non-Current Assets (Financial Assets - excluding equity accounted investments in council businesses) The net financial liabilities ratio is: Net financial liabilities ÷ Total Operating Income
OSR	Operating Surplus Ratio The Operating Surplus (Deficit) is defined as: Total Operating Income LESS Total Operating Expenses The Operating Surplus Ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income
Regulations	*Local Government (Financial Management) Regulations 2011*
RBA	Reserve Bank of Australia
SEIFA	Socio-Economic Indexes for Areas
SMP	Strategic management plan
The scheme or advice	Local Government Advice Scheme

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LGiQ

APRIL 2026

April 2026

REVIEW OF ESCOSA'S LOCAL GOVERNMENT ADVICE

City of Norwood Payneham & ST Peters

Final Report

Review of ESCOSA Advice

City Norwood Payneham & St Peters

Private and
Confidential

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1. EXECUTIVE SUMMARY

This report reviews the Essential Services Commission of South Australia's (ESCOSA) Local Government Advice, City of Norwood Payneham & St Peters (February 2026) and assesses the implications for the Council's long-term financial sustainability. It considers ESCOSA's findings and recommendations, evaluates actions undertaken by the Council, and identifies additional measures to strengthen financial resilience.

ESCOSA found that the Council has historically maintained a financially sustainable position supported by sound financial and asset management practices. However, based on the 2025/26 Long-Term Financial Plan (LTFP), the Council is entering a period of increased financial risk, driven by elevated capital investment, rising debt levels, and emerging affordability pressures. As a result, ESCOSA assessed the Council's projected financial performance as **potentially unsustainable**, with future sustainability dependent on achieving ongoing operating surpluses, supported by rate increases above CPI and effective control of expenditure growth.

Consistent with ESCOSA's observations, this report identifies several key financial sustainability risks, including debt servicing pressures, reliance on operating performance assumptions, the need to fund renewal of an expanding asset base, increasing affordability pressures on ratepayers, and the importance of maintaining transparency in financial planning and decision-making.

Importantly, these risks are not unexpected and largely reflect a period of strategic investment rather than an immediate financial concern. The Council has established governance and planning frameworks in place and has already identified many of these risks within its existing financial strategies.

In response, this report outlines a Financial Sustainability Improvement Plan, comprising targeted short and medium-term actions aligned with ESCOSA's recommendations. These include enhancing the Long-Term Financial Plan, strengthening cost control and efficiency measures, improving capital program prioritisation, progressing asset rationalisation, and reviewing revenue and rating strategies. The plan also emphasises improved transparency, ongoing performance monitoring, and regular reporting to Council and the Audit and Risk Committee.

Overall, while the Council is entering a period of increased financial complexity, it remains well positioned to maintain long-term financial sustainability, provided that the identified actions are implemented and financial discipline is maintained

2. PURPOSE OF REPORT

This report aims to

- Assess the findings and recommendations of the Essential Services Commission of South Australia (ESCOSA) as outlined in its Local Government Advice Report for the Council, and consider their implications for the Council's long-term financial sustainability
- Identify and outline additional actions required to strengthen financial resilience, improve transparency and support informed decision-making

3. ESCOSA FINDINGS AND RECOMMENDATIONS

3.1. Findings

ESCOSA observed that the Council has maintained a financially sustainable position over the past 10 years, supported by established financial and asset management practices. Based on the Councils 2025/26 Long-Term Financial Plan, looking forward the Council's financial outlook reflects a period of increased investment in new assets, funded in part through higher debt levels, which introduces additional risks leading to a projected rating of **potentially unsustainable**. ESCOSA stated that "the Council appears to be consciously transitioning from historically sustainable financial position to one of elevated financial risk, without a clear or compelling rationale" [1]. The reported projected financial position by the Council is dependent on achieving operating surpluses over time, supported by rate revenue increases above CPI and growth and management of expenditure. ESCOSA also noted the importance of maintaining transparency in financial planning and ensuring alignment between service delivery, community expectations and long-term funding capacity.

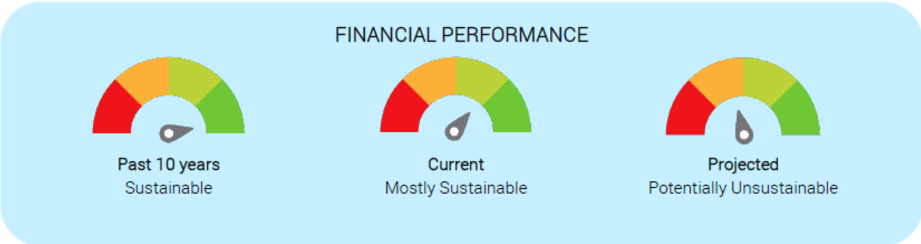

Figure 1:ESCOSA overview of NPSP financial performance[2]

3.2. ESCOSA Recommendations

While ESOSA highlighted that the Council was doing a number of things well to reduce the potential of being financially unsustainable it also provided the following recommendations[3].

1) Adopt a more comprehensive and transparent Long-Term Financial Plan annual review process to ensure ongoing financial sustainability and accountability.

2) Improve the transparency of assumptions and explicitly state the basis of preparation of Annual Business Plans, budgets and the Long-Term Financial Plan.

[1] Essential Services Commission of South Australia, *Local Government Advice – City of Norwood Payneham & St Peters* (ESCOSA, February 2026), 5.
[2] ESCOSA, Local Government Advice – *City of Norwood Payneham & St Peters*, 3.
[3] ESCOSA, Local Government Advice – *City of Norwood Payneham & St Peters*, 5-6.

3) Consider strategically rationalising assets in consultation with the community, to reduce debt, streamline the Council's cost structure and provide the service standards that the community wants and is prepared to pay for, aiming for a more robust and sustainable position.

4) Improve the reporting of debt reduction targets or productivity improvements in its Long-Term Financial Plan and Annual Business Plans (as appropriate), to assure the community of how debt will be reduced.

5) Review its pace of development of new and upgraded assets, having regard to debt levels, rates affordability, the affordability of the stream of future operating costs created by new and upgraded assets, and the need to prioritise and fully fund asset renewal and replacement.

6) Disclose cost savings targets or productivity improvements in its Long-Term Financial Plan and Annual Business Plans (as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

7) Update the costings for The Parade Masterplan project, including indexing out-years of the staged implementation, based on the detailed design and before commencing the project, and consult with the community if the new costings exceed the earlier $30 million projection.

8) Undertake deeper and ongoing community consultation regarding the scale, cost escalation, and long-term financial impact of any future significant capital expenditure projects.

9) Consider providing more clarity around the risks and the impact on rates (and develop mitigation strategies) if the Council's expectations regarding its operational performance do not materialise and/or its financial strategy becomes stressed.

10) Consider publicly separating out the finances of the Payneham Memorial Swimming Pool Centre in the Council's overall accounts, to provide transparency on its performance and adequacy of user charges.

These recommendations are ways of mitigating the risks that should they eventuate lead the council to becoming financially unsustainable.

4. KEY FINANCIAL SUSTAINABILITY RISKS

ESCOSA's advice identifies a number of key financial sustainability risks associated with the Council's current and projected financial position. These risks largely arise from a period of increased capital investment, associated debt levels, and the need to balance service delivery with long-term affordability. While these risks are important considerations, they are not unexpected and are consistent with the Council's strategic direction and planning assumptions. This section outlines the principal risk areas identified.

4.1. Debt Servicing Risk (Rating: High)

The Council's debt servicing risk arises from the projected increase in borrowings associated with its capital investment program. Borrowings are forecast to peak at approximately $106.7 million in 2028–29 should the current projects in the Long-Term financial plan proceed, with the Net Financial Liabilities Ratio exceeding the Council's target range from 2025–26 and remaining elevated across the forecast period.

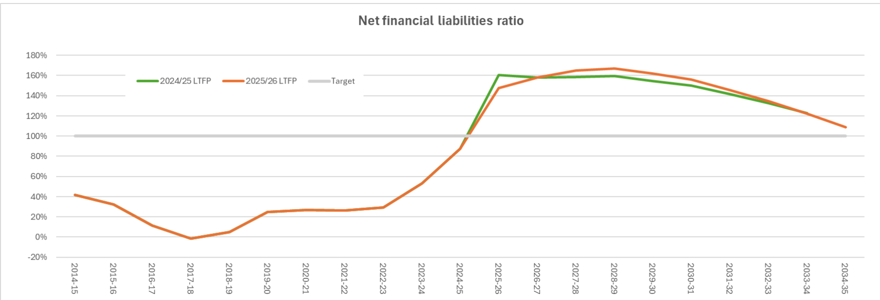

Figure 2:NPSP Net Financial Liabilities Ratio

This increase in debt is driven by significant investment in new and upgraded infrastructure, including the Payneham Memorial Swimming Centre Redevelopment, the Parade Masterplan, Norwood Library Redevelopment, Trinity Valley Stormwater Drainage Upgrade, and previous major projects of recent years.

The Council has taken a prudent and conservative approach in its long-term financial planning by primarily assuming that capital projects will be funded from its own revenue sources, including rates and borrowings, and only incorporating external grant funding where it is confirmed or highly certain. This approach reduces reliance on uncertain funding streams and ensures that the Long-Term Financial Plan is based on realistic and achievable assumptions. While this may result in higher projected debt levels in the absence of assumed grant income, it provides greater financial certainty and resilience, and avoids the risk of funding shortfalls should anticipated grants not be realised. This conservative methodology supports more robust financial decision-making and strengthens the credibility of the Council's long-term financial projections.

However, if grants are not realised however, the elevated level of debt increases the Council's exposure to higher finance costs and places greater reliance on achieving forecast operating surpluses to service and ultimately reduce borrowings. While the Long-Term Financial Plan provides for a peak and subsequent decline in debt, this outcome is dependent on key assumptions relating to revenue growth and control of expenditure being achieved.

As debt levels increase, so too does the proportion of operating revenue required to service interest and repayments, reducing financial flexibility and limiting the Council's capacity to respond to unforeseen financial pressures or changing economic conditions. This creates a heightened risk that, if assumptions are not realised, debt servicing costs may become increasingly burdensome and place pressure on future financial sustainability.

The Council is managing this risk through its established financial planning and monitoring framework, including regular review of debt levels, aligning borrowings with long-life infrastructure, and ongoing assessment of its capacity to service debt within acceptable limits. Continued discipline in managing operating performance and capital expenditure will be critical to ensuring that debt remains sustainable over the long term.

4.2. Operating Performance and Cost Control Risk (Rating: High)

The Council's operating performance and cost control risk arises from its reliance on achieving ongoing operating surpluses through a combination of sustained rate increases above CPI and the assumption that expenditure growth can be constrained below historical levels.

INCOME FORECAST	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Rates	8.0%	7.0%	6.5%	6.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Statutory charges	-9.3%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
User charges	8.5%	2.0%	2.0%	2.3%	2.2%	2.3%	2.2%	2.2%	2.3%	2.3%
Grants, subsidies and contributions	-9.9%	-8.1%	3.0%	1.9%	-18.3%	2.4%	2.4%	2.4%	2.4%	2.4%
Other income	-38.6%	2.1%	2.3%	2.4%	2.2%	2.3%	2.2%	2.2%	2.3%	2.2%
EXPENSE FORECAST										
Employee costs	16.3%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Materials, contracts and other expenses	1.5%	4.6%	4.5%	1.6%	4.6%	2.8%	2.5%	2.9%	3.1%	2.3%
Depreciation, amortisation and impairment	-4.7%	11.3%	3.5%	3.8%	3.6%	2.9%	3.0%	2.8%	2.8%	2.8%
Finance costs	117.9%	17.6%	17.0%	9.6%	7.2%	0.6%	-1.1%	-4.5%	-7.6%	-9.1%

Figure 3 : NPSP Percentage Increase of Income and Expense[4]

As reflected in the Long-Term Financial Plan, income growth is driven predominantly by rates, while other revenue streams remain relatively modest and stable over time. At the same time,

[4] Based on City of Norwood Payneham & St Peters, *Annual Business Plan 2025–2026* (2025), 88.

expenditure pressures particularly employee costs, materials and contracts, depreciation, and finance costs are forecast to moderate after initial increases, requiring a high degree of cost discipline to achieve the projected financial outcomes.

This creates a degree of sensitivity within the financial model, as the achievement of forecast surpluses is contingent on both revenue and expenditure assumptions being realised concurrently. Should expenditure growth exceed projections, or if planned rate increases are not adhered to, there is a risk that operating performance may deteriorate, placing pressure on financial sustainability. This risk is further heightened by potential additional operating costs associated with new and upgraded assets arising from the Council's strategic projects.

The Council is managing this risk through its established financial planning and governance framework, including regular review of the Long-Term Financial Plan, annual budget processes, and ongoing monitoring of financial performance. However, maintaining financial sustainability will require continued focus on cost control, clear identification and delivery of efficiency measures, and responsiveness to changes in underlying assumptions.

As the Council's long-term financial forecast is based on assumptions, those assumptions must be updated with the most current information available. It must appropriately account for both positive and negative impacts to ensure that the financial performance required to support long-term sustainability is achieved.

4.3. Asset Sustainability and Renewal Risk (Rating: Medium/High)

The Council's asset sustainability and renewal risk arises from the need to maintain an expanding and increasingly complex asset base while ensuring adequate long-term funding for renewal and replacement.

ESCOSA has highlighted that renewal expenditure is required to significantly increase over the forecast period to maintain service levels, reflecting both the scale of existing infrastructure and the addition of new assets.

While the Council has demonstrated strong asset management practices, including established Asset Management Plans and alignment with the Long-Term Financial Plan, the increasing cost of renewal, combined with ongoing investment in new and upgraded assets, places pressure on future financial capacity. If renewal funding does not keep pace with asset deterioration, there is a risk of asset condition decline and reduced service outcomes; conversely, continued expansion of the asset base without corresponding lifecycle funding may increase future obligations.

The Council is managing this risk through integrated asset and financial planning, regular condition assessments, and ongoing review of capital priorities, with a continued focus on balancing renewal requirements against new investment to support sustainable service delivery.

4.4. Affordability Risk (Rating: High)

The Council's affordability risk arises from the projected need to increase rate revenue at levels above CPI over the forecast period to support operating performance, fund increased service levels including new strategic projects, and service rising debt levels. The Long-Term Financial Plan indicates that rate increases will be the primary driver of revenue growth, with average increases per property exceeding forecast inflation over the life of the plan. While this approach supports financial sustainability objectives, it places increasing pressure on ratepayers, particularly in the context of broader cost-of-living challenges.

ESCOSA has identified that affordability risk is emerging, driven by the cumulative impact of rate increases, the expanding asset base, and uncertainty regarding the Council's ability to constrain expenditure growth. Community feedback during the budget process has also indicated sensitivity to recent and proposed rate increases, particularly in relation to major capital projects and their long-term financial implications.

The Council is managing this risk through its established planning and consultation processes, including the Annual Business Plan and budget engagement activities, which provide opportunities for community input into service levels and funding priorities. The Long-Term Financial Plan also reflects a moderating profile of rate increases in the outer years, indicating an intention to stabilise impacts over time. In addition, the Council is undertaking a review of its rating structure, looking to review other revenue services, and align service delivery with community expectations and willingness to pay.

Maintaining affordability will require an ongoing balance between financial sustainability and community capacity to absorb rate increases. This will necessitate continued transparency regarding the drivers of rate changes, careful prioritisation of capital and operating expenditure, and proactive engagement with the community to ensure that service levels remain aligned with what the community values and can sustainably fund.

4.5. Governance and Transparency Risk (Rating: Medium)

The Council's governance and transparency risk arises from the need to clearly communicate its financial strategy, assumptions, and decision-making processes to support informed stakeholder understanding and confidence. ESCOSA has identified opportunities to strengthen transparency, particularly in relation to the articulation of Long-Term Financial Plan assumptions, cost control measures, debt reduction strategies, and the financial implications of major capital projects.

While the Council has put in place governance frameworks, including regular reporting through the Annual Business Plan, Long-Term Financial Plan and oversight by the Audit and Risk Committee, the increasing complexity of its financial position driven by higher debt levels and significant capital investment, places greater importance on clear, accessible and comprehensive financial disclosure. Without this, there is a risk that stakeholders, including elected members and the community, may have limited visibility of the underlying assumptions, trade-offs and risks associated with financial decisions.

The Council should actively address this risk through ongoing improvements to its planning and reporting processes, including enhanced disclosure of key assumptions, and increased transparency around major projects and their financial impacts in all reviews of the Long-Term Financial Plan. ESCOSA has also recommended more detailed reporting on cost savings, productivity improvements, and the separation of financial performance for significant assets, which would further strengthen accountability and understanding.

Maintaining strong governance and transparency will be critical to supporting community confidence, particularly as the Council navigates a period of increased financial complexity. Continued focus on clear communication, robust oversight, and alignment between financial strategy and community expectations will ensure that decision-making remains well-informed and supports long-term financial sustainability.

5. FINANCIAL SUSTAINABILITY IMPROVEMENT PLAN

The following Financial Sustainability Improvement Plan outlines a structured program of actions designed to address the risks identified by ESCOSA and to strengthen the Council's long-term financial position. The plan builds on existing strategies and incorporates a range of financial, operational and governance initiatives to improve resilience, enhance transparency, and ensure sustainable service delivery. Actions are prioritised over short and medium-term timeframes to provide a clear and achievable pathway, supported by ongoing monitoring and reporting to the Council and the Audit and Risk Committee. Together, these measures provide confidence that the Council is proactively managing its financial sustainability and is well positioned to respond to future challenges.

Short Term (0-12 months)

- Improved Annual LTFP Review
- Debt Reduction Strategy
- Inclusion in Strategic Risk Register
- Rating Strategy Review
- Financial Sustainability Performance Monitoring
- Future Grants Strategy
- Separate Reporting for Major Facilities
- Treasury Management Review

Medium Term (1 - 3 years)

- Cost Control
- Service Level Review Program
- Capital Program Prioritisation Framework
- Major Project Governance Framework
- Asset Rationalisation Strategy
- Fees and Charges Review
- Asset Management Maturity (AMP Alignment)

5.1. Short Term (0-12 Months)

Improved Annual LTFP Review
Undertake a comprehensive annual review of the Long-Term Financial Plan during the annual business plan development with clearly articulated assumptions, including

- Rate revenue increases clearly detailing growth, CPI and other factors,
- Inflation
- Debt levels, interest rates and debt servicing costs
- Major projects costs and cost escalations
- Operating results of major operating facilities such as the childcare centre and swimming centre

This should be supported by scenario and sensitivity modelling.

This will improve transparency, strengthen financial decision-making, and ensure alignment with long-term financial sustainability.

Risk Mitigated: Governance & Transparency, Operating Performance

ESCOSA Recommendation: 1 and 2

Debt Reduction Strategy
Develop and implement a clear debt reduction framework outlining

- Clear debt reduction targets,
- Clear timings of when the targets are to be achieved by
- Strategies for debt reduction
- Risks associated with strategies

This will ensure debt levels are actively managed and remain within sustainable limits over the long term.

Risk Mitigated: Debt Servicing

ESCOSA Recommendation: 4

Inclusion of financial sustainability in the Council's Strategic Risk Register

Incorporate financial sustainability risks and mitigation actions into the Council's Strategic Risk Register to ensure risks are formally monitored, managed and regularly reviewed.

Risk Mitigated: All

ESCOSA Recommendation: 9

Rating Strategy Review

Undertake a review of the rating structure to improve equity, transparency and sustainability in the distribution of the rate burden across the community.

Risk Mitigated: Affordability

ESCOSA Recommendation: 9 (indirect)

Financial Sustainability Performance Monitoring

Establish and maintain a financial sustainability performance framework, including the following key indicators

- Net Financial Liabilities Ratio
- Operating Surplus Ratio
- Debt servicing
- Interest cover ratio

Additional reporting on the achievement of improvement plan tasks recording both quantitative and qualitative results regarding financial sustainability should be reported regularly (six monthly) to the Council and Audit and Risk Committee.

Risk Mitigated: All

ESCOSA Recommendation: 4 and 9

Future Grants Strategy

Develop and implement a targeted grants strategy to increase external funding opportunities and reduce reliance on debt and rate revenue.

Risk Mitigated: Debt Servicing and Operational Performance

ESCOSA Recommendation: 4 and 9

5.2. Medium Term (1-3 Years)

Cost control

Maintain an organisation of continuous improvement finding efficiencies and reducing waste and undertake formal structured reviews of

- Efficiency and productivity improvement across departments/service areas
- Procurement practices and contract efficiency

Risk Mitigated: Operating Performance and Cost Control

ESCOSA Recommendation: 6

Service Level Review Program

Develop and implement a program of service level reviews to align service levels with community expectations, utilisation and affordability, ensuring resources are directed to areas of greatest value. This would include

- Developing a baseline service register detailing mandatory and discretionary services
- Reviewing service levels and utilisation of the Councils priority areas/services
- Align services with community expectations and affordability constraints

Risk Mitigated: Operating Performance and Cost Control, Affordability

ESCOSA Recommendation: 3 and 8

Major Project Improved Governance Framework

Strengthen governance, prioritisation and staging of major projects based on affordability and lifecycle cost to ensure projects are delivered within the Council's financial capacity and long-term financial sustainability.

- Review recent major projects and apply lessons learned
- Implement a clear capital/project prioritisation framework
- Align projects with the Council's financial capacity and consider full lifecycle costs in decision-making
- Improve transparency and reporting on project costs and risks

Risk Mitigated: Debt Servicing, Asset Sustainability & Renewal, and Governance & Transparency

ESCOSA Recommendation: 5, 7 and 8

Asset Rationalisation Strategy

Identify and assess underutilised or non-core assets for potential disposal or repurposing to reduce costs, optimise the asset base and support debt reduction.

Risk Mitigated: Debt Servicing and Asset Sustainability & Renewal

ESCOSA Recommendation: 3

Fees and Charges Review

Undertake a comprehensive review of fees and charges to understand the full cost of service delivery and the extent of subsidy (community service obligation) versus user-pays. This will support appropriate cost recovery, improve transparency, and ensure fees are set at an affordable level while aligning with financial sustainability and community expectations.

Risk Mitigated: Operating Performance & Cost Control and Affordability

ESCOSA Recommendation: 6

Separate Reporting for Major Facilities

Develop standalone financial reporting for major facilities and services to improve transparency, accountability and understanding of their financial performance

Risk Mitigated: Governance & Transparency, Operating Performance & Cost Control

ESCOSA Recommendation: 10

Asset Management Maturity (AMP Alignment)

Strengthen alignment between Asset Management Plans and the Long-Term Financial Plan, including lifecycle costing and operating costs, to ensure assets are sustainably funded over the long term.

Risk Mitigated: Asset Sustainability & Renewal, Operating Performance & Cost Control

ESCOSA Recommendation: 5 and 6

6. CONCLUSION

In summary, while ESCOSA has identified areas requiring ongoing attention, the Council's financial position remains sound and well managed. The risks that have been identified reflect a period of planned investment and are being actively addressed through established governance and planning processes.

The proposed Financial Sustainability Improvement Plan provides a clear and structured pathway to further strengthen the Council's financial position and the progress of the plan will be regularly reported to the Council and the Audit and Risk Committee through formal reporting and informal briefings.

With continued focus on financial discipline, transparency and alignment with community expectations, the Council is well placed to maintain long-term financial sustainability while continuing to deliver valued services and infrastructure to the community.

5.4 THE PAYNEHAM MEMORIAL SWIMMING CENTRE REDEVELOPMENT PROJECT - LOCAL GOVERNMENT FINANCE AUTHORITY PROGRESS REPORT

REPORT AUTHOR: Manager, Governance
APPROVED BY: General Manager, Governance & Civic Affairs
ATTACHMENTS: A

PURPOSE OF THE REPORT

The purpose of this report is to present the Committee with the report which was presented to the Council at its Meeting held on 7 July 2026 in relation to the *Payneham Memorial Swimming Centre Redevelopment Project – Local Government Finance Authority Progress Report*.

DISCUSSION

The purpose of the Council's Audit & Risk Committee (the Committee) is to provide independent assurance and advice to the council on accounting, financial management, internal controls, risk management and governance matters.

In addition, Section 126(4) of the *Local Government Act 1999* (the Act) prescribes the functions of the Committee which includes reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.

In accordance with the Special Conditions associated with the terms of the loan provided by the Local Government Finance Authority (LGFA), the Council is required to provide the LGFA with information regarding the status of the Payneham Memorial Swimming Centre Redevelopment Project.

The report that was presented to the Council at its Meeting held on 7 July 2026, which includes the information provided to the LGFA, is contained in A**ttachment A**.

RECOMMENDATION

That the report be received and noted.

13.4 THE PAYNEHAM MEMORIAL SWIMMING CENTRE REDEVELOPMENT PROJECT - LOCAL GOVERNMENT FINANCE AUTHORITY PROGRESS REPORT

REPORT AUTHOR: Chief Financial Officer
APPROVED BY: Chief Executive Officer
ATTACHMENTS: A

PURPOSE OF THE REPORT

The purpose of this report is to provide the latest update that has been provided to the Local Government Finance Authority (LGFA) regarding the Payneham Memorial Swimming Centre.

BACKGROUND

As Elected Members are aware, the Council has entered into a Loan Arrangement with the Local Government Finance Authority (LGFA) for the Payneham Memorial Swimming Centre Project.

As part of the Special Conditions of the loan, the Council is required to provide the LGFA with information regarding the status of the Project.

On 5 June 2026, the *Payneham Memorial Swimming Centre Redevelopment Project Progress Report* (the Project Progress Report), was forwarded to the LGFA, in accordance with the Special Conditions of the loan.

A copy of the Progress Report is contained in **Attachment A**.

STRATEGIC DIRECTIONS

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

RISK MANAGEMENT

Not Applicable.

CONSULTATION

Elected Members

Not Applicable.

Community

Not Applicable.

Staff

Not Applicable.

Other Agencies

Not Applicable.

DISCUSSION

In compliance with the Special Conditions imposed by the Local Government Finance Authority (LGFA) on the loan approval for this Project, the Council provides the LGFA with information on the status of the Project.

The update that has been provided to the LGFA is the period ending 31 March 2026.

As stated in the Progress Report which has been provided to the LGFA, the contract works component of the Project is currently tracking on time as scheduled, with all key milestones being met in accordance with the Project Schedule and/or revised approved timeframes.

There have been no unexpected construction delays or issues to date and construction is progressing as planned. The updated cost estimate to complete the Project has been endorsed by the Council at its meeting held at its meeting held 7 October 2025. In addition, $3.05m was added to the project budget to accommodate the revised design for the Design & Construct Items (ie water slide and water play components)

Funding milestones have been met and all grant income and expenditure remain in alignment with Budget expectations. Overall, the project is well positioned, maintaining steady momentum in both delivery and financial management. Progress on the Project remains aligned with strategic goals and achievable milestones.

Final project costs will be fully reconciled and reported following practical completion of the Project. Based on current forecasts, committed expenditure and remaining works, total project costs are expected to remain within the approved budget of $63.9m, with no budget overrun currently anticipated. Financial performance will continue to be monitored and any material variations will be reported as part of the project close-out process.

A copy of the *Payneham Memorial Swimming Centre Redevelopment Project Progress Report* thsat has been provided to the LGFA South Australia, is contained in **Attachment A**.

OPTIONS

The report is provided for information purposes only.

CONCLUSION

Nil.

RECOMMENDATION

That the report be received and noted.

File Number: qA181672
Enquiries To: Natalia Axenova
Direct Telephone: 8366 4548

City of Norwood Payneham & St Peters

CHIEF EXECUTIVE'S OFFICE

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5 June 2026

Mr Davin Lambert
Local Government Finance Authority of South Australia
147 Pirie Street
ADELAIDE SA 5000

Email: davin.lambert@lgfa.com.au

Dear Davin

PROGRESS REPORT
PAYNEHAM MEMORIAL SWIMMING CENTRE

In accordance with the Special Conditions of the loan approval for the Payneham Memorial Swim Centre, the purpose of this letter is to provide information regarding progress of the *Payneham Memorial Swimming Centre Project.*

EXECUTIVE SUMMARY

Project Name: Payneham Memorial Swimming Centre

Project Objective: Redevelopment of the Payneham Memorial Swimming Centre to modernize facilities, improve community accessibility, and enhance sustainability.

Status Project is: On Track

Key Financial Impacts:

- Stage Government grant approved: $5,600,000
- Total cost to build budget: $63,980,000 (*revised from $60,222,958*, due to revised design of the Design & Construct items).

TABLE1: PROJECT MILESTONES

Milestone Name	Target Completion Date	Actual Completion Date	Status	Remarks
Feasibility Study Completion			Completed	NIL
Design Finalization			Completed	NIL
Construction Phase Start	5-Feb-24	5-Feb-24	Completed	NIL
Practical Completion	27-Jan-26	29-Jun-26	Revised	Approved Extension
Expected Opening	Mar-26	Aug-26	Revised	

TABLE 2: DETAILED MILESTONES

Key Milestone	Completion Date
Works Commenced on Site	5-Feb-24
Demolition of Existing Centre	22-Mar-24
Bulk Civil & Remediation Works	1-Aug-24
Structural Piling Mobilisation #1 (Building, Balance Tank & Pool Piling)	30-Sep-24
Pool Balance Tank Substructure	23-Oct-24
Indoor 25m & Learn to Swim Pool Shells	1-Nov-24
Outdoor 50m Pool Shell	13-Dec-24
Erection of Structural Steel Roof Framing for Pool Hall Building	20-Dec-24
Hydrostatic Testing of Indoor Pools	15-Jan-25
Pool Hall Building Roof Sheeting	31-Jan-25
Pavilion Building Concrete Slab	3-Mar-25
Piling Mobilisation #2 (Zero Depth)	27-May-25
Structural Steel and Roofing to Southern Plant Room	19-May-25
Aquatic Plant Room Fit Out	5-Aug-25
Pavilion Roof Sheeting	19-Sep-25
Pool Hall Timber Ceiling	25-Nov-25
Water Slide Drainage & Services	9-Dec-25
50m Pool Tiling	19-Dec-25
Building Watertight Milestone	15-Jan-26
25m Pool Tiling	22-Jan-26
LTS Pool Tiling	9-Feb-26
Pool Hall Concourse Concrete	2-Feb-26
Zero Depth Water Play Subsurface Works	5-Mar-26
Water Slide Balance Tank (Walls & Floor)	17-Mar-26

FINANCIAL OVERVIEW

Funding Sources for Expenditure:

- State Government grant $5,600,000
- Borrowings $58,380,000 (*revised from $54,622,958*)

Financial status:

The contract works component of the Project is currently tracking on time as scheduled, with all Key Milestones being met in accordance with the Project Schedule and/or revised approved timeframes. Grant funding has been received as planned and costs that have been incurred are in line with budget forecasts. Overall, the project remains *"on track"* both in terms of timeline and financial performance, as per the revised project budget. Expenditure mainly includes costs from the Construction Supplier, Badge Construction (S.A.) Pty Ltd (Badge), costs in relation to Utility Services and Design Consultant Fees. All costs are tracked on daily basis.

TABLE 3: FINANCIAL POSITION AS AT MARCH 2026
Amounts in thousands (000) k

	Actuals 2023-2024	Actuals 2024-2025	Actuals 2025-2026	Total Actuals to date	Full Budget	Balance to complete
Grants received	$ 560	$ 2,240	$ -	$ 2,800	$ 5,600	$ 2,800
Expenditure	$ 4,257	$ 32,709	$ 15,817	$ 52,783	$ 63,980	$ 11,197
	$ 3,697	**$ 30,469**	**$ 15,817**	**$ 49,983**	**$ 58,380**	**$ 8,397**

Cost Variations:

The approved construction contract included provisional sums for Design & Construct (D&C) items, namely:

- the 50 metre pool shade structure;
- Zero-depth play area;
- Water slides and tower; and
- Glulam ceiling connections (feature timber ceiling in Main Pool Hall)

The final pricing of all D&C elements have been received and as a result, an updated cost estimate has been provided to complete the Project.

To this end, a report was considered by the Council at its meeting held 7 October 2025, noting the revised final cost to complete the Project and endorsed a Budget Revision of $3.05m to the original project allocation of $60,931,400, to allow completion of the Project, as scoped. This Revision relates to the Design & Construct items.

The current list of variations by Badge Construction (S.A.) Pty Ltd (Badge), as confirmed by WT (Cost Consultant), the Claim Assessment Report (dated March 2026) is summarised in Table 3 below:

TABLE 4: VARIATIONS SUMMARY

Contract Schedule Items	Approved Variations
Demolition and soil repository works	-297,652.91
Updates to feature ceiling and Pool wall design	-947,652.53
Epoxy Grout Treatment	-1,049,304.66
Electrical Updates	184,910.62
Roof Safety Updates	121,412.76
Facility Ceiling Changes	-93,102.11
Miscellaneous Project Scope Change	-189,894.27
Miscellaneous Design Updates	1,084,394.52
Miscellaneous Latent Conditions	190,765.86
Miscellaneous Commercial	-888,430.00
	- $ 1,884,552.72

Approved cost variations mainly relate to savings in Demolition and on-site soil repository, an alternative GluLam timber ceiling supplier and revised epoxy grout treatments.

Miscellaneous variation items include minor design changes and project scope updates that have progressively approved as the project evolves. Miscellaneous latent variations largely include unknown findings uncovered during initial demolition and excavation works at the site.

The Project Team are working through the review process for a series of pending variations and will continue to provide updates as these are finalised.

Risk Management

As with any major complex project, a comprehensive risk assessment has been conducted for the Payneham Memorial Swimming Centre Project and a detailed Risk Register is in place. This Register is regularly reviewed and updated to identify, assess, and mitigate potential risks that may impact project timelines, costs, or deliverables. Ongoing monitoring ensures that emerging risks are proactively managed and appropriate mitigation strategies are implemented to minimize disruptions. Regular reviews by the Project Team and key stakeholders, assists in maintaining a structured approach to risk management, ensuring the project remains on track while addressing any challenges that may arise.

Next Steps and Timeline

In respect to construction, these are the scheduled services of works:

- tiling and internal fit out;
- filling of pools;
- testing and commissioning;
- landscaping and external works;
- Slide Tower construction; and
- Zero Depth Splash Pad works.

Summary:

The *Payneham Memorial Swimming Centre Project* is progressing well, with current works proceeding according to the established schedule. There have been no unexpected construction delays or issues to date and construction is moving forward as planned. The updated cost estimate to complete the Project has been endorsed by the Council and the total budget has increased by $3.05m. Funding milestones have been met and all grant income and expenditure remain in alignment with expectations. Overall, the project is well positioned, maintaining steady momentum in both delivery and financial management. Progress on the Payneham Memorial Swimming Centre remains aligned with strategic goals and achievable milestones.

Mario Barone PSM
CHIEF EXECUTIVE OFFICER

Robert Bria
MAYOR

5.5 PAYNEHAM MEMORIAL SWIMMING CENTRE - PROJECT RISKS UPDATE

REPORT AUTHOR: Manager Assets & Projects
APPROVED BY: General Manager, Urban Planning & Environment
ATTACHMENTS: Nil

PURPOSE OF THE REPORT

The purpose of this report is to provide information on the status of the “High” and “Extreme” Risks associated with the Payneham Memorial Swimming Centre Redevelopment Project and a summary of the project and financial status of the Project.

BACKGROUND

The Payneham Memorial Swimming Centre (PMSC) was first opened in 1968 by the former City of Payneham and despite several repairs and replacement of plant and equipment over the years, it reached the end of its useful life after more than 50 years of service.

On 1 December 2023, the Council appointed the preferred tenderer for the Payneham Memorial Swimming Centre Redevelopment Project, Badge Constructions SA Pty Ltd, to undertake the construction of the Payneham Memorial Swimming Centre Redevelopment.

The PMSC Redevelopment Project (the Project) is well progressed and is scheduled for completion in mid-August 2026. More detail in the project status is provided in the Discussion section of this report.

As part of the decision-making process associated with progressing the Project, the Council also considered the following recommendation from the Council’s Audit & Risk Committee which was made at the meeting held on 6 December 2023.

- *the Chief Executive Officer receive monthly reports regarding the Payneham Memorial Swimming Centre Project Risks that have a residual rating of high and extreme;*
- *a report be presented on a quarterly basis to the Council’s Audit & Risk Committee whilst those risks remain at high and extreme; and*
- *the Council continually diligently manages the Projects set out in the Long-Term Financial Plan and strategies to ensure that the Council’s key financial indicators return to the following target levels:*
    - *Operating Surplus Ratio within 3 years, and*
    - *Net Financial Liabilities Ratio within 10 years or earlier is possible.*

In accordance with the resolution as set out above, reports were presented to the Audit & Risk Committee at its meetings held on 19 August 2024 and 15 September 2025.

The risks associated with the Project are re-assessed periodically and the most recent update is set out in this report.

STRATEGIC DIRECTIONS

CityPlan 2030 **Alignment**

Outcome 1: Social Equity
An inclusive, connected, accessible and friendly community.

Objective 1.1: Convenient and accessible services, information and facilities.

Strategy 1.1.1: Establish community hubs that integrate social support, health, recreational and commercial services, in multi-purpose spaces.

FINANCIAL AND BUDGET IMPLICATIONS

At its meeting held on 7 October 2025, the Council was provided with a report on the Project containing information on the projected cost estimate to complete the Project.

This estimate was based on the following assumptions and financial allowances:

- average monthly value of variations over the construction period to date extrapolated out to the practical completion date;
- variations approved or under review in line with estimates that have been submitted;
- extension of time claims pending review and resolution; and
- known estimates for the Design & Construct items.

On the above basis, the estimate cost to completion was noted as $63.98m (excl GST). This equates to a $3.05m (or 5%) variance to the total Project Cost of $60.93m (inclusive of contingency). The additional $3.05million was required to fund the Design & Construct items as these were redesigned to ensure the delivery of “best practice” elements.

Following consideration of the report, the Council resolved to:

.endorse a budget revision of $3.05m to the original project allocation of $60,931,400 be approved to allow completion of the project as currently scoped (including Water Slides).

As part of the Special Conditions that have been imposed by the Local Government Finance Authority (LGFA) on the loan approval for this Project, the Council is required to provide the LGFA with periodic information on the status of the PMSC Redevelopment Project.

Following consideration of the 7 October 2025 report, and Council endorsement for the budget revision, the LGFA was informed of these changes to provide assurance of the Authority’s continued support for an increase in Council’s debt levels. No concern has been raised by the LGFA.

At this point in time, the total cost to complete the Project as originally scoped, is forecast to be within the revised budget.

RISK MANAGEMENT

Project risks are being managed in accordance with the Council’s *Risk Management Policy & Procedure* and the specific Project Risk Register that has been prepared for this Project.

Further information on the Project risks is contained within the Discussion section of this report.

CONSULTATION

Elected 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

As at 30 June 2026, the PMSC Project was in its final stages of construction, with a revised completion date of mid-August 2026.

The main building comprising the Main Pool Hall and Pavilion are complete, with indoor pools filled and fully operational. Defect inspections have been completed and the buildings have been cleaned ready for occupation.

The external 50 metre pool has been filled and is being commissioned, the Zero-depth play area is complete and construction of the water slides is well progressed.

Landscaping and final sections of fencing are the final components of the works to be completed.

The official opening date is currently scheduled for 10 September 2026.

Risk Management update

The full Project Risk Register was presented to the Audit & Risk Committee at its meeting held on 15 September 2025. At that time there were only two risks (No.14 and No.25) with a residual risk level of High or Extreme.

As at February 2026, and as listed in **Table 1** below, these risks remain as the only two risks that have a residual risk level of High or Extreme.

TABLE 1: PAYNEHAM MEMORIAL SWIMMING CENTRE REDEVELOPMENT PROJECT RISKS

Risk #	Risk Description	Impact Level	Inherent Risk Level (Dec 2023)	Current Risk Level (Feb 2026)	Comments
14	Inadequate car parking for users following redevelopment	Financial / Reputational	High	High	Risks to be mitigated through communications with Centre users regarding car parking and access options.
25	Costs for new PMSC impacts Council's long term financial position resulting in unacceptable constraints on services / capital works	Financial	Substantial	High	Revised budget endorsed by the Council, reported to LGFA and will be factored into Council's LTFP.

Parking Access and Occupancy Management

As part of the planning and design for the upgrade of the Payneham Memorial Swimming Centre, a Traffic Impact Statement was prepared, which included a detailed assessment of the anticipated parking demand and available off-street parking availability within the broader precinct.

The parking assessment identified that parking demand associated with the new PMSC facility would be accommodated within the Payneham Memorial Swimming Centre car park (southern car park) and the Payneham Library car park (northern car park).

Upon completion of the project, the southern car park will provide 98 parking spaces, with a further 72 parking spaces available within the northern car park (a total of 170 spaces)

In addition, an independent traffic engineering consultant has been engaged to undertake a broader review of potential traffic and parking improvements associated with the PMSC. This included an assessment of the anticipated parking demand generated by the PMSC and benchmarking of parking provision against other comparable aquatic and recreation centres.

The review found that the overall parking provision available within the precinct is appropriate and generally consistent with that provided at comparable facilities. Accordingly, the proposed parking occupancy management system is not intended to address an identified deficiency in the overall supply of parking to cater for peak period use of the facility.

Aquatic and recreation facilities can experience concentrated periods of peak parking demand, particularly during major events, swimming carnivals, concurrent programs and periods of high seasonal utilisation. During these periods, demand within individual parking areas may temporarily approach or exceed the available capacity. The effective operation of the available parking supply relies on both the southern and northern car parks being utilised to accommodate demand across the broader precinct.

Traditional overflow parking arrangements generally operate sequentially, whereby motorists enter a primary car park and are directed to an adjacent or directly connected overflow parking area once capacity is reached. The parking arrangements within the PMSC operate differently.

The southern and northern car parks have historically operated as separate parking areas servicing the PMSC and Payneham Library respectively. Under the future operating arrangements, both car parks will contribute to accommodating parking demand generated across the broader precinct. However, the car parks are physically separated and are not directly connected.

As a result, motorists can enter the southern car park before becoming aware that it is at or near capacity. If the car park is at capacity, the motorist would need to exit the carpark return to the surrounding road network and travel to the northern car park. This creates the potential for unnecessary vehicle circulation, additional movements through the site access points and surrounding road network, frustration and a reduced experience for patrons.

Accordingly, providing motorists with clear and timely information regarding parking availability before entering the southern car park has been identified as a potential risk mitigation measure to improve access, traffic circulation and the overall experience for patrons.

Proposed Parking Occupancy Management System

Council staff have investigated the use of smart parking technology to provide real-time parking occupancy information to motorists approaching the precinct.

It is proposed to install in-ground parking occupancy sensors within the 98 parking spaces in the southern car park. The sensors would provide real-time information regarding parking availability, which could be displayed on the new digital pylon sign being delivered as part of the PMSC Project.

The installation of the digital pylon sign is already being progressed. Discussions undertaken with the supplier of Council's existing parking occupancy management platform and the contractor manufacturing the digital signage, have confirmed that an integrated solution is achievable.

The proposed arrangement would incorporate a dedicated component of the digital display for real-time information on parking occupancy. This would provide motorists with advance notice of the availability of parking spaces before entering the southern car park and allows users to make a more informed decision regarding whether to enter the car park or proceed directly to the northern car park.

The digital display would retain the flexibility to provide promotional messaging, wayfinding information and other Council related communications when parking occupancy information is not required. This approach would also future-proof the signage infrastructure and provide opportunities for additional parking management information to be incorporated as the precinct develops.

Operational and Strategic Benefits

The proposed parking occupancy management system, would provide a range of operational benefits beyond the provision of real-time parking availability information.

The proposal would utilise the same parking occupancy technology and management platform currently operating within Webbe Street Car Park that is owned and managed by the Council. This would allow the Council to leverage an existing technology platform, established operational processes and staff familiarity with the system.

The system provides detailed information regarding car park utilisation, including real-time and historical occupancy levels, parking durations, peak demand periods and maximum recorded lengths of stay. This information would provide Council staff with an improved understanding of parking demand and user behaviour and support evidence-based decisions regarding the future management of parking within the precinct.

The system can also assist with identifying potential parking overstays (if time limits are imposed) and support targeted parking compliance activities where demonstrated parking behaviours indicate that intervention is warranted.

Importantly, the technology is scalable and could be expanded to other Council-owned parking facilities within the precinct. This could include the northern carpark where the incidence of all-day commuter parking is experienced given the location of the bus stop on Turner Street.

The proposed system therefore provides both an immediate operational benefit associated with managing access to the upgraded swimming centre and a longer-term platform for monitoring and managing parking demand across the broader precinct.

Financial Considerations

The estimated capital cost to supply and install the parking occupancy sensors and associated equipment within the southern car park is approximately $25,000.

The capital expenditure can be accommodated within the existing PMSC budget and would therefore not require an additional capital budget allocation.

The parking occupancy management platform would, however, result in an ongoing operational cost. Based on the current supplier pricing of approximately $15 per sensor per month, the annual operational cost for the 98-space southern car park is approximately $18,000 per annum.

While the primary purpose of the system is to improve access, traffic circulation, experience for the patrons of the PMSC and the availability of parking information, the technology also provides the capability to support targeted parking compliance activities where demonstrated overstays occur.

Any revenue generated through parking compliance activities is not the primary objective of the proposal and should not be relied upon to fully offset the ongoing operational costs. However, targeted enforcement of demonstrated overstays may provide a partial offset to the annual operating costs associated with the system. infringement revenue may provide partial cost recovery in the order of $5,000 per annum, reducing the net ongoing operational cost.

Risk Mitigation and Governance Considerations

The proposed parking occupancy management system has been identified as a potential mitigation measure to address the operational risk associated with motorists being unable to readily identify available parking before entering the southern car park.

The system would not increase the overall supply of off-street parking within the precinct. Rather, it would improve the utilisation and management of the available parking supply by providing motorists with earlier information, supporting informed route choices and reducing unnecessary vehicle circulation between the two parking areas.

The proposal also provides the Council with improved data on parking utilisation to support ongoing monitoring of parking demand and inform future parking management decisions as the precinct develops

Following the Committee's consideration of this report, the matter will be referred to the Council for consideration and determination.

Irrespective of the decision regarding the proposed parking occupancy management system, other operational readiness activities associated with the PMSC will continue to be progressed by Council staff through normal project delivery processes.

Access to private parking area

As previously advised, achieving public use of the private car parking area at 196 O.G. Road, Payneham, located immediately south of the PMSC, would be advantageous to patrons and assist in alleviating potential parking pressure in the precinct.

In response to an approach from the Council in November 2025, to enter into an arrangement to use this carpark, the owner of the adjoining property declined to enter into an arrangement due to the ongoing operational requirements of the current occupant, DXC Technology.

Over the past six months, the property has been the subject of a sales process. The sale of the property is in the final stages of due diligence and it yet to be finalised. As such, the current owner is unlikely to enter into any discussions.

Once the new owners have taken possession of the property, Council staff will contact the new owner, with a view to entering into an arrangement for the use of the car park, when those spaces are not required by the new owner/tenant.

OPTIONS

Not applicable.

This report is presented for information purposes only.

CONCLUSION

Construction of the PMSC is progressing according to the agreed construction schedule and is forecast to be delivered within the revised budget. Risk and financial management continue to remain a key focus for this Project.

RECOMMENDATION

That the report be received and noted.

5.6 RISK MANAGEMENT UPDATE

REPORT AUTHOR: Manager, Governance
APPROVED BY: General Manager, Governance & Civic Affairs
ATTACHMENTS: A

PURPOSE OF THE REPORT

The purpose of this report is to provide the Audit & Risk Committee (the Committee) with an update on the Local Government Risk Services (LGRS) Strategic Risk Services Program and associated activities.

BACKGROUND

Section 126 (4)(h) of the Local Government Act 1999 (the Act), provides that one of the functions of a Council's Audit & Risk Committee includes the following:

'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 mandated risk management obligations on the Council and the Chief Executive Officer, namely:

- The Council's obligation pursuant to Section 125(3) of the Act which requires that:
  '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 respect to Section 99(1)(ia) of the Act which is:
  '*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*.'

STRATEGIC DIRECTIONS

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

RISK MANAGEMENT

The systemic approach to risk management that is being embedded across the organisation will ensure that the Council continues to optimise its decision-making performance, managing both potential opportunities and the adverse effects on strategic decisions, as well as daily activities and operations.

CONSULTATION

Elected 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

Senior staff have been engaged through a number of Strategic Risk and Operational Risk workshops and training sessions.

Other Agencies

Not Applicable.

DISCUSSION

At its Meeting held on 25 February 2026, the Committee received and considered a report that provided an update on the implementation the Council's Risk Management Framework that is being guided by the LGRS Strategic Risk Services Program.

As Committee Members were previously advised, while the Council has a Risk Management Framework that has been in place for many years, the implementation of the framework tended to be based on a 'siloed' approach rather than embedded consistently across the organisation.

The Council subsequently adopted an updated Risk Management Policy and Procedure which together constitute the Council's Risk Management Framework. The Risk Management Procedure is particularly important to ensure consistent processes to support an integrated, systematic approach to risk management across the organisation.

The Committee was previously provided with an update on the Council's Strategic Risks through the presentation of the Council's Strategic Risk Register at the February Meeting of the Committee. By way of an update, work is continuing on the review of the effectiveness of the controls for each of the Strategic Risks. This process will form part of the rolling review of Strategic Risks which will inform reporting through the Executive Leadership Team and to the Committee.

The Strategic Risk Report is contained in **Attachment A**.

Since the last update provided in relation to the Council's progress in the LGRS Strategic Services Program, the Operational Risks have been identified. These Operational Risks are contained in a centralised system (RelianSys) and training has been provided to staff on how to access, review and update these risks.

The Operational Risks are captured in Risk Registers separated by Department to assist with assigning the risk owner. Most risks will apply across Departments and Units and it is envisaged that embedding risk management discussions in Staff Meetings, Manager Forums and Executive Leadership Meetings, will enhance collaboration and minimise a 'silo' approach to risk management.

There are a total of 114 Operational Risks and the assigned owners (Unit Managers across the organisation) are in the process of working through the rating of these risks, as well as undertaking a review of the effectiveness of respective control measures.

While Mr Chris Sweet, Strategic Risk Consultant from LGRS, has provided extensive support to capture Strategic and Operational Risks and assigning controls to them within the Risk Registers, the initial review process that the risk owners are required to undertake is an important step that will take some time. The Strategic Risks have all been reviewed with some work remaining on the control effectiveness and approximately half of the operational risks have been reviewed.

The breakdown of the Operational Risks by Department is provided in Table 1.

TABLE 1: BREAKDOWN OF OPERATIONAL RISKS BY DEPARTMENT

Department	Current Number of Operational Risks
Chief Executive's Office	33
Community Development	17
Infrastructure & Major Projects	12
Governance & Civic Affairs	19
St Peters Child Care Centre & Preschool	8
Urban Planning & Environment	25
Total	**114**

The risks in the *Chief Executive's Officer Operational Risk Register* include risks related to finance, payroll, employee wellbeing, marketing, events, economic development, Human Resources and operational and organisational improvement.

Within the *Community Development Operational Risk Register*, risks associated with the Council's Swimming Centres, the Norwood Concert Hall, Volunteers, Public Art, facilities for hire, Cultural Heritage collection and the delivery of community services generally, are included.

The *Infrastructure & Major Projects Operational Risk Register* contains risks related to asset management, civil maintenance, tree maintenance and project management of major capital projects.

The risks contained in the *Governance & Civic Affairs Operational Risk Register* are those related to Elected Member behaviour, legislative compliance, breaches of confidentiality, community engagement, Information Technology, records management and data management.

The *St Peters Child Care Centre & Preschool Operational Risk Register* contains risks related to staff training, legislative compliance, operational costs and contractor management which are specific to the operations of the St Peters Child Care Centre & Preschool.

The *Urban Planning & Environment Operational Risk Register* contains risks related to levels of service across functions, tree management, heavy vehicle legislative compliance, development assessment legislative compliance, regulatory oversight, transport planning and commitments to reducing carbon emissions.

Unlike Strategic Risks, all of which are reported to the Committee on a regular basis, it is not envisaged that the Committee will receive reports providing an update on all operational risks. However, those risks that are rated 'Extreme' or 'High' will be reported to the Committee.

OPTIONS

Not Applicable.

This report is provided for information purposes only.

CONCLUSION

Significant progress has been made on implementing a systemic risk management framework within the organisation. Ensuring this framework is embedded in the organisation, will ensure consistent and robust risk management application and reporting.

As with the implementation of any system, the initial configuration and data entry process is time consuming, particularly when juggling other competing deadlines and priorities. However, the benefits in having a centralised system are significant and are essential to ensure a transparent, consistent and embedded approach to risk management across the organisation. In addition, this systemic approach will support the legislative compliance requirements in relation to risk management and provide assurance for the required reporting of risks to the Executive Leadership Team, the Committee and the Council.

RECOMMENDATION

That the report be received and noted.

Strategic Risk Register

Risk Description	Risk Owner	Risk Level
Attraction and Retention of Staff: The risk of losing talent due to changing workplace expectations, skill shortages, and competition with the private sector, impacting organisational capability.	Chief Executive Officer : Mario Barone	Medium
Business Maturity: The risk associated with the council's lack of business maturity, impacting financial sustainability and the ability to deliver projects effectively.	Chief Executive Officer : Mario Barone	Low
Climate Change and Adaptation: The risk of inadequate climate change adaptation and response may adversely affect community resilience, public health, councils infrastructure and parks, and the delivery of community services.	General Manager, Urban Planning & Environment : Carlos Buzzetti	Low
Community Expectations: There is a risk that Council may fail to effectively understand and meet community expectations which could undermine trust and support for council initiatives.	General Manager, Community Development : Andrew Hamilton	Low
Cyber Security: The risk of data breaches and insider threats, particularly with reliance on third-party providers and the evolving nature of cyber threats.	General Manager, Governance & Civic Affairs : Lisa Mara	Medium
Emergency Management: There is a risk that the council may inadequately prepare for, and respond to emergencies, potentially compromising the resilience, safety and well-being of the community.	General Manager, Community Development : Andrew Hamilton	High
Financial Sustainability: The risk of the Council's long term financial performance and position being unsustainable where long term service and infrastructure levels are not planned and service standards are not met, without unplanned increases in rates or disruptive cuts to services.	Chief Financial Officer : Natalia Axenova	Medium
Governance and Internal Systems: The risk of inadequate governance structures and internal systems that may result in ineffective decision-making.	General Manager, Governance & Civic Affairs : Lisa Mara	Low
Legislative Change: The risk of misalignment between local, state, and federal legislation, leading to challenges in delivering services and compromising local government roles.	General Manager, Governance & Civic Affairs : Lisa Mara	Medium
Management of Councils Assets: There is a risk that council has inadequate asset management practices, which may result in deteriorating infrastructure, reduced community satisfaction, and potential financial liabilities.	General Manager, Infrastructure & Major Projects : Jared Barnes	Medium
Strategic Planning: The risk of ineffective strategic planning leading to misalignment of resources and objectives, impacting overall organisational performance.	Chief Executive Officer : Mario Barone	Low
Technology Adaptation: The risk of failing to keep up with technological advancements, including AI, which could hinder efficiency and service delivery.	General Manager, Governance & Civic Affairs : Lisa Mara	Medium

5.7 ANNUAL REPORT OF INTERNAL AUDIT PROCESSES

REPORT AUTHOR: Manager, Governance
APPROVED BY: General Manager, Governance & Civic Affairs
ATTACHMENTS: A

PURPOSE OF THE REPORT

The purpose of this report is to present the Audit & Risk Committee with a report on the Council's Internal Audit processes for the 2025-2026 Financial Year, including updates to the 2025-2027 *Internal Audit Plan.*

BACKGROUND

Pursuant to Section 99(ib) of the *Local Government Act 1999* (the Act), one of the legislated functions of the Chief Executive Officer, is to present a report on the Council's Internal Audit processes to the Audit & Risk Committee (the Committee), on an annual basis.

STRATEGIC DIRECTIONS

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

RISK MANAGEMENT

The report is a legislated requirement in accordance with Section 99(ib) of the Act.

CONSULTATION

Elected Members

Elected Members receive a report after each Meeting of the Audit & Risk Committee which includes the Minutes of the Committee Meeting and any recommendations that are made by the Committee to the Council.

Community

Not Applicable.

Staff

Not Applicable.

Other Agencies

Not Applicable.

DISCUSSION

The following information as set out below, is provided to satisfy the legislative requirement to report on the Council's Internal Audit Processes.

Introduction

While not mandatory, the Council has an Internal Audit function. The Internal Audit function is separate from the internal controls processes set out in Section 125 of the Act, which is a mandatory requirement for all Councils.

The Internal Audit function is best described as a formalised, objective review, evaluation and advisory process, which seeks to add value and improve Council's operations in terms of efficiency and effectiveness. Internal Audit recommendations form an important component of the Council's assurance and continuous improvement approach.

Primary responsibility for the Internal Audit Function

Section 125A of the Act, prescribes that prior to assigning primary responsibility for the Internal Audit function to an employee of the Council (or appointing a person to be primarily responsible for the function), the Chief Executive Officer must consult with the Committee.

While it precedes the 2025-2026 reporting period, at its Meeting held on 10 February 2025, the Committee was advised that responsibility for managing the Internal Audit program and therefore the '*person primarily responsible for the internal audit function*' is the General Manager, Governance & Civic Affairs.

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 contract with Bentleys expires 30 June 2027.

Prior to commencing an Internal Audit process, Internal Audits are scoped to determine how the Internal Audit will be undertaken and the relevant parameters including how well the Council aligns to relevant legislative requirements, Policies and Procedures, Standards and/or best practice and importantly, providing "best value" to the community.

During the 2025-2026 Financial Year, the General Manager, Governance & Civic Affairs has ensured that reports associated with the Internal Audit function and any matters relating to the function more generally, are provided directly to the Committee.

Completed Internal Audits 2025-2026

Based on the current Internal Audit Plan, two Internal Audits were completed in 2025-2026. The reports for both Internal Audits were presented to the Committee as required by Section 125A(2)(a) of the Act.

The *Business Continuity Management Internal Audit Report* (BCM Internal Audit) was received and considered by the Committee at its Meeting held on 13 October 2025.

The BCM Internal Audit identified that the Council's BCM framework is conceptually sound however the following specific areas that have been recommended for improvement:

- **Business Impact Analysis (BIA) & Critical Function Mapping** -
  That a consistent BIA & Critical Function Mapping process be undertaken across all areas of the Council's operations to ensure completeness and alignment with operational needs.
- **Business Continuity Planning (BCP) Development** -
  That a standard BCP template be developed with supporting processes to ensure ongoing operational relevance.
- **Stakeholder & Communication Readiness** -
  The preparation of a stakeholder register and engagement with these stakeholders to validate the BIA and recovery planning.
- **Training & Awareness** –
  Deliver targeted BCM training and awareness programs for key roles to enhance preparedness.
- **Framework Integration & Compliance**
  Consolidate all existing BCM documents into a unified framework and establish a lessons-learned register to track and resolve issues identified during exercises.

Based on the above, Bentleys have been engaged to address Phase 1 of the work required in response to the BCM Internal Audit, which includes:

- establishing a consistent Business Impact Analysis (BIA) methodology and conduct initial comprehensive BIAs across all units;
- validating critical functions, Maximum Allowable Outages (MAO), Recovery Time Objectives (RTO), Recovery Point Objectives (RPO), and key interdependencies;
- updating the BCP document with the critical functions;
- identifying all key BCM linkages with risk, emergency, and IT Disaster Recovery frameworks, etc;
- consolidating existing BCM documents (Part 1 and Part 2) into a single, cohesive framework;
- developing a standardised BCP template including version control, RTOs, RPOs, and contact lists;
- establishing and maintain updated internal/external contact lists and call trees;
- integrating BIA results directly into recovery strategies and assign specific owners for critical functions and their associated recovery plans;
- creating and maintain a dynamic stakeholder register, involving them in BIA validation and recovery strategy selection via workshops;
- developing a comprehensive communication matrix detailing channels, message templates, escalation paths, and legal liability considerations;
- revising the template for critical function sub-plans, focusing on clarity, user-friendliness; and thoroughness. Once the enhanced template is finalised, systematically develop tailored sub-plans for each newly identified critical function emerging from the latest BIA will be prepared, ensuring they are robust, actionable, and aligned with the overarching framework.

To date, Bentleys have completed approximately half of the work outlined above which has required considerable staff time associated with participation in in workshops, reviewing documents and responding to specific queries raised by Bentleys.

The *Contractor Management Review Internal Audit Report* was received and considered by the Committee at its Meeting held on 25 February 2026.

The Contractor Management Internal Audit identified that high-risk or regulated services (eg capital projects), demonstrate mature practices. However, overall contractor management is fragmented and there are disparate maturity levels in contractor management across the organisation, resulting in differing application of policies, inconsistent induction processes, and limited monitoring of safety and compliance.

Specific areas that have been recommended for improvement by Bentleys are set out below:

- development of a centralised contractor register;
- automated workflow for Contractor Management;
- Contractor Induction Processes to eliminate inconsistent approaches;
- monitoring of contractor safety; and
- training and communication in contractor management.

Separate to the Contractor Management Internal Audit and following a review of the Council's WHS system, a Plan with Programs (PWP) was already developed by Local Government Risk Services (LGRS) in conjunction with Council's Manager, Chief Executives Office, WHS Advisor and the Executive Leadership Team, which identified similar recommendations as those identified in the Internal Audit.

Program Five (5) of the PWP relates to WHS Contractor Management which identified 15 actions. These actions are specifically designed to assist the Council, as a member of the Local Government Association Workers Compensation Scheme, meet the *Return to Work South Australian Performance Standards for Self-Insurers*.

At the time of the Bentleys Internal Audit report being undertaken, in response to the PWP, Council staff had already engaged a contractor to deliver and embed WHS Contractor Management practices using the capability of *Skytrust*, which is the system that the organisation uses to manage the WHS reporting and management processes. This work was initially designed to meet the PWP requirements, however, to assist with implementing the actions identified through the Internal Audit process, in consultation with the Council's WHS Advisor, 16 actions have been added to the contractor's scope of work which is currently underway.

The *Business Continuity Management Internal Audit Report* and the *Contractor Management Review Internal Audit Report* ,identified the extent of work that needs to be undertaken by staff to respond to the recommendations for improvement. While much of the work can be undertaken by external consultants, staff resources are required to manage the consultant arrangements, contribute the required information and embed processes that will remain effective once the consultants work has concluded.

In addition to receiving Internal Audit reports, the Committee is also required to monitor the responsiveness of the Council to recommendations for improvement arising from previous audits, in accordance with Section 126(4)(c) of the Act.

As requested by the Committee, a report which provides a progress update, combines actions taken in response to recommendations for improvement arising from both Internal and External Audits.

The Committee received the first of the consolidated reports at its Meeting held on 25 February 2026.

Internal Audit Work Plan

Section 126(4)(g)(i)(A) of the Act requires that the Committee provide oversight of the planning and scoping of the Internal Audit Work Plan. The Committee approved the current 2025-2027 *Internal Audit Plan*(Internal Audit Plan), on 14 April 2025.

In addition to the BCM Internal Audit and the Contractor Management Internal Audit, the current Internal Audit Plan included an additional two (2) Internal Audits that were to be undertaken in the 2025-2026 Financial Year (noting that the BCM Framework Internal Audit was scheduled to be undertaken in 2024-2025 year and did not conclude until the 2025-2026 year).

This target was overly optimistic and given resourcing constraints and the work required to support the delivery of the BCM Framework Internal Audit and the Contractor Management Internal Audit, it was not possible to undertake any further Internal Audits during the 2025-2026 Financial Year.

Following a subsequent review of the Internal Audit Work Plan by the General Manager, Governance & Civic Affairs, an updated Draft Internal Audit Work Plan has been prepared, as contained within **Attachment A**.

The updated 2025-2027 *Internal Audit Plan* includes the following changes:

- rescheduling the ICT Disaster Recovery Plan Internal Audit to 2026-2027, as this aligns with the work that is being undertaken on the BCM framework and implementation of the Council's IT Strategic Roadmap;
- separating the Procurement component from the Contract Management Internal Audit, in recognition of the effective oversight of Procurement practices provided through the External Audit;
- rescheduling the Contract Management Internal Audit to 2026-2027, as this considers the work that is being undertaken in response to the Contractor Management Internal Audit; and
- rescheduling the Regulatory Services Internal Audit to 2027-2028, as the 2025-2027 *Internal Audit Plan* is aligned to the Bentleys contract, which expires on 30 June 2027, this in effect means the Regulatory Services Internal Audit will be moved of this Internal Audit Plan.

Given resourcing constraints and to ensure that continuous improvement is embedded into the processes, scheduling two (2) Internal Audits per year is reasonable.

It is envisaged that a review of how the Internal Audits are delivered will be undertaken ahead of the expiry of the current contract that is in place with Bentleys. Further work on scoping the Internal Audit Plan beyond the completion of the 2026-2027 Financial Year, will be presented for consideration by the Committee in early 2027.

OPTIONS

Not Applicable.

This report is provided for the purposes of meeting the legislative requirements of Section 99(ib) of the Act and to inform the Committee of required updates to the Internal Audit Plan in accordance with the requirements of Section 126(4)(g)(i)(A) of the Act.

CONCLUSION

The Council's Internal Audit processes are aimed at supporting continuous improvement and adding value to the organisation to achieve strategic and operational objectives that are aligned with community expectations.

The updated 2025-2027 *Internal Audit Plan* recognises the practical reality of the staff resources that are required to undertake Internal Audits, as well as action any recommendations for improvement in a meaningful way and embed effective and sustainable solutions.

Undertaking two (2) Internal Audits in each year provides a reasonable and responsible balance.

RECOMMENDATION

That this report on the Council's Internal Audit Processes be noted, and the updated 2025-2027 Internal Audit Plan, as contained in Attachment A, be endorsed.

Norwood Payneham & St Peters – Strategic Internal Audit Plan FY25 – FY27 // February 2026

Audit project	High-level scope	Proposed timing	Est. hours	Status
Business continuity management	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. Specifically, the following areas are considered: • 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	Complete
Contractor management	Review of contractor management to identify and assess the efficiency and effectiveness of the following and provide any recommendations for improvement: • 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	70 hours	Complete
Contract management review	This audit will assess the compliance of the Council's contract management practices with contractual requirements, internal policies, procedures, and relevant frameworks. Specifically, whether: • Contract management responsibilities and oversight expectations are clearly defined and communicated. • Policies, procedures, guidelines and templates governing contract management are up-to-date, complete and aligned with local council requirements. • Contract managers comply with contract management responsibilities (e.g., performance monitoring, milestone tracking, supplier reporting, issue escalation). • Contract variations, extensions, renewals and closure activities comply with relevant delegations, procurement policy requirements and documentation obligations. • Record-keeping practices meet expectations for completeness, accuracy and traceability. *Out of scope:* • Procurement management.	FY27	70 hours	High-level scope updated and assigned to August 2026

Norwood Payneham & St Peters – Strategic Internal Audit Plan FY25 – FY27 // February 2026

Audit project	High-level scope	Proposed timing	Est. hours	Status
ICT Disaster Recovery Plan (DRP)	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. 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. Our approach will involve: • 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: ○ 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 ○ 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. *Out of scope:* • Business Continuity Plan.	FY27	50 hours	Planned

5.8 DRAFT ANNUAL REPORT OF THE AUDIT & RISK COMMITTEE

REPORT AUTHOR: Manager, Governance
APPROVED BY: General Manager, Governance & Civic Affairs
ATTACHMENTS: A

PURPOSE OF THE REPORT

The purpose of this report is to present the draft Audit & Risk Committee Annual Report to the Committee for approval.

BACKGROUND

Section 126(8)(b) of the *Local Government Act 1999* (the Act), requires a Council's Audit & Risk Committee to provide an Annual Report to the Council on the work of the Committee during the preceding financial year. In accordance with Section 126(9) of the Act, the Council must ensure that the Annual Report of the Committee is included in the Council's Annual Report.

A copy of the draft Audit & Risk Committee Annual Report is contained within **Attachment A**.

STRATEGIC DIRECTIONS

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

RISK MANAGEMENT

Not Applicable.

CONSULTATION

Elected 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

The draft Audit & Risk Committee Annual Report (the Annual Report) highlights that the Committee has performed its functions in accordance with the legislated requirements and its Terms of Reference as determined by the Council. The Annual Report provides a summary of the work that has been undertaken by the Audit & Risk Committee during the 2025-2026 financial year, to fulfill the Committee's purpose and function.

OPTIONS

Not Applicable.

The requirement for the Audit & Risk Committee to provide an Annual Report to the Council is a mandatory requirement under Section 126(8)(b) of the Act. To ensure that the Committee's Annual Report is included in the Council's Annual Report in accordance with Section 126(9) of the Act, the Committee must approve its Annual Report at this meeting.

CONCLUSION

The draft Audit & Risk Committee Annual Report as contained in **Attachment A**, provides a summary of the work of the Council's Audit & Risk Committee for the 2025-2026 Financial Year and meets the Committee's legislative obligation to report to the Council annually in accordance with Section 128(8)9b) of the Act.

RECOMMENDATION

1. *That the draft 2025-2026 Audit & Risk Committee Annual Report (as contained in Attachment A), be approved.*
2. *The Audit & Risk Committee notes that the 2025-2026 Audit & Risk Committee Annual Report will be included in the Council's 2025-2026 Annual Report.*

ANNUAL REPORT OF THE AUDIT & RISK COMMITTEE

The Audit & Risk Committee (the Committee) operates as a Committee of the Council and has been established pursuant to the provisions of Section 41 of the *Local Government Act 1999* (the Act) and in accordance with the requirements of Section 126 of the Act.

The purpose of the Committee is to provide independent assurance and advice to the Council on accounting, financial management, internal controls, risk management and governance matters. Section 126(4) of the Act prescribes the functions of the Audit & Risk Committee (the Committee) which are also captured in the Committee's Terms of Reference that have been adopted by the Council.

This Annual Report provides a summary of the work undertaken by the Committee during the 2025-2026 year and demonstrates how the Committee has effectively fulfilled its legislative functions.

1. Committee Membership

The membership of the Committee is compliant with the requirements of Section 126(2)(a) of the Act, which requires that the majority of the Members of the Committee must be persons who are not members of any Council.

The current Audit & Risk Committee Members were appointed by the Council on 3 March 2025. The Members are:

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

2. Meetings and Attendance

During the 2025-2026 Financial Year the Audit & Risk Committee had four (4) ordinary meetings held on a quarterly basis and one Special Meeting. Section 126(5) of the Act requires that the Council meet on a quarterly basis. Table 1 provides a summary of Meeting dates and attendance for the 2025-2026 Financial Year:

TABLE 1: SUMMARY OF MEETING DATES AND ATTENDANCE FOR THE 2024-2025 FINANCIAL YEAR

Meeting	14 July 2025	15 September 2025 (Special)	13 October 2025	25 February 2026	13 April 2026
Ms Cate Hart (Presiding Member)	✓	✓	✓	X	✓
Mayor Robert Bria	✓	✓	✓	X	✓
Cr Grant Piggott	✓	X	✓	✓	✓
Ms Tami Norman	✓	✓	✓	✓	✓
Mr Kym Holman	✓	✓	✓	✓	X
Key: Present: ✓ Apology: X					

3. Activities

At its Meeting held on 13 October 2025, the Committee approved its meeting dates for 2026 and approved the *2026 Audit and Risk Committee Work Plan* (the Work Plan). The Work Plan provides guidance on the items to be presented at each meeting of the Committee to assist with meeting the legislated functions of the Committee.

The Work Plan and the discussions, resolutions and proceedings of the Committee Meetings have informed the preparation of each of the Audit & Risk Committee reports to the Council, which is required by Section 128(8)(a) of the Act.

A *Report of the Audit & Risk Committee* is presented to the Council, together with the Committee Meeting Minutes, to each Council Meeting immediately following the Committee Meeting. In addition, recommendations made by the Committee to the Council, are included as a recommendation for Council consideration in that report or as required, in a separate report to the Council based on the nature of the matter. This approach ensures that the functions of the Audit & Risk Committee are clearly separated from the primary decision-making role of the Council.

At its Meeting held on 14 July 2025, the Committee approved the *2024-2025 Audit & Risk Committee Annual Report* which was prepared in accordance with Section 126(8)(b) of the Act. The Committee's Annual Report was also included in the *Council's 2024-2025 Annual Report*, as required by Section 126(9) of the Act.

The Terms of Reference for the Committee, require the Committee to evaluate its performance which may include consideration on whether to recommend any updates to the to the Committee's Terms of Reference to ensure that the Committee is operating efficiently and effectively. To facilitate this process, in November 2025 all Committee Members were provided with a template to conduct the self-assessment.

The Committee considered the results of the self-assessment at the Meeting held on 25 February 2026 and resolved to recommend a minor change to the Committee's Terms of Reference to separate the self-assessment process from the Annual Reports process. The Council approved this change to the Committee's Terms of Reference at the Council Meeting held on 3 March 2026.

The following information provides a summary of the work that has been undertaken by the Audit & Risk Committee to fulfill the Committee's purpose and function, during the 2025-2026 Financial Year. The legislative functions of the Audit & Risk Committee have been listed in italics with the summary of the activity underneath.

3.1. Reviewing Annual Financial Statements

Legislative function (Section 126(4)(a) of the Act): ***Reviewing Annual Financial Statements to ensure that the Statements present fairly the state of affairs of the Council.***

At its Meeting on 13 October 2025, the Audit & Risk Committee received and considered reports on the following:

- the Council's 2024-2025 Audited Financial Statements; and
- the 2024-2025 Audited Financial Statements for each of the Regional Subsidiaries of which the Council is a Member (Eastern Health Authority, Eastern Waste Management Authority, ERA Water and the Highbury Landfill Authority).

In considering the Council's Financial Statements, the Committee recommended to the Council that the Audited Financial Statements be adopted, which is an endorsement that the Statements fairly presented the state of affairs of the Council.

3.2. Reviewing Strategic Management Plans or Annual Business Plan

Legislative function (Section 126(4)(b) of the Act)***: Proposing and providing information relevant to, a review of the Council's Strategic Management Plans or Annual Business Plan.***

The Committee engaged in the preparation of the Council's 2026-2027 Annual Business Plan & Budget (Draft ABP&P) in multiple ways which commenced with a presentation providing an overview of the Budget Process which was presented by the Council's Chief Financial Officer to the Committee at its Meeting held on 13 October 2025.

At its Meeting held on 25 February 2026, the Committee received a report on the Council's 2026-2027 Annual Business Plan & Budget Objectives and Parameters which had been approved by the Council at its Meeting held on 3 February 2026.

In addition, the Committee reviewed the Draft ABP&B at its Meeting held on 13 April 2026 following the Council's consideration of the Draft ABP&B at the Council Meeting held on 7 April 2026. The Committee were therefore provided the opportunity to consider the draft ABP&B prior to the Council endorsing the Draft ABP&B for community consultation.

Included within the Draft ABP&B Council report, which was provided to the Committee for consideration, was a review of the updated Long Term Financial Plan (LTFP) financial targets and projections, based on various scenarios put forward in the Draft ABP&B prepared in accordance with the requirements of Section 122(4)(a)(i) which requires that the Council must review its LTFP on an annual basis.

In relation to the Council's Strategic Management Plans as outlined in Section 122 of the Act, at the meeting held on 25 February 2026, the Committee discussed the *Local Government Advice – City of Norwood Payneham & St Peters – Feb 2026* report prepared by the Essential Services Commission of South Australia (ESCOSA).

3.3. Responsiveness to recommendations for improvement

Legislative function (Section 126(4)(c) of the Act): ***Monitoring the responsiveness of the Council to recommendations for improvement based on previous audits and risk assessments, including those raised by the Council's External Auditor.***

As mentioned in Part 3.6 of this report, at its Meeting held on 14 July 2025, the Committee received a report in relation to the Internal Controls component of the External Audit prepared by the Council's Auditor, Galpins. Within this report an update was provided on actions being taken in relation to the three (3) financial controls that were recommended for improvement and a best practice recommendation in relation to the capitalisation of salaries and wages by the Council.

At the Meeting held on 13 October 2025, the Committee received a report providing an update on the actions that the Council has taken in respect to recommendations of recent previous audits raised by the Council's External Auditor, Galpins. When considering their Work Plan at that same Meeting, the Committee Members expressed a preference for one (1) report to be presented which covers both Internal and External Audit recommendations for improvement.

To facilitate the report on recommendations for improvement arising from previous Internal and External Audits, staff consolidated findings from previous audits that have been undertaken since November 2022. A standardised summary of the progress status was used based on the implementation of the recommendation for improvement being 'In progress', 'Completed' or 'Not yet started'. The Committee received the first of the consolidated reports at the Meeting held on 25 February 2026.

While not based on a previous Internal or External Audit, at its Meeting held on 13 April 2026, the Committee received a report providing an update on the Emergency Action Notice that was issued by the Education Standards Board (ESB) in relation to the St Peters Child Care Centre & Preschool. The report included a summary of the actions that were taken to remedy the non-compliances found by the ESB.

3.4. Section 130A Examination reviews

Legislative function (Section 126(4)(d) of the Act): ***Proposing, and reviewing, the exercise of powers under Section 130A of the Local Government Act 1999.***

Section 130A of the Act provides that the Council may request an examination and report on any matter relating to financial management, or the efficiency and economy with which the Council manages or uses its resources to achieve its objectives, that would not otherwise be addressed as part of the External Audit. The Council has not requested such an examination.

While different from a Section 130A examination, findings from the Service Reviews that are undertaken by the Chief Executive Officer, may be shared with the Committee depending on the service being reviewed and the recommended actions arising.

To this end, at its Meeting held on 13 April 2026, the Committee received a report providing an update on the implementation of recommendations of the BRM Advisory Library Services review.

3.5. Liasing with Council's External Auditor

Legislative function (Section 126(4)(e) of the Act): *Liaising with the Council's External Auditor in accordance with any requirements prescribed by the regulations.*

In relation to the above and in accordance with Regulation 17B of the *Local Government (Financial Management) Regulations 2011*, a confidential meeting with the Council's External Auditor, Tim Mulhausler from Galpins, was held on 13 October 2025. During consideration of this item, no Elected Members (other than those who were Committee Members at the time) and no employees of the Council were present.

3.6. Reviewing adequacy of internal controls and financial matters

Legislative function (Section 126(4)(f) of the Act): *Reviewing the adequacy of the accounting, internal controls, reporting and other financial management systems and practices of the Council on a regular basis.*

Pursuant to Section 125(3)(b) of the Act, the Auditor is required to provide the Council with an Audit Opinion as to whether the Internal Controls are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law. At its Meeting held on 14 July 2025, the Committee received and noted the *City of Norwood Payneham & St Peters Financial Controls Review Report*, which was prepared in accordance with Section 129(1)(b) of the Act by the Council's Auditors, Galpins.

In addition to information relating to the Council's internal controls, the Committee also received various reports in relation to the Council's financial management systems and practices on a regular basis. These include, receiving the Budget Review reports which were prepared in accordance with Section 123(13) of the Act and Regulation 9 of the *Local Government (Financial Management) Regulations 2011.* The Budget Review reports were considered at the Committee Meetings held on 13 October 2025 and 13 April 2026.

The report that the Committee received at the Meeting held on 13 October 2025, in relation to the Council's 2024-2025 Financial Results, also included a comparison of the Council's Audited Financial Result to the original 2024-2025 Adopted Budget which was prepared in accordance with Regulation 10 of the *Local Government (Financial Management) Regulations 2011*.

In relation to the Draft ABP&B process (as summarised in Part 3.2) the independent Committee Members were invited to attend Information Briefing Sessions held with Elected Members on 31 March 2026 and 21 April 2026. These sessions were held in relation to the Council's Rating Review which was undertaken by LGiQ. The Rating Review was considered necessary by the Council as part of preparing the Draft ABP&B and provided a comprehensive review of the Council's Rating structure to ensure that the distribution of rates across the community remains equitable, transparent and aligned with contemporary taxation principles.

At the Special Meeting held on 15 September 2025, the Committee received a report on the Payneham Memorial Swimming Centre (PMSC) Redevelopment Project which included a summary of the financial status of the Project.

3.7. Oversight and review of Internal Audit

Legislative function (Section 126(4)(g)(i)(A) of the Act): ***Providing oversight of planning and scoping of the Internal Audit work plan.***

At the Meeting held on 14 July 2025, the Committee received a report in relation to the Council's Internal Audit processes for the 2024-2025 Financial Year. This report is required annually in accordance with Section 99(ib) of the Act.

Based on the *Internal Audit Plan 2025-2027* (Internal Audit Plan), two Internal Audits were conducted in the 2025-2026 year. The final reports for both Internal Audits were presented to the Committee as required by Section 125A(2)(a) of the Act.

Legislative function (section 126(4)(g)(i)(B) of the Act): ***Reviewing and*** **commenting** ***on reports provided by the person primarily responsible for the Internal Audit function at least on a quarterly basis.***

The *Business Continuity Management Internal Audit Report* was received by the Committee at its Meeting held on 13 October 2025. This Internal Audit identified that the Council's Business Continuity Management (BCM) framework is conceptually sound but there were significant recommendations for improvement which are being progressively worked through.

The *Contractor Management Review Internal Audit Report* was received by the Committee at its Meeting held on 25 February 2026. This Internal Audit identified that high-risk or regulated services (eg infrastructure projects) demonstrate mature practices. However, overall contractor management is fragmented, with differing application of policies, inconsistent induction processes, and limited monitoring of safety and compliance. The Council has a plan in place to address the recommendations for improvement.

3.8. Reviewing and evaluating risk management policies, systems and procedures

Legislative function (Section 126(4)(h) of the Act): ***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.***

The above legislative requirement aligns with the other risk management function related changes to the Act which 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 states that:
  '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.'

At the Meeting held on 14 July 2025, the Committee received a presentation from Chris Sweet, Strategic Risk Consultant with Local Government Risk Services (LGRS) who provided an update on the Council's progress through the LGRS Strategic Risk Services Program at that time.

The Committee also reviewed the Council's draft Risk Management Policy at its Meeting held on 14 July 2026 and recommended to the Council, that the Policy be adopted. Importantly, the Policy includes clear responsibilities and was informed by the Council's participation in the LGRS Strategic Risk Services Program ensuring a 'best practice' systemic approach.

A further report on the progress of the Council through the LGRS Strategic Risk Services Program was presented to the Committee at its Meeting held on 25 February 2026. This Report informed the Committee that an updated Risk Management Procedure had been approved to support the Risk Management Policy. The two (2) documents together, supported by staff training and related processes, provide a clear basis for an embedded and effective Risk Management Framework across the Council. The Committee also noted the Council's Strategic Risk Register and the structure supporting the ongoing managing and monitoring of those risks.

In addition to the above, at the same Meeting, the Committee received a report which provided an overview of the Risk Incentive Program funding that is received by the Council through the Local Government Association Workers Compensation Scheme (LGAWCS) and the Local Government Mutual Liability Scheme (LGAMLS). The Risk Incentive Program funding remains a valuable mechanism to assist the Council deliver on Work Health and Safety and general risk management activities.

The Special Meeting of the Committee held on 15 September 2025 was convened to receive a report on the on the status of the PMSC Redevelopment Project and in particular the "High" and "Extreme" risks associated with the project. A further report on the High" and "Extreme" risks associated with the PMSC redevelopment Project was provided to the Committee at its Meeting held on 25 February 2026.

Noting that Climate Change adaptation is a Strategic Risk for the Council and the Local Government Sector, the Committee received the Council's *Climate Change Governance Assessment Report* at the Meeting held on 13 October 2026. The assessment summarised in the Report was conducted using the *InformedCity* Governance Tool which assists to understand the extent that climate change is considered in the corporate operations and governance of the Council.

3.9. Prudential Report reviews

Legislative function (section 126(4)(h) of the Act): ***Reviewing any report obtained by the Council pursuant to Section 48(1) of the Local Government Act 1999.***

At its Meeting held on 25 February 2026, the Committee reviewed and received the *PMSC Gymnasium Project Prudential Report*. While noting that the proposed construction of the gymnasium and carpark in relation to PMSC is predicted to provide a significant positive financial result, the Committee recommended to the Council that before progressing the project, a detailed review of the current LTFP including a Sensitivity Analysis on key assumptions and specific evaluation of The Parade Masterplan project is undertaken. In addition, the Committee recommended to the Council that community engagement be undertaken in respect to the proposed spending of $5.8 million, given the City's current financial position, to achieve future financial returns to Council.

4. Conclusion

Supported by Council staff, the Council's Audit & Risk Committee has worked diligently over the 2025-2026 Financial Year to provide independent assurance and advice to the Council on matters within the scope of its functions.

The review and oversight of accounting, financial management, internal controls, risk management and governance matters provided by the Committee, continues to support the Council to responsibly achieve its objectives and manage its financial affairs.

Through the work undertaken during the 2025-2026 Financial Year, this Annual Report summarises how the Audit & Risk Committee has effectively fulfilled its legislative functions.

6 OTHER BUSINESS

7 CONFIDENTIAL REPORTS

7.1 ST PETERS CHILD CARE CENTRE & PRESCHOOL

RECOMMENDATION 1

That pursuant to Section 90(2) and (3) of the Local Government Act 1999 the Audit & Risk Committee orders that the public, with the exception of the Council staff present, be excluded from the meeting on the basis that the Audit & Risk Committee will receive, discuss and consider:

(a) information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead).

and the Audit & Risk Committee is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

8 NEXT MEETING

Monday, 19 October 2026

9 CLOSURE