

Enabling Priorities

2021 - 2022 Business Plan and Budget Setting the Scene

Audit Committee 5 February 2021

Acting Manager, Finance &
Procurement
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2021 – 2022 Business Plan and Budget

Key Messages

Outline

Proposed Budget Timeframe

Recovery Principles and Funding Framework

Background

LTFP Overview

- Council approved parameters for the 2021-22 Business Plan and Budget (BP&B)

Funding Framework

- Fees and Charges
- Rates
- Assets and Infrastructure
- Operations
- Strategic Projects

Next Steps

Glossary:

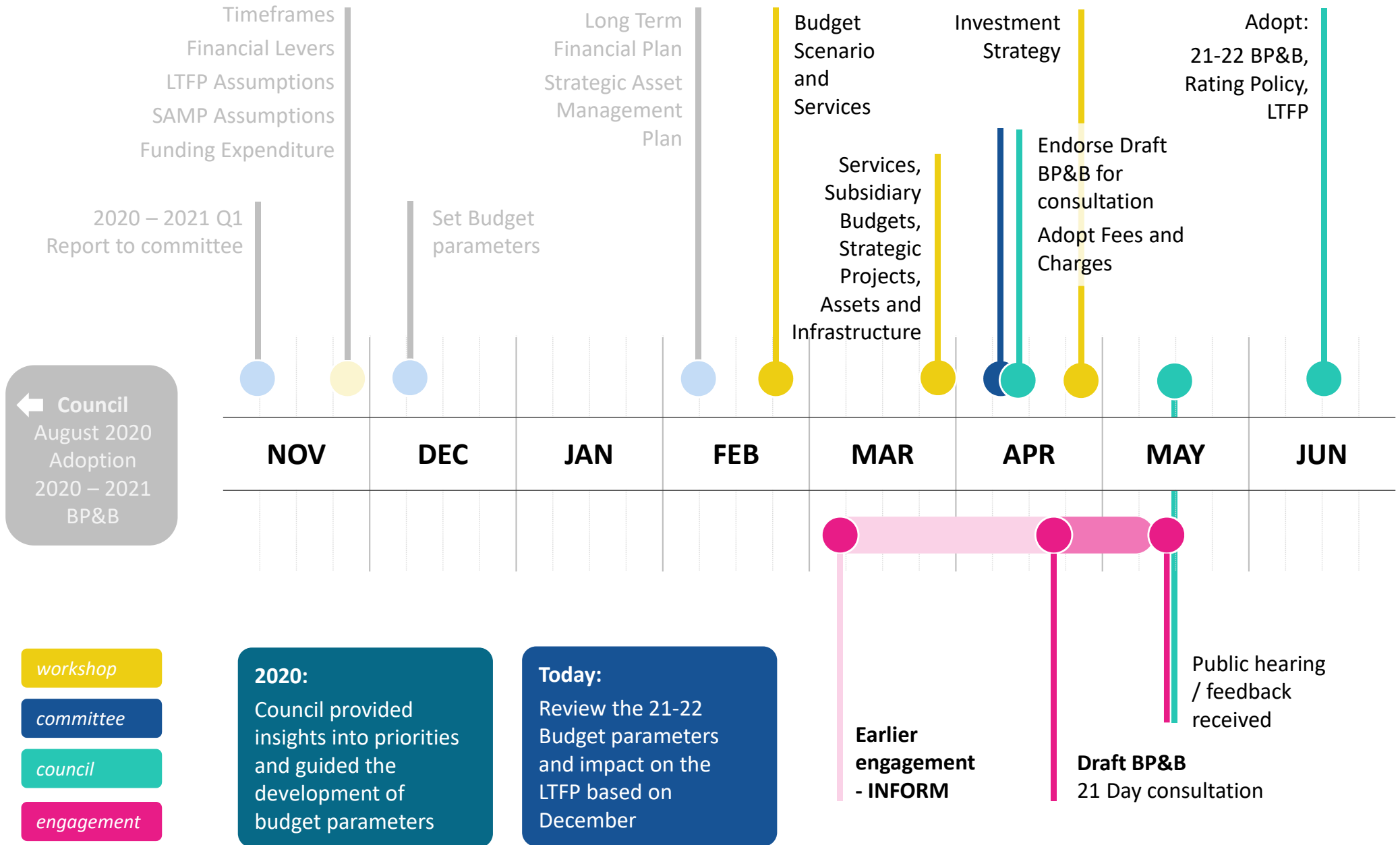
Operating surplus/(deficit): Operating income less operating expenditure measuring changes in Council's net value

Funding surplus/(deficit): Cash receipts less cash payments adjusted for timing variances measuring the level of spending relative to earnings

Asset Renewals: Capital works on existing infrastructure based on asset condition and risk

Asset Enhancements: Capital works on new and significantly upgraded infrastructure

Proposed Budget Timeframe



Recovery Principles and Funding Framework Overview

Recovery Principles

Our rates, fees and charges approach is fair and equitable

Financial borrowings adjusted to stimulate growth

Proceeds from selling assets will build a future fund

Asset renewals will be prioritised based on audit condition and risk

Asset enhancements will be delivered through partnerships

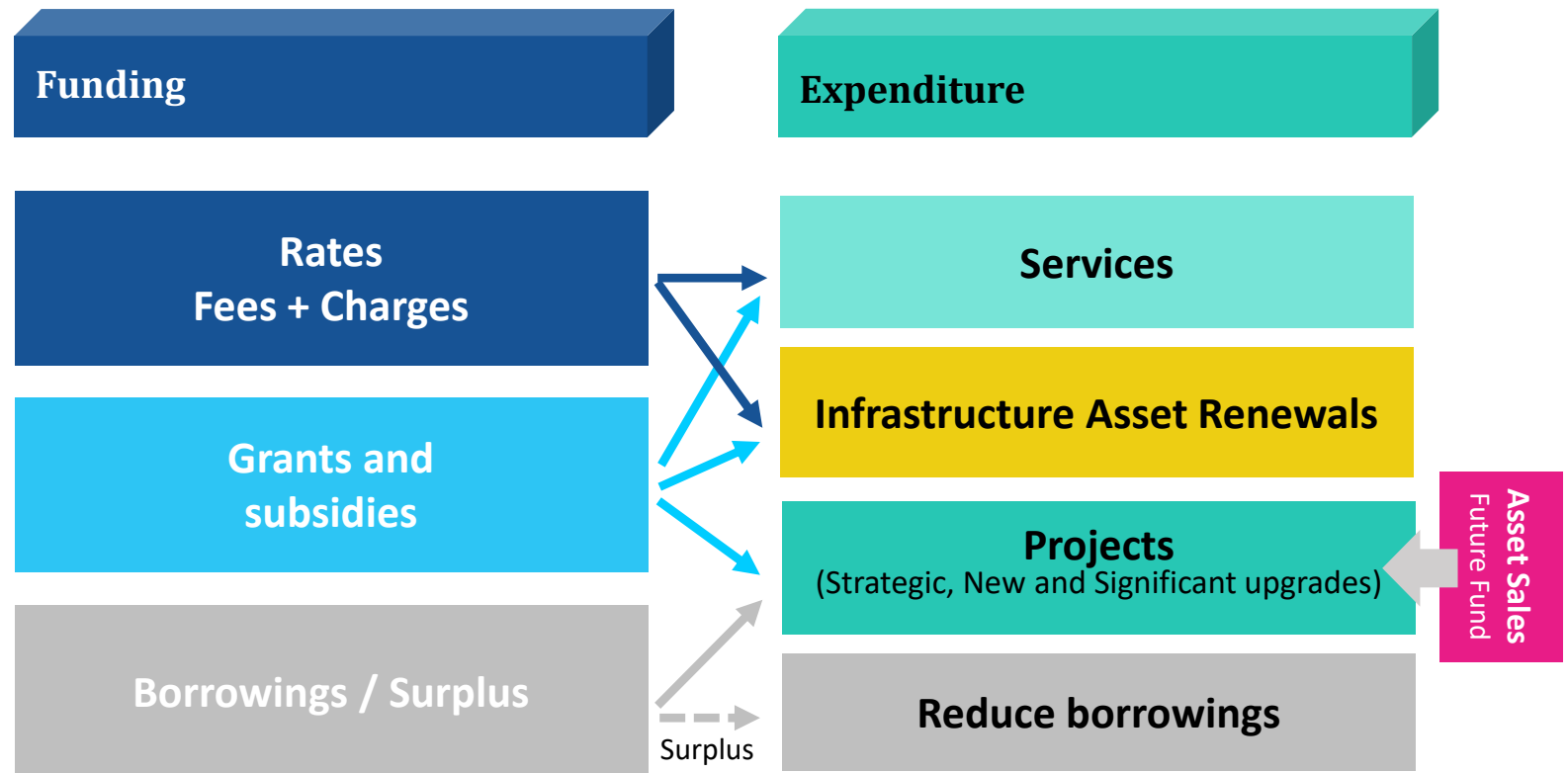
We will seek Government funding for new infrastructure

Our service delivery will reflect the needs of the community

Investment is prioritised to support recovery.

The recovery principles adopted by Council are essential considerations as we work together to build the 2021-22 Business Plan and Budget.

Our funding framework (below) shows the relationship between our funding levers and our expenditure. The decisions we make in relation to the levers below directly impact our Long Term Financial Plan.



Background: Independent Members of the Audit Committee Advice

The Local Government Act at Section 8 (k) requires the Council to uphold and promote the principle to “ensure the sustainability of the council’s long term financial performance and position”.

A number of factors have contributed to the City of Adelaide’s current financial position:

- Seven years of rate freezes, resulting in a loss of rate income equivalent to \$16m over the period if CPI had been applied.
- Continued project spending over the past 3-4 years.
- COVID-19 and a loss of other income, predominately Parking and Rent in the order of \$20m in 2020.
- A commitment to find \$20m savings pa, largely through redundancies, which will impact on administration.
- Concerns with the management of Capital Work in Progress and a number of large write-offs in recent years.
- An operating surplus in 2016/17 of \$17m, followed by deficits of (\$17m) in 2017/18, (\$21m) in 2018/19, (\$19m) in 2019/20 and a forecast (\$39m) in 2020/21.
- A LTFP with many key indicators amber and red in near years and limited confidence in later years applying current assumptions.

On 24 November 2020 the Independent Audit Committee Members recommended that Council consider the following:

- Adopt a Surplus funding model or Breakeven at worst. Future surpluses are needed to repay debt and surpluses are in accordance with LTFP KPI targets.
- Any new projects should be funded through savings such as reduced service levels (based on the service reviews)
- Any decisions on new projects to have appropriate cost benefit analysis, showing how they align with strategic priorities, prior to approval and can demonstrate how they will be funded through prudential reports.

On 15 December 2020 Council considered a report that recommended the adoption of budget parameters to build the 2021-22 BP&B based on a Surplus Funding Model Scenario. Council adopted expenditure and revenue targets based on a rate in the dollar freeze and a rise to fees and charges at CPI.

Current vs forecast

The 2020 – 2021 Business Plan and Budget was built during the early stages of COVID-19. Revenue was impacted and expenditure was adjusted as a result. The LTFP adopted for the current financial year forecasts continuing impacts of COVID-19 – including an ongoing reduction in income.

Over the past few months as restrictions have eased, we have seen an increase in activity in the City, resulting in better than forecast income.

Council adopted expenditure and revenue targets based on a rate in the dollar freeze and a rise to fees and charges at CPI to enable the preparation of the draft 2021-22 BP&P on 15 December 2020

Revenue targets:

- Total Rates Revenue target of not less than \$121.1m, reflecting price movements in property valuations, revenue from new developments, a freeze in the rate in the dollar
- Total fees and charges revenue target of not less than \$73.0m reflecting all fees and charges, based on an increase in line with Consumer Price Index (CPI)

Expenditure targets:

- Strategic Project expenditure target not exceeding \$5.4m, based on 2020-21 commitments across multiple years
- Service Delivery expenditure target not exceeding \$193.6m including subsidiaries. This incorporates a further \$5.2m permanent operational expenditure saving in addition to the \$20 million to be identified in 2020-21

Capital Expenditure:

- Capital expenditure on Renewal and Replacement of Existing Assets of \$27.6m, with an Asset Sustainability ratio of 67%.
- Capital expenditure on New and Upgraded Assets of \$19.2m

LTFP Assumptions

Rates valuation growth is assumed in line with forecast inflation, excluding the growth from new developments

Other revenue and expenditure growth is assumed in line with forecast inflation

Statutory charges reflect dollar or percentage increases as specified by statute

Salaries and wages forecasts are based on current enterprise agreements

Interest rates are relative to market expectations

Capital expenditure is in line with Asset Management Plans

Long Term Financial Plan: current 2021, compared to forecast for 2022:

	Surplus / (Deficit)	Borrowings
<i>Current 20/21 (Proposed QF2)</i>	(\$34.1m)	\$90.3m (52%)
forecast 21/22	(\$0.1m)	\$85.7m (50%)

In the LTFP the current position is an operating deficit of (\$37.4m) and the forecast position for 2021 – 2022 is a deficit of (\$0.1m). This improvement is driven by:

Income – increase \$8.0m

- Increase in rates income \$2.7m based on new developments and property valuations.
- Fees and charges \$7.8m as our revenue streams return to 85% of pre-Covid levels
- Reduction in Grant funding (\$2.4m)

Expenditure – reduction \$26.6m

- One off transition costs in 2020-21 of \$14.4m
- WIP write off is assumed to reduce by \$3.3m as capital expenditure reduces
- Grant expenditure reduction \$2.7m to match reduced grant income
- Reduction in allocation for Strategic Projects \$1.5m
- Further reduction in the delivery of services \$5.2m

Long Term Financial Plan Dashboard

The LTFP Dashboard reflects Council's position using the proposed parameters, expenditure and revenue targets to build the 2021-22 BP&B, as adopted by Council on 15 December 2020:

Financial Indicator	Explanation	Target	2020-21 QF2 (Proposed)	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating Surplus Ratio	Operating surplus as a percentage of operating revenue	0%-20%	(18%)	(0%)	(1%)	(2%)	2%	2%	4%	4%	5%	3%	3%
Net Financial Liabilities	Financial liabilities and a percentage of operating income	Less than 80%	60%	55%	62%	54%	38%	38%	34%	29%	39%	54%	68%
Asset Sustainability Ratio	Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans	90%-110%	74%	67%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Asset Test Ratio	Borrowings as a percentage of total saleable property assets	Maximum 50%	26%	25%	27%	20%	15%	16%	14%	11%	17%	26%	34%
Interest Expense Ratio	Number of times General Rates Revenue (less Landscape Levy) can service the annual interest expense	Maximum 10%	1.1%	1.2%	1.0%	1.2%	1.0%	0.8%	0.8%	0.7%	0.8%	1.2%	1.7%
Leverage Test Ratio	Total borrowings relative to General Rates Revenue (Less Landscape Levy)	Maximum 1.5 years	0.8	0.7	0.8	0.6	0.5	0.5	0.4	0.3	0.5	0.7	1.0
Borrowings (\$m)	Total borrowings	Within Prudential Limits	90.3	85.7	94.6	80.1	59.7	61.9	54.4	45.4	71.8	111.4	149.7
			52%	50%	55%	42%	31%	32%	27%	22%	35%	53%	70%
Operating Position (\$m)	Operating Income less Expenditure	\$2m - \$10m	(34.1)	(0.1)	(1.9)	(3.7)	3.6	3.6	10.0	8.4	12.5	6.4	7.2
Future Fund (\$m)	Proceeds from the sale of Council assets to fund new income generating assets or new strategic capital projects	N/A	0.1	2.2	8.7	33.7	59.2	59.2	59.2	59.2	59.2	59.2	59.2

Long Term Financial Plan Dashboard

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

Financial Indicator	Target	2020-21 QF2 (Proposed)	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating Surplus Ratio	0%-20%	(18%)	0%	(1%)	(2%)	2%	2%	4%	4%	5%	3%	3%

Operating Surplus Ratio (Operating surplus as a percentage of operating revenue)

- This indicator represents the percentage by which the major controllable revenue source varies from day to day operating expenses.
- Financial sustainability is indicated where a council consistently achieves operating surpluses and has soundly based projections showing it can continue to do so in the future, having regard to asset management and the service level needs of its community.
- The 2020-21 through to 2023-24 financial years are forecasted to fall outside the target range. Council’s response to remediate is to permanently reduce operating expenditure by \$20 million, to be identified in the 2020-21 Financial Year, and a further \$5.2 million in 2021-22. This ongoing saving improves the ratio, and overtime operating surpluses are generated to reduce borrowings and reinvest from 2024-25.

Financial Indicator	Target	2020-21 QF2 (Proposed)	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Net Financial Liabilities	Less than 80%	60%	55%	62%	54%	38%	38%	34%	29%	39%	54%	68%

Net Financial Liabilities (Financial liabilities and a percentage of operating surplus)

- This indicator represents the significance of the net amount owed compared with operating revenue.
- City of Adelaide’s net financial liabilities are within the prescribed target.

Long Term Financial Plan Dashboard

Financial Indicator	Target	2020-21 QF2 (Proposed)	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Asset Sustainability Ratio	90%-110%	74%	67%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Asset Sustainability Ratio (Expenditure on asset renewals as a % of forecast required expenditure in the asset management plans)

- This indicator expresses expenditure on asset renewals as a percentage of the projected funding required for asset renewal. It indicates whether existing assets are being replaced or renewed at the rate they are being consumed and ensures consistent service delivery as determined by the Asset Management Plans (AMPs).
- The Infrastructure and Asset Management Plans (AMPs) are currently being reviewed and updated including asset levels of service, taking into account community needs, population density/growth impacts and asset management principles.
- The Sustainability ratio falls outside of the target range for 2020-21 and 2021-22. Consideration will need to be made for the Long Term Financial Plan funding to take a longer term view on asset replacement to ensure it does not interfere with renewals over the life of the plan.

Financial Indicator	Target	2020-21 QF2 (Proposed)	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Asset Test Ratio	Maximum 50%	26%	25%	27%	20%	16%	16%	14%	11%	17%	26%	35%
Interest Expense Ratio	Maximum 10%	1.1%	1.2%	1.0%	1.2%	1.0%	0.8%	0.8%	0.7%	0.8%	1.2%	1.7%
Leverage Test Ratio	Maximum 1.5 years	0.8	0.7	0.8	0.6	0.5	0.5	0.4	0.3	0.5	0.7	1.0

Borrowings (Expenditure on asset renewals as a % of forecast required expenditure in the asset management plans)

- The maximum level of debt is prescribed by Council by way of prudential limits. While Council does not place a physical monetary limit on the level of borrowings, an upper limit is determined through its financial indicators.
- Prudential limits are breached when one of the ratios fall outside of the targets stipulated in the Treasury and Cash Investment Policy.
- City of Adelaide's borrowings are within the prescribed targets across the Long Term Financial Plan

Long Term Financial Plan Dashboard

Financial Indicator	Target	2020-21 QF2 (Proposed)	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Future Fund (\$m)	N/A	0.1	2.2	8.7	33.7	59.2	59.2	59.2	59.2	59.2	59.2	59.2

Future Fund (Proceeds from the sale of Council assets to fund new income generating assets or new strategic capital projects)

- The Future Fund projections over the LTFP are based on existing decisions of Council to divest under performing assets
- There is currently no utilisation of the Future Fund built within the LTFP, nor corresponding increases in revenue or expenditure as a result of the income generating assets. An investment strategy is currently under development which will harness the funds to develop new revenue streams for the City, as directed by Council on the 15 December 2020.
- Utilisation of the Future Fund will result in a redraw of borrowings
- Council has resolved to develop an investment strategy which will harness the funds in order to develop new revenue streams for the City. This will include principles and guidelines for the evaluation of business cases to ensure that maximum benefits are realised.

Financial Sustainability over the LTFP

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

Financial Sustainability is based on the principles that:

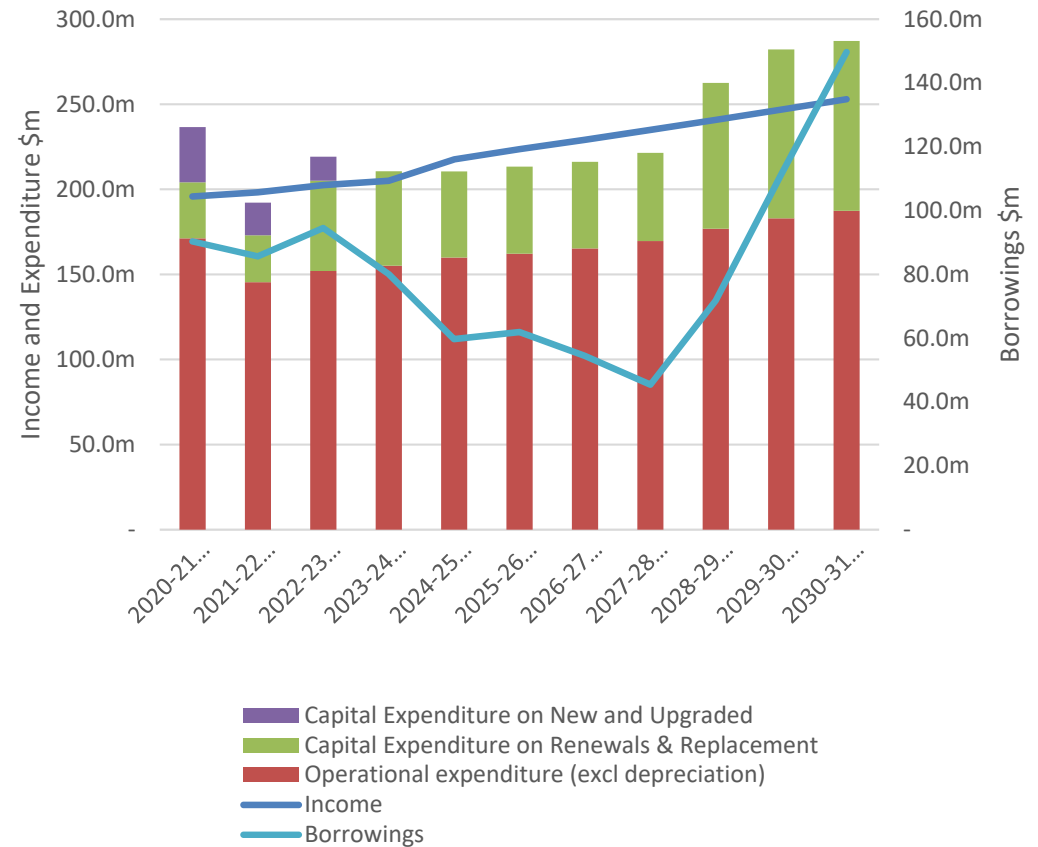
- The current generation are able to “pay their way” by funding the services and infrastructure they utilise
- Investments in new infrastructure and assets funded through borrowings will not over burden future generations

The current projections in the LTFP Based on Council’s current Asset register and projected expenditure to renew and replace these assets:

- Borrowings are required to fund major renewals in years 7-10 of the LTFP
- \$20m permanent reduction to our operating expenditure identified in 2020-21, with a proposed additional \$5.2m reduction in 2021-22 will require cuts or reductions to services

In order to improve our financial sustainability, Council has the opportunity to:

- Review and set levels of service for the Infrastructure Assets within the Asset Management Plans. This will include options to investigate divesting assets and/or to seek external funding.
- Increase rates revenue, and seek new revenue generating activities



Rates

Assumptions:

The LTFP assumes rates growth at 3% for rates income from 2022-23. This growth comes from: valuation uplift; and/or rate in the dollar increase; and new developments.

The 2021-22 budget parameters are:

- Property valuations to be held at previous year
- New developments 1.24% based on market analysis
- Rate in the dollar to be frozen

Note:

Projected rates income from the Central Market Arcade Redevelopment and 88 O'Connell Street have been incorporated

Impact on existing income streams as the result of Council decisions to date on the Strategic Property Action Plan

COVID-19 has had a significant impact on the economy which may flow through to the property market and property valuations in future years. Investment in new developments and capital improvements may also soften due to the weaker economic conditions.

\$	2020-21 QF2 (Proposed)	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
General Rates (including rebates & remissions)	112.7m	115.1m	118.0m	121.3m	125.7m	130.0m	133.8m	137.6m	141.5m	145.5m	149.5m
Landscape Levy	1.8m	1.8m	1.9m	1.9m	2.0m	2.0m	2.1m	2.1m	2.2m	2.3m	2.3m
Rundle Mall Separate Rate	3.9m	4.0m	4.1m	4.2m	4.3m	4.4m	4.5m	4.7m	4.8m	4.9m	5.1m
Penalties for Late Payment	0.1m	0.2m	0.3m	0.3m	0.3m	0.3m	0.3m	0.3m	0.3m	0.3m	0.3m
Total Income	118.5m	121.1m	124.2m	127.7m	132.3m	136.7m	140.6m	144.7m	148.8m	153.0m	157.2m

Risks

- The revised forecast assumes valuations will be held for 2021-2022. If market conditions remain at current levels and Council continues to hold valuations in future years, this will have further implications on income in future years
- Potential decision of Council to continue to freeze the rate in the dollar beyond 2021-22

Opportunities

- Rates revenue as a result of potential future developments occurring as a result of the sale of underperforming assets, as well as any further Strategic Property Assets approved for sale.
- An Economic policy to be developed which will achieve a rate revenue growth of no less than 3% per annum

Fees and Charges

Assumptions:

For the 2020-21 financial year Fees and Charges are currently frozen as per Council's decision.

The LTFP assumes that fees and charges will increase in line with the CPI (1.25 - 2%) as per the budget parameters adopted by Council

COVID-19 has had a significant impact on the income received from fees and charges. Fees and charges contribute approximately 40% of Council's total revenue. This income is derived from a range of fees and changes that Council has an ability to influence.

\$	2020-21 QF2	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Statutory Charges	9.9m	11.9m	12.0m	12.2m	12.4m	12.6m	12.8m	13.1m	13.3m	13.6m	13.9m
User Charges	55.3m	61.1m	62.3m	61.0m	68.7m	69.9m	71.2m	72.6m	74.1m	75.5m	77.1m
Total Income	65.2m	73.0m	74.3m	73.2m	81.1m	82.5m	84.0m	85.7m	87.4m	89.1m	90.9m

Note:

- 85-90% of pre COVID-19 income
- Income derived from Central Market Arcade Redevelopment once developed
- Ongoing impact of the City Support package through rent waivers and deferrals
- Impact on existing income streams as the result of Council decisions to date on the Strategic Property Action Plan

Risks

- Our fees and charges income is volatile and vulnerable to environmental and market conditions, as experienced with COVID-19

Opportunities

- Revenue streams that will result from the utilisation of the Future Fund

Strategic Projects

Assumptions:

2021-22 projects of \$5.4m

- Adelaide Free Wi-Fi \$0.9m
- Christmas Festival \$0.2m
- City Wide Waste and Recycling Program \$1.0m
- Kirrawirra Park / River Torrens Wetlands and Urban Nature Space \$2.5m (50/50 funding from State Government)
- Splash \$0.71m
- Shared Arts & Cultural Grants (with State Government) \$0.05m

Strategic Projects are one-off projects that support the delivery of Council's Strategic Plan. Depending on the nature of the project, they may require multiple years of funding and a commitment in the LTFP to deliver.

\$	2020-21 QF2	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Employee Costs	0.3m	-	-	-	-	-	-	-	-	-	-
Materials, Contracts & Other Expenses	5.5m	5.5m	6.9m	7.0m	7.1m	7.2m	7.4m	7.5m	7.7m	7.8m	8.0m
Strategic Projects	8.8m	5.5m	6.9m	7.0m	7.1m	7.2m	7.4m	7.5m	7.7m	7.8m	8.0m

Risks

- Non-delivery of the Strategic Plan actions

Opportunities

- Council has some scope to reassess its strategic priorities including increasing or decreasing funding for Strategic Projects.

Operations (Services)

Assumptions:

Employee costs to increase as per relevant Enterprise Agreements

Other Expenditure to increase in line with CPI (1.25-2%)

The \$20m reduction in operating expenditure is a re-baselining within our LTFP to improve our financial position.

Council and the community will be further engaged on levels of service as we build Asset Management Plans and the Draft BP&B.

On 13 August 2020 Council adopted the 2020-21 Business Plan and Budget. The 2020-21 BP&B and LTFP adopted a \$20 million reduction in operating expenditure which is represented within the LTFP in 2021 – 2022. A further \$5.2m reduction was adopted as part of the 2021-22 BP&B parameters.

\$	2020-21 QF2	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Employee Costs	77.6m	71.8m	73.3m	74.9m	76.5m	78.1m	79.7m	81.3m	83.0m	84.7m	86.4m
Materials, Contracts & Other Expenses	82.5m	66.8m	69.4m	70.8m	74.1m	74.9m	76.5m	79.2m	84.6m	88.3m	90.0m
Depreciation, Amortisation & Impairment	53.0m	52.8m	52.4m	53.7m	54.1m	57.9m	53.8m	57.0m	51.4m	57.4m	58.4m
Finance Costs	2.2m	2.2m	2.4m	2.5m	2.1m	1.9m	1.7m	1.5m	1.6m	2.1m	2.9m
Total Expenses	215.3m	193.6m	197.6m	201.7m	206.8m	212.7m	211.7m	219.0m	220.6m	232.5m	237.8m

Note:

- Approximately \$18m of the \$20m permanent reduction to our operating expenditure has been identified as at January 2021.
- Council will workshop and prioritise the additional \$2m in February
- An additional \$5.2m reduction in operational expenditure is required as a result of the expenditure target of \$193.6m

Risks

- Reduction of services as a result of the identification of the \$2 million of savings to achieve the \$20 million and the additional \$5.2 million in permanent operating expenditure savings

Opportunities

- Level of Service provision through assessment and contestability
- Council's role in the delivery of services, including those we may stop
- Community engagement on service satisfaction and level of service
- Greater service performance understanding

Capital Expenditure on Renewals and Replacement of Assets

Assumptions:

The program for 2021-22 has been prioritised on condition audit (risk of failure), risk (consequence of failure) and delivery readiness.

The LTFP projects renewal expenditure required based on our existing assets. Any investment or divestment of assets will result in adjustments to the LTFP.

Note:

Council needs to consider the performance, risk profile and costs of managing its assets across the whole service life.

The Strategic Asset Management Plan and Asset Management Plans will guide future investment requirements

Council currently has an asset base worth \$1.99 billion and the LTFP forecasts an expenditure of approximately \$20 million in 2021 – 22 for asset renewals.

\$	2020-21 QF2	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Infrastructure Renewals	25.0m	20.0m	48.1m	50.8m	45.1m	45.7m	45.1m	45.7m	83.3m	97.9m	98.3m
Plant, Fleet & Equipment	2.9m	1.7m	1.8m	1.7m	1.9m	1.8m	1.8m	2.0m	1.9m	1.9m	2.0m
IT Renewals	1.4m	1.6m	1.7m	1.7m	1.8m	1.8m	1.8m	1.9m	1.9m	2.0m	2.0m
ACMA Renewals	2.8m	-	-	-	-	-	-	-	-	-	-
Corporate Overhead	2.7m	7.3m	7.4m	7.5m	7.6m	7.8m	7.9m	8.1m	8.2m	8.4m	8.6m
WIP write-off	(2.0m)	(3.1m)	(5.9m)	(6.2m)	(5.6m)	(5.7m)	(5.7m)	(5.8m)	(9.5m)	(11.0m)	(11.1m)
Total Renewal and Replacement of Assets	32.9m	27.6m	53.0m	55.5m	50.6m	51.2m	50.9m	51.8m	85.7m	99.2m	99.8m

Risks

- Borrowings are required to fund major renewals in years 7-10 of the LTFP
- No renewal expenditure has been incorporated into the LTFP for ACMA
- Further reductions to the renewal program could result in an asset sustainability ratio outside of the target range (90-110%)

Opportunities

- Divest/Secure external funds for assets such as Adelaide Bridge, Weir and Grenfell/Currie – ability to reduce the overall cost burden
- Review/Decrease Levels of Service to find optimal cost effectiveness
- Council to Seek and Secure External Funding (State/Federal/Private)
- Optimisation modelling to stretch Council's dollar further

Capital Expenditure on New and Upgraded Assets

Assumptions:

New and Upgraded Assets are included based on existing Council Decisions, including joint funded projects with the State Government, and future income generating assets such as the Central Market Arcade Redevelopment.

Council currently has an asset base worth \$1.99 billion and the LTFP forecasts an expenditure of approximately \$20 million in 2021 – 22 for asset renewals.

\$	2020-21 QF2	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
CoA New and Upgraded Assets	31.1m	19.4m	14.2m	-	-	-	-	-	-	-	-
ACMA New and Upgraded	2.5m	-	-	-	-	-	-	-	-	-	-
WIP write-off	(3.9m)	(0.2m)	-	-	-	-	-	-	-	-	-
Total Expenditure of New and Upgraded Assets	32.5m	19.2m	14.2m	73.2m	81.1m	82.5m	84.0m	85.7m	87.4m	89.1m	90.9m

Note:

New and Upgraded projects are incorporated into the LTFP once a decision of Council is made.

Risks

- New jointly funded projects which are not presently incorporated in the LTFP

Opportunities

- Utilisation of the Future Fund to Invest in new income generating assets or to fund capital projects of a strategic nature

LTFP – Operating Summary

The Operating Summary provides a breakdown of the operational income and expenditure and is presented in a format consistent with the Statement of Comprehensive Income.

\$'000s	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Income											
Rates Revenues	118,454	121,123	124,150	127,680	132,250	136,698	140,643	144,667	148,772	152,958	157,228
Statutory Charges	9,886	11,869	11,976	12,173	12,373	12,576	12,819	13,068	13,322	13,580	13,852
User Charges	55,296	61,083	62,274	61,012	68,685	69,893	71,225	72,637	74,076	75,544	77,085
Grants, Subsidies and Contributions	5,419	3,029	3,074	3,128	3,182	3,238	3,303	3,369	3,436	3,505	3,575
Investment Income	35	25	26	26	27	27	28	28	29	29	30
Reimbursements	668	699	710	722	735	748	763	778	794	810	826
Other Income	327	303	308	313	318	324	331	337	344	351	358
Total Income	190,086	198,131	202,518	205,054	217,570	223,505	229,112	234,885	240,772	246,777	252,954
Expenses											
Employee Costs	77,896	71,712	73,285	74,854	76,458	78,096	79,689	81,315	82,974	84,667	86,405
Materials, Contracts & Other Expenses	91,079	71,497	76,309	77,739	81,229	82,123	83,829	86,762	92,255	96,130	98,001
Depreciation, Amortisation & Impairment	53,006	52,829	52,446	53,675	54,111	57,853	53,846	56,951	51,418	57,386	58,420
Finance Costs	2,162	2,192	2,376	2,462	2,144	1,863	1,732	1,505	1,602	2,148	2,911
Total Expenses	224,143	198,231	204,416	208,730	213,942	219,934	219,096	226,532	228,249	240,331	245,737
Operating Surplus / (Deficit)	(34,057)	(101)	(1,898)	(3,677)	3,628	3,570	10,016	8,353	12,524	6,446	7,217
Asset Disposal & Fair Value Adjustments	791	(861)	2,090	2,213	-	-	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	7,877	132	-	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	(25,390)	(830)	192	(1,464)	3,628	3,570	10,016	8,353	12,524	6,446	7,217
Changes in Revaluation Surplus - I,PP&E	-	-	-	42,873	-	-	-	-	-	-	-
Net Actuarial Gains/(Loss) on Defined Benefit Plan	-	-	-	-	-	-	-	-	-	-	-
Total Other Comprehensive Income	-	-	-	42,873	-	-	-	-	-	-	-
Total Comprehensive Income	(25,390)	(830)	192	41,409	3,628	3,570	10,016	8,353	12,524	6,446	7,217

LTFP – Uniform Presentation of Finances

The Uniform Presentation of Finances provides a summary of the operations, net outlays on existing assets and net outlays on new and upgraded assets.

\$'000s	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Income	190,086	198,131	202,518	205,054	217,570	223,505	229,112	234,885	240,772	246,777	252,954
less Expenses	(224,143)	(198,231)	(204,416)	(208,730)	(213,942)	(219,934)	(219,096)	(226,532)	(228,249)	(240,331)	(245,737)
Operating Surplus / (Deficit) before Capital Amounts	(34,057)	(101)	(1,898)	(3,677)	3,628	3,570	10,016	8,353	12,524	6,446	7,217
Net Outlays on Existing Assets											
Capital Expenditure on Renewal & Replacement of Existing Assets	(32,898)	(27,563)	(53,004)	(55,539)	(50,627)	(51,210)	(50,878)	(51,804)	(85,707)	(99,217)	(99,806)
add back Depreciation, Amortisation and Impairment	53,006	52,829	52,446	53,675	54,111	57,853	53,846	56,951	51,418	57,386	58,420
add back Proceeds from Sale of Replaced Assets	751	-	-	-	-	-	-	-	-	-	-
Net Outlays on Existing Assets	20,859	25,266	(558)	(1,864)	3,483	6,643	2,968	5,146	(34,289)	(41,831)	(41,386)
Net Outlays on New and Upgraded Assets											
Capital Expenditure on New and Upgraded Assets	(32,467)	(19,190)	(14,188)	-	-	-	-	-	-	-	-
add back Amounts received specifically for New and Upgraded Assets	4,977	132	-	-	-	-	-	-	-	-	-
add back Proceeds from Sale of Surplus Assets		2,100	6,500	25,000	25,500	-	-	-	-	-	-
Net Outlays on New and Upgraded Assets	(27,490)	(16,958)	(7,688)	25,000	25,500	-	-	-	-	-	-
Net Lending / (Borrowing) for Financial Year	(41,348)	8,208	(10,144)	19,459	32,612	10,213	12,984	13,499	(21,766)	(35,385)	(34,169)

The complete set of Financial Statements are included in the Appendix

Long Term Financial Plan Dashboard

The LTFP Dashboard reflects Council's position using the proposed parameters, expenditure and revenue targets to build the 2021-22 BP&B, as adopted by Council on 15 December 2020:

Financial Indicator	Explanation	Target	2020-21 QF2 (Proposed)	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating Surplus Ratio	Operating surplus as a percentage of operating revenue	0%-20%	(18%)	(0%)	(1%)	(2%)	2%	2%	4%	4%	5%	3%	3%
Net Financial Liabilities	Financial liabilities and a percentage of operating income	Less than 80%	60%	55%	62%	54%	38%	38%	34%	29%	39%	54%	68%
Asset Sustainability Ratio	Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans	90%-110%	74%	67%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Asset Test Ratio	Borrowings as a percentage of total saleable property assets	Maximum 50%	26%	25%	27%	20%	15%	16%	14%	11%	17%	26%	34%
Interest Expense Ratio	Number of times General Rates Revenue (less Landscape Levy) can service the annual interest expense	Maximum 10%	1.1%	1.2%	1.0%	1.2%	1.0%	0.8%	0.8%	0.7%	0.8%	1.2%	1.7%
Leverage Test Ratio	Total borrowings relative to General Rates Revenue (Less Landscape Levy)	Maximum 1.5 years	0.8	0.7	0.8	0.6	0.5	0.5	0.4	0.3	0.5	0.7	1.0
Borrowings (\$m)	Total borrowings	Within Prudential Limits	90.3	85.7	94.6	80.1	59.7	61.9	54.4	45.4	71.8	111.4	149.7
			52%	50%	55%	42%	31%	32%	27%	22%	35%	53%	70%
Operating Position (\$m)	Operating Income less Expenditure	\$2m - \$10m	(34.1)	(0.1)	(1.9)	(3.7)	3.6	3.6	10.0	8.4	12.5	6.4	7.2
Future Fund (\$m)	Proceeds from the sale of Council assets to fund new income generating assets or new strategic capital projects	N/A	0.1	2.2	8.7	33.7	59.2	59.2	59.2	59.2	59.2	59.2	59.2

Next steps

Other relevant items

Over the next three months Council will also consider other components that make up the 21-22 Business Plan and Budget – from Strategic Projects, Infrastructure and Assets and Fees and charges.

Other relevant considerations running concurrently during this process include:

- Rating Policy review
- Long Term Financial Plan
- Strategic Asset Management Plan
- Ongoing work as part of the Strategic Property Review
- Investment Strategy (Future Fund) workshop

February

- LTFP update following QF2 approval
- Budget overview of Income and Expenditure
- Services introduction and budget summary by service

March

- Services conversation continued, including prioritised services for contestability
- Strategic Projects and Infrastructure and Assets workshops
- Subsidiary Business Plans and Budgets
- Early community engagement focused on informing the community of early budget conversations and outcomes

April

- Endorse Draft BP&B for consultation
- Adopt Fees and Charges
- 21 Day Public Consultation on Draft

May

- Public hearing on consultation (*pending legislation changes*)

June

- Adopt BP&B, LTFP and Rates

Appendices

1. LTFP Assumptions
2. LTFP - Financial Statements

LTFP Assumptions

Long Term Financial Plan: the proposed budget assumptions that underpin the LTFP:

Parameter	Assumption	20-21 QF2	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31
Other Income and Expenditure	<i>Inflation (Adelaide CPI)</i>	2.30%	1.25%	1.50%	1.75%	1.75%	1.75%	2.00%	2.00%	2.00%	2.00%	2.00%
Rates - New Developments	1%	2.20%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Rates - Existing Valuations	<i>Adelaide CPI</i>	1.00%	1.25%	1.50%	1.75%	1.75%	1.75%	2.00%	2.00%	2.00%	2.00%	2.00%
Interest Rate	<i>Current interest rate 1.5%</i>	2.00%	1.35%	1.60%	1.85%	1.85%	1.85%	2.00%	2.00%	2.00%	2.00%	2.00%
Employee costs	<i>Enterprise Agreements*</i>	2.0% - 2.5%	2.0% - 2.5%	2.0% - 2.5%	2.0% - 2.5%	2.0% - 2.5%	2.0% - 2.5%	2.0% - 2.5%	2.0% - 2.5%	2.0% - 2.5%	2.0% - 2.5%	2.0% - 2.5%
Employee costs - Super Increase	<i>Super Increase</i>	0%	0.50%	0.50%	0.50%	0.50%	0.50%	0%	0%	0%	0%	0%

* The LTFP assumption for employee costs are subject to negotiations and external factors such as inflation and unemployment rates, and therefore may be subject to change over the plan

LTFP – Statement of Comprehensive Income

\$'000s	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Income											
Rates Revenues	118,454	121,123	124,150	127,680	132,250	136,698	140,643	144,667	148,772	152,958	157,228
Statutory Charges	9,886	11,869	11,976	12,173	12,373	12,576	12,819	13,068	13,322	13,580	13,852
User Charges	55,296	61,083	62,274	61,012	68,685	69,893	71,225	72,637	74,076	75,544	77,085
Grants, Subsidies and Contributions	5,419	3,029	3,074	3,128	3,182	3,238	3,303	3,369	3,436	3,505	3,575
Investment Income	35	25	26	26	27	27	28	28	29	29	30
Reimbursements	668	699	710	722	735	748	763	778	794	810	826
Other Income	327	303	308	313	318	324	331	337	344	351	358
Total Income	190,086	198,131	202,518	205,054	217,570	223,505	229,112	234,885	240,772	246,777	252,954
Expenses											
Employee Costs	77,896	71,712	73,285	74,854	76,458	78,096	79,689	81,315	82,974	84,667	86,405
Materials, Contracts & Other Expenses	91,079	71,497	76,309	77,739	81,229	82,123	83,829	86,762	92,255	96,130	98,001
Depreciation, Amortisation & Impairment	53,006	52,829	52,446	53,675	54,111	57,853	53,846	56,951	51,418	57,386	58,420
Finance Costs	2,162	2,192	2,376	2,462	2,144	1,863	1,732	1,505	1,602	2,148	2,911
Total Expenses	224,143	198,231	204,416	208,730	213,942	219,934	219,096	226,532	228,249	240,331	245,737
Operating Surplus / (Deficit)	(34,057)	(101)	(1,898)	(3,677)	3,628	3,570	10,016	8,353	12,524	6,446	7,217
Asset Disposal & Fair Value Adjustments	791	(861)	2,090	2,213	-	-	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	7,877	132	-	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	(25,390)	(830)	192	(1,464)	3,628	3,570	10,016	8,353	12,524	6,446	7,217
Changes in Revaluation Surplus - I,PP&E	-	-	-	42,873	-	-	-	-	-	-	-
Net Actuarial Gains/(Loss) on Defined Benefit Plan	-	-	-	-	-	-	-	-	-	-	-
Total Other Comprehensive Income	-	-	-	42,873	-	-	-	-	-	-	-
Total Comprehensive Income	(25,390)	(830)	192	41,409	3,628	3,570	10,016	8,353	12,524	6,446	7,217

LTFP – Statement of Financial Position

\$'000s	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Current Assets											
Cash and Cash Equivalents	800	800	800	800	800	800	800	800	800	800	800
Trade & Other Receivables	13,470	13,121	13,089	13,164	13,935	14,311	14,669	15,038	15,414	15,798	16,193
Other Financial Assets	46	41	37	33	30	27	24	22	20	18	16
Inventories	576	576	576	576	576	576	576	576	576	576	576
Total Current Assets	14,892	14,539	14,502	14,573	15,341	15,714	16,069	16,436	16,810	17,192	17,585
Non-Current Assets											
Financial Assets	277	249	225	202	182	164	147	133	119	107	97
Equity Accounted Investments in Council Businesses	605	605	605	605	605	605	605	605	605	605	605
Investment Property	2,574	2,600	2,626	2,652	2,679	2,705	2,732	2,760	2,787	2,815	2,843
Infrastructure, Property, Plant & Equipment	1,872,993	1,882,086	1,892,422	1,914,373	1,885,389	1,885,712	1,882,744	1,877,598	1,911,887	1,953,718	1,995,104
Other Non-Current Assets	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161
Total Non-Current Assets	1,878,610	1,887,701	1,898,039	1,919,992	1,891,015	1,891,347	1,888,390	1,883,256	1,917,560	1,959,407	2,000,810
TOTAL ASSETS	1,893,502	1,902,240	1,912,540	1,934,566	1,906,356	1,907,060	1,904,459	1,899,691	1,934,369	1,976,598	2,018,395
Current Liabilities											
Trade & Other Payables	24,584	22,705	22,747	29,675	23,225	23,285	23,351	23,424	22,167	22,246	21,660
Provisions	12,064	12,305	12,551	12,802	13,058	13,320	13,586	13,858	14,135	14,418	14,706
Other Current Liabilities	3,290	5,093	5,140	5,276	5,434	5,504	4,513	3,291	4,144	3,473	3,599
Total Current Liabilities	39,938	40,104	40,439	47,754	41,718	42,108	41,450	40,573	40,446	40,136	39,965
Non-Current Liabilities											
Trade & Other Payables	293	1,293	7,293	293	293	293	293	293	293	293	293
Borrowings	90,345	85,678	94,560	80,104	59,703	61,916	54,435	45,447	71,836	111,364	149,677
Provisions	1,584	1,616	1,648	1,681	1,715	1,749	1,784	1,820	1,856	1,893	1,931
Other Non-Current Liabilities	33,745	46,782	41,642	36,366	30,932	25,428	20,915	17,624	13,480	10,007	6,408
Total Non-Current Liabilities	125,967	135,370	145,143	118,444	92,643	89,386	77,427	65,184	87,466	123,558	158,310
TOTAL LIABILITIES	165,906	175,474	185,582	166,198	134,360	131,495	118,877	105,757	127,911	163,694	198,274
Net Assets	1,727,596	1,726,766	1,726,958	1,768,368	1,771,996	1,775,566	1,785,582	1,793,934	1,806,458	1,812,904	1,820,120
EQUITY											
Accumulated Surplus	791,901	788,971	782,663	756,200	734,328	737,898	747,914	756,266	768,790	775,236	782,452
Asset Revaluation Reserves	934,010	934,010	934,010	976,883	976,883	976,883	976,883	976,883	976,883	976,883	976,883
Other Reserves	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612
Future Reserve Fund	73	2,173	8,673	33,673	59,173	59,173	59,173	59,173	59,173	59,173	59,173
Total Council Equity	1,727,596	1,726,766	1,726,958	1,768,368	1,771,996	1,775,566	1,785,582	1,793,934	1,806,458	1,812,904	1,820,120

LTFP – Statement of Changes in Equity

\$'000s	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Balance at the end of previous reporting period	1,752,986	1,727,596	1,726,766	1,726,958	1,768,368	1,771,996	1,775,566	1,785,582	1,793,934	1,806,458	1,812,904
a. Net Surplus / (Deficit) for Year	(25,390)	(830)	192	(1,464)	3,628	3,570	10,016	8,353	12,524	6,446	7,217
b. Other Comprehensive Income											
Total Comprehensive Income	(25,390)	(830)	192	(1,464)	3,628	3,570	10,016	8,353	12,524	6,446	7,217
Gain (Loss) on Revaluation of I, PP&E				42,873							
Balance at the end of period	1,727,596	1,726,766	1,726,958	1,768,368	1,771,996	1,775,566	1,785,582	1,793,934	1,806,458	1,812,904	1,820,120

LTFP – Statement of Cash Flows

\$'000s	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Cash Flows from Operating Activities											
<u>Receipts</u>											
Operating Receipts	189,905	198,479	202,551	204,978	216,800	223,129	228,754	234,516	240,396	246,393	252,559
<u>Payments</u>											
Operating Payments to Suppliers and Employees	(164,338)	(145,237)	(151,687)	(154,803)	(158,995)	(168,698)	(164,890)	(169,211)	(176,453)	(182,561)	(186,922)
Net Cash provided by (or used in) Operating Activities	25,567	53,243	50,864	50,176	57,805	54,431	63,864	65,305	63,943	63,833	65,637
Cash Flows from Investing Activities											
<u>Receipts</u>											
Amounts Received Specifically for New/Upgraded Assets	4,977	132	-	-	-	-	-	-	-	-	-
Proceeds from Surplus Assets	-	3,100	12,500	25,000	18,500	-	-	-	-	-	-
Sale of Replaced Assets	751	-									
<u>Payments</u>											
Expenditure on Renewal/Replacement of Assets	(32,898)	(27,563)	(53,004)	(55,539)	(50,627)	(51,210)	(50,878)	(51,804)	(85,707)	(99,217)	(99,806)
Expenditure on New/Upgraded Assets	(32,467)	(19,190)	(14,188)	-	-	-	-	-	-	-	-
Net Cash provided by (or used in) Investing Activities	(59,637)	(43,521)	(54,693)	(30,539)	(32,127)	(51,210)	(50,878)	(51,804)	(85,707)	(99,217)	(99,806)
Cash Flows from Financing Activities											
<u>Receipts</u>											
Proceeds from Borrowings	38,745		8,882			2,213			26,389	39,528	38,313
<u>Payments</u>											
Repayment from Borrowings		(4,667)		(14,456)	(20,401)	-	(7,482)	(8,988)			
Repayment of Lease Liabilities	(4,820)	(5,055)	(5,053)	(5,181)	(5,276)	(5,434)	(5,504)	(4,513)	(4,625)	(4,144)	(4,144)
Repayment of Bonds & Deposits											
Net Cash provided by (or used in) Financing Activities	33,925	(9,722)	3,829	(19,637)	(25,677)	(3,221)	(12,986)	(13,500)	21,764	35,384	34,169
Net Increase (Decrease) in Cash Held	(145)	(0)	(0)	(0)	0	(0)	0	(0)	(0)	0	0
plus: Cash & Cash Equivalents at beginning of period	945	800	800	800	800	800	800	800	800	800	800
Cash & Cash Equivalents at end of period	800	800	800	800	800	800	800	800	800	800	800

LTFP – Uniform Presentation of Finances

\$'000s	2020-21 Quarter 2 Forecast	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Income	190,086	198,131	202,518	205,054	217,570	223,505	229,112	234,885	240,772	246,777	252,954
less Expenses	(224,143)	(198,231)	(204,416)	(208,730)	(213,942)	(219,934)	(219,096)	(226,532)	(228,249)	(240,331)	(245,737)
Operating Surplus / (Deficit) before Capital Amounts	(34,057)	(101)	(1,898)	(3,677)	3,628	3,570	10,016	8,353	12,524	6,446	7,217
Net Outlays on Existing Assets											
Capital Expenditure on Renewal & Replacement of Existing Assets	(32,898)	(27,563)	(53,004)	(55,539)	(50,627)	(51,210)	(50,878)	(51,804)	(85,707)	(99,217)	(99,806)
add back Depreciation, Amortisation and Impairment	53,006	52,829	52,446	53,675	54,111	57,853	53,846	56,951	51,418	57,386	58,420
add back Proceeds from Sale of Replaced Assets	751	-	-	-	-	-	-	-	-	-	-
Net Outlays on Existing Assets	20,859	25,266	(558)	(1,864)	3,483	6,643	2,968	5,146	(34,289)	(41,831)	(41,386)
Net Outlays on New and Upgraded Assets											
Capital Expenditure on New and Upgraded Assets	(32,467)	(19,190)	(14,188)	-	-	-	-	-	-	-	-
add back Amounts received specifically for New and Upgraded Assets	4,977	132	-	-	-	-	-	-	-	-	-
add back Proceeds from Sale of Surplus Assets		2,100	6,500	25,000	25,500	-	-	-	-	-	-
Net Outlays on New and Upgraded Assets	(27,490)	(16,958)	(7,688)	25,000	25,500	-	-	-	-	-	-
Net Lending / (Borrowing) for Financial Year	(40,688)	8,208	(10,144)	19,459	32,612	10,213	12,984	13,499	(21,766)	(35,385)	(34,169)