CITY OF ADELAIDE

THE COMMITTEE

AGENDA & REPORTS

for the Special meeting

Tuesday 24 November 2020

at 5:00 pm

To be held Remotely

The Committee
Special Meeting Agenda, Tuesday 24 November 2020, at 5.00pm

Members - The Right Honourable the Lord Mayor, Sandy Verschoor

Deputy Lord Mayor, Councillor Hyde (Chair)

Councillors Abrahimzadeh, Couros (Deputy Chair), Donovan, Hou, Khera, Knoll, Mackie, Martin, Moran and Simms.

1. Acknowledgement of Country

At the opening of the Special Committee Meeting, the Chair will state:

'Council acknowledges that we are meeting on traditional Country of the Kaurna people of the Adelaide Plains and pays respect to Elders past and present. We recognise and respect their cultural heritage, beliefs and relationship with the land. We acknowledge that they are of continuing importance to the Kaurna people living today.

And we also extend that respect to other Aboriginal Language Groups and other First Nations who are present today.'

2. Apologies and Leave of Absence

Apologies -

Councillors Mackie and Simms

3. Discussion Forum Items

Workshops

Strategic Alignment – Enabling Priorities

3.1. Workshop – Rating Policy Review [2020/00273] [Page 2]

3.2. Workshop – 2021-2022 Business Plan and Budget Setting the Scene [2020/01920] [Page 28]

4. Closure

Enabling Priorities

Rating Policy Review

To seek feedback and input from the Committee on proposed amendments to the CoA Rating Policy.

Strategic Finance and Performance

Rating Policy Review

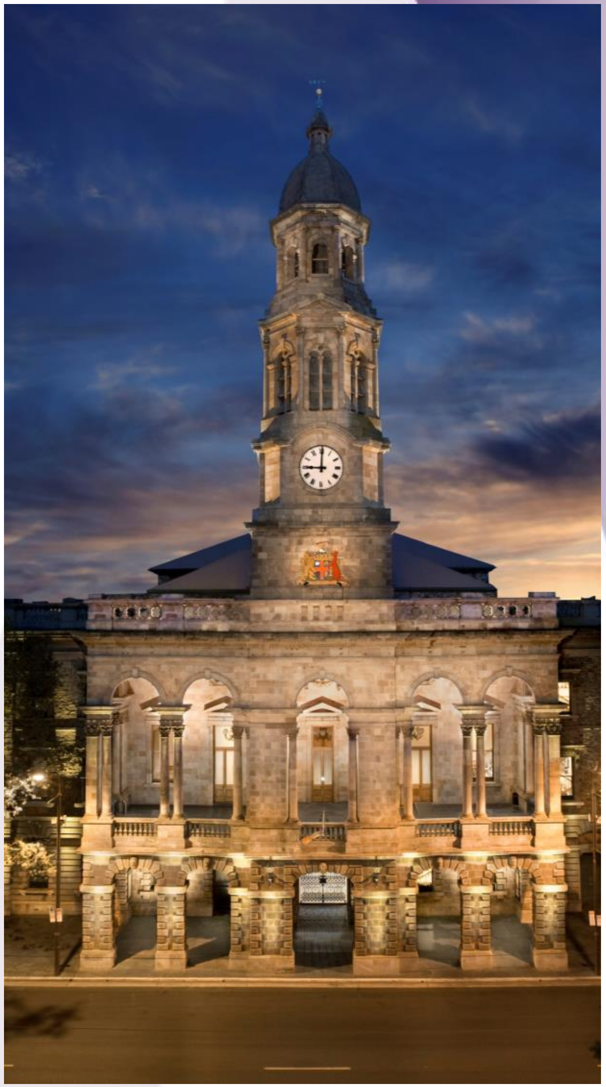
Workshop Purpose

Provide an overview of the current rating policy in the context of:

- Principles of Rating
- Current makeup of CoA's rating base
- Current rate income for 2020-21
- Exemptions
- Rebates and Remissions

Seek feedback on proposed changes to the Rating Policy:

- Review of the Special Discretionary Rebate
- Use of separate rates to fund specific projects or activities
- Review the current rate in the dollar for vacant land
- Discounts for early payment of rates



Additional Information

John Comrie Presentation and Workshop at Committee 23 May 2017 – Rating and Revenue Review 23 May 2017

Rating Policy Review

Key Questions

KEY QUESTION
Special Discretionary Rebate

What are Council Members' views on:

- Leaving rate unchanged at 10% for all ratepayers,
- Increasing rate to 15% for all ratepayers,
- Apply the current 10% to residential owner-occupiers only.

KEY QUESTION
Separate Rates

What are Council Members' views on introducing separate rates to fund projects/activities?

KEY QUESTION
Vacant Land

What are Council Members' views on increasing the rate in the dollar on Vacant Land to encourage development?

KEY QUESTION
Discounts

What are Council Members' views on introducing a 1% discount to encourage the early payment of rates in full.

Rating Policy Review

Implications

Implication	Comment
Policy	Council's rates are administered each year in line with the *Local Government Act 1999* (the Act). The City of Adelaide's Rating Policy which outlines Council's approach towards rating its community is due for revision. S123 of the Act requires Council to have a rating policy that must be prepared and adopted as part of the Business Plan and Budget each financial year in conjunction with the declaration of rates.
Consultation	Consultation regarding any rating changes will be undertaken as part of the Business Plan and Budget process for 2021-2022.
Resource	Currently resourced from the Strategic Finance and Performance program operating budget.
Risk / Legal / Legislative	Proposed changes are within the context of the *Local Government Act 1999.* Independent legal advice regarding any changes to the CoA rating methodology will be sought prior to implementation.
Implication	Not as a result of this workshop

Rating Policy Review

Budget/Financial Implications

Implication	Comment
20/21 Budget Allocation	General Rates including all rebates and remissions for 2020-2021 are approximately $113.3 million
20/21 Budget Reconsideration (if applicable)	Not as a result of this workshop
Proposed 21/22 Budget Allocation	General Rates including all rebates and remissions for 2021-2022 are forecast to be $115.1 million
Ongoing Costs (e.g. maintenance cost)	Not as a result of this workshop
Other Funding Sources	Not as a result of this workshop

Rating Policy Review

Background - Principles of Rating

The City of Adelaide's rating policy aims to balance the five main principles of taxation:

Benefits received – ratepayers who receive more benefits (services provided, or resources consumed) should pay a higher share of tax

Capacity to Pay – a person who has less capacity to pay should pay less, and persons of similar means should pay similar amounts

Administrative simplicity – the costs involved in applying and collecting the tax and how difficult it is to avoid

Economic efficiency – whether or not the tax distorts economic behaviour

Policy consistency – taxes should be internally consistent, and based on transparent, predictable rules that are understood and accepted by ratepayers.

In applying these principles, any decision with respect to rating should consider the financial effects of the decisions made today, on the future generations of tomorrow.

The current operating deficits imply that today's ratepayers are paying less than the cost of the services they are consuming, and this is inequitable to ratepayers of the future.

Rating Policy Review

Definitions

AAV – annual assessed rental value of the property

Ad Valorem tax – is a tax based on the assessed value of an item such as property

Differential Rate – calculated on a rate in the dollar basis according to the use of the land

Exemption – to free from an obligation or liability to which others are subject to

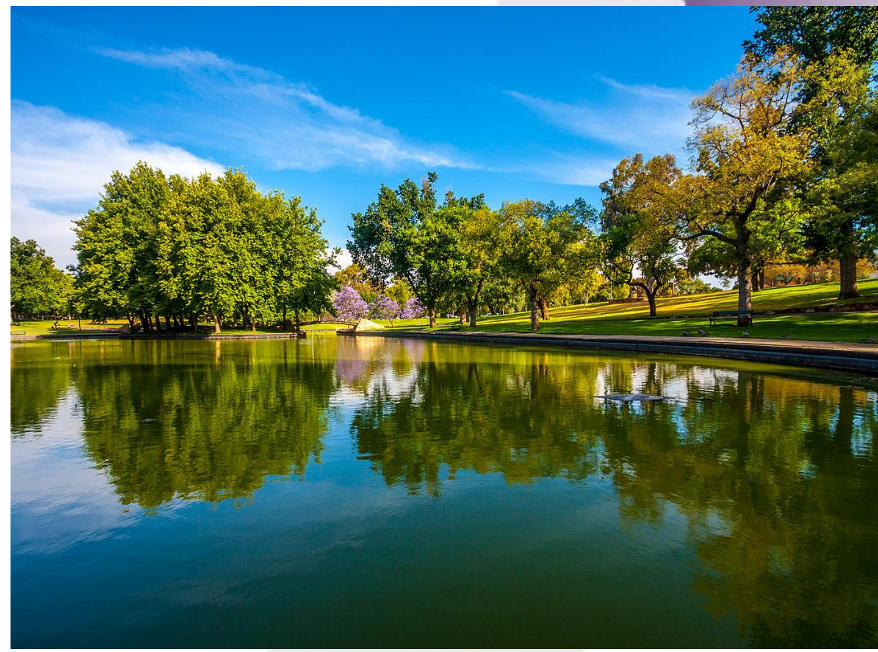
General Rate – rate that applies to rateable land

Prescribed service – treatment or provision of water, collection, treatment, disposal or recycling of waste

Rebate – an amount paid by way of reduction, return, or refund on what has already been paid or contributed

Remission – the cancellation of a debt, charge or penalty

Separate Rate – an amount levied on ratepayers in addition to general rates



Rating Policy Review

Valuation Methodology

Under S151 of the *Local Government Act 1999*, Council may adopt one of three valuation methodologies to value the properties in its area:

a) Capital value: the value of land, buildings and other improvements
b) Site value: the value of land and any improvements, but excluding the value of any buildings
c) Annual value: the value of the rental potential of the property

The City of Adelaide uses annual value.

The main reasons for choosing annual value are:

a) The majority of residential and non-residential properties in the City are leased (ie: not owner occupied),
b) The availability of a significant amount of annual market rental information makes the annual value method more efficient to administer,
c) Annual value is understood by the majority of ratepayers,
d) This method is considered consistent with the equity, ability to pay, efficiency and simplicity principles of taxation.

Rating Policy Review

2020-2021 Reconciliation Gross Rates vs Net Rates

Type	Category	No of Assessments	Amount	Percentage Share
Gross Rates	Residential	16,100	$28,896,652	
	Non-Residential	10,681	$127,232,051	
		26,781	**$156,128,703**	**100.00%**
Less: Exempt	Residential	2	$299	
	Non-Residential	514	$35,557,820	
		516	**$35,558,119**	**22.77%**
Less: Rebates	Residential		$1,549,019	
	Non-Residential		$4,379,211	
			$5,928,230	**3.80%**
Less: Spec Disc Rebate	Residential		$52,023	
	Non-Residential		$1,245,591	
			$1,297,614	**0.83%**
Rateable	Residential	16,098	$27,295,311	
	Non-Residential	10,167	$86,049,429	
Net Rates Received		**26,265**	**$113,344,740**	**72.60%**

Rating Policy Review

Exemptions as per S147 of the *Local Government Act 1999*

Properties can be identified as exempt from council rates in certain circumstances:

- → **Crown Land** – public properties used or held by the Crown for a public purpose
- → **University Land** – properties occupied by a University
- → **Recreation grounds -** properties satisfying the criteria set out in the *Recreation Grounds Rates and Taxes Exemption Act 1981*
- → **Council Land** – properties occupied or held by the Council
- → **Emergency Services** – properties occupied or held by an emergency services organisation under the *Fire and Emergency Services Act 2005*
- → **Another Act** – properties specifically exempted from council rates by virtue of another Act (either Commonwealth or State).

With 27.4% of rates income forfeited through exemptions and rebates, the responsibility for contributing rates income to fund essential local government services is disproportionately allocated across the community.

Where exempt properties become rateable part way through the financial year, rates will be calculated and recovered.

Rating Policy Review

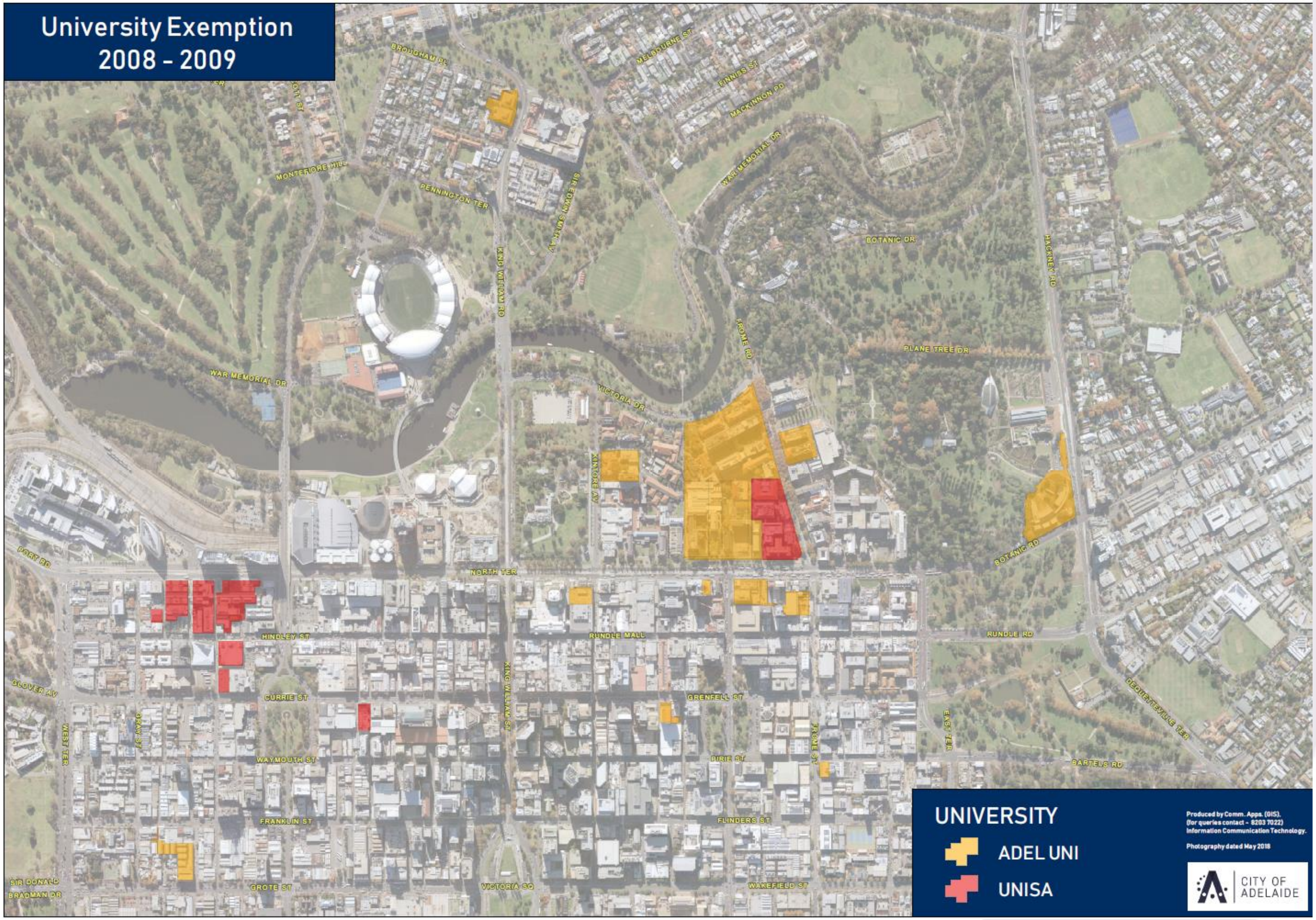
Exemptions for 2020-2021

Exemptions	AAV	Rates
Instrument of Crown Public Purpose Sec 147(2)(b)	$80,499,210	$11,334,289
Occupied by University Sec 147(2)(c)	$55,660,600	$7,837,012
Occupied or held by Council Sec 147(2)(f)	$48,170,755	$6,782,442
Crown Land used for public purpose Sec 147(2)(b)	$35,172,630	$4,952,870
Unalienated Crown Land Sec 147(2)(a)	$16,242,400	$2,286,930
By Virtue of another Act Sec 147(2)(h)	$7,918,160	$1,114,447
LG Act not binding on Crown Sec 302	$5,230,000	$736,384
Recreation Grounds Rates & Taxes Act Sec 147(2)(d)	$3,622,805	$510,091
Common property incidental use Sec 147(5)(a)(b)(c)	$15,500	$2,183
Common property – Strata titled land Sec 147(3)(b)	$12,800	$1,471
TOTAL	**$252,544,860**	**$35,558,119**

City of Melbourne exemptions represent 12.2% of the rate base
City of Adelaide exemptions represent 22.77% of the rate base

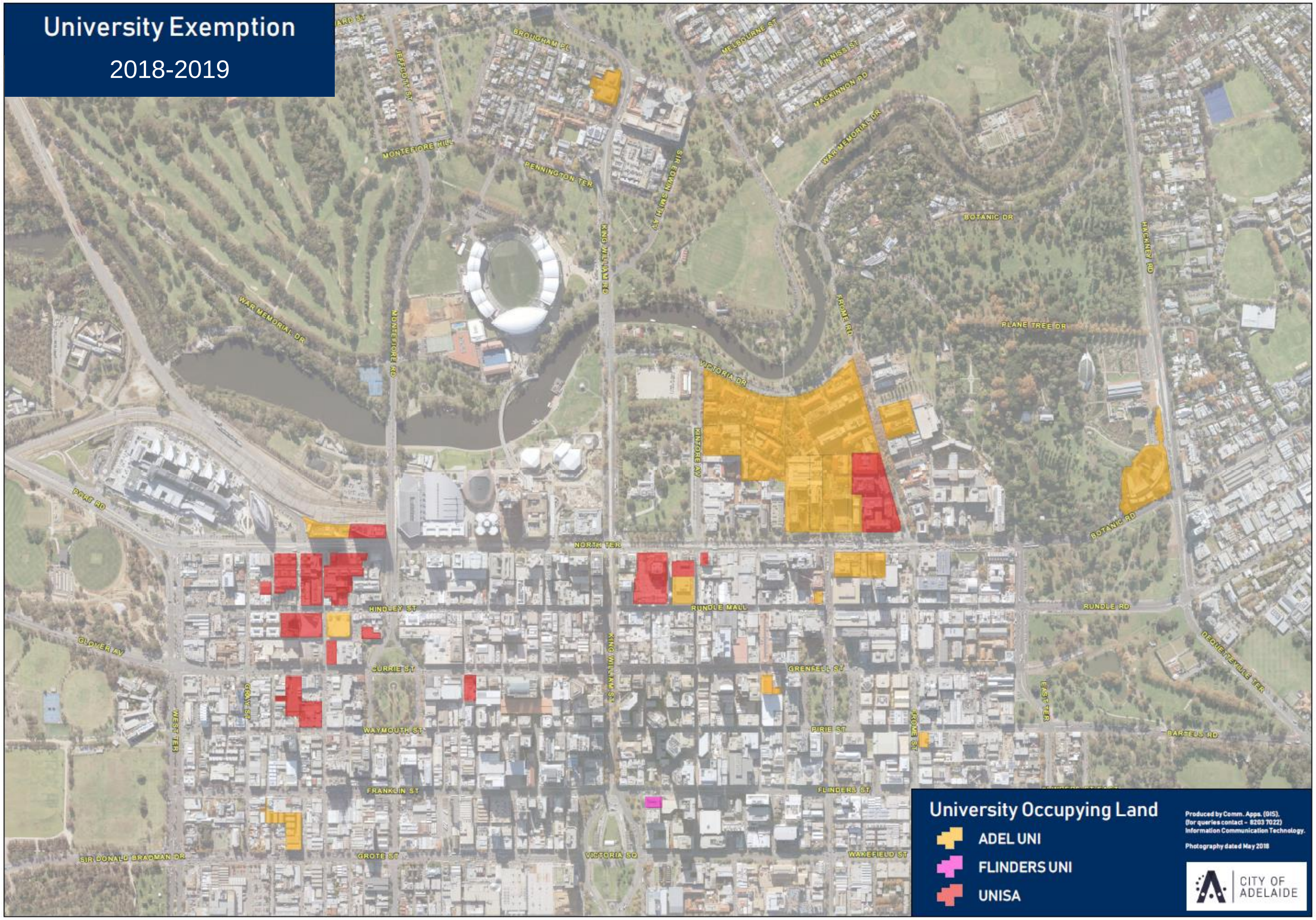
Rating Policy Review

Exemptions for 2020-2021



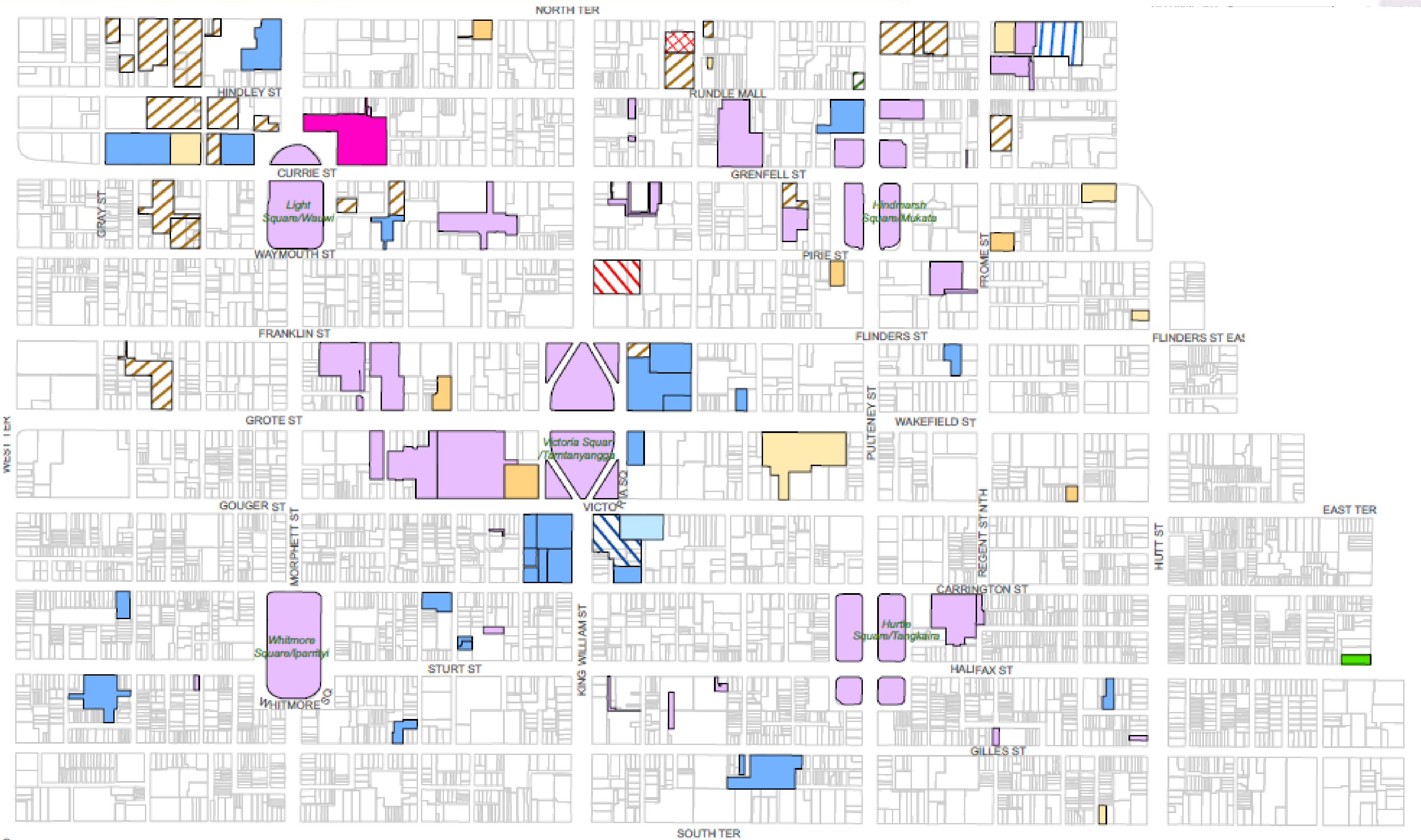
Rating Policy Review

Exemptions for 2020-2021



Rating Policy Review

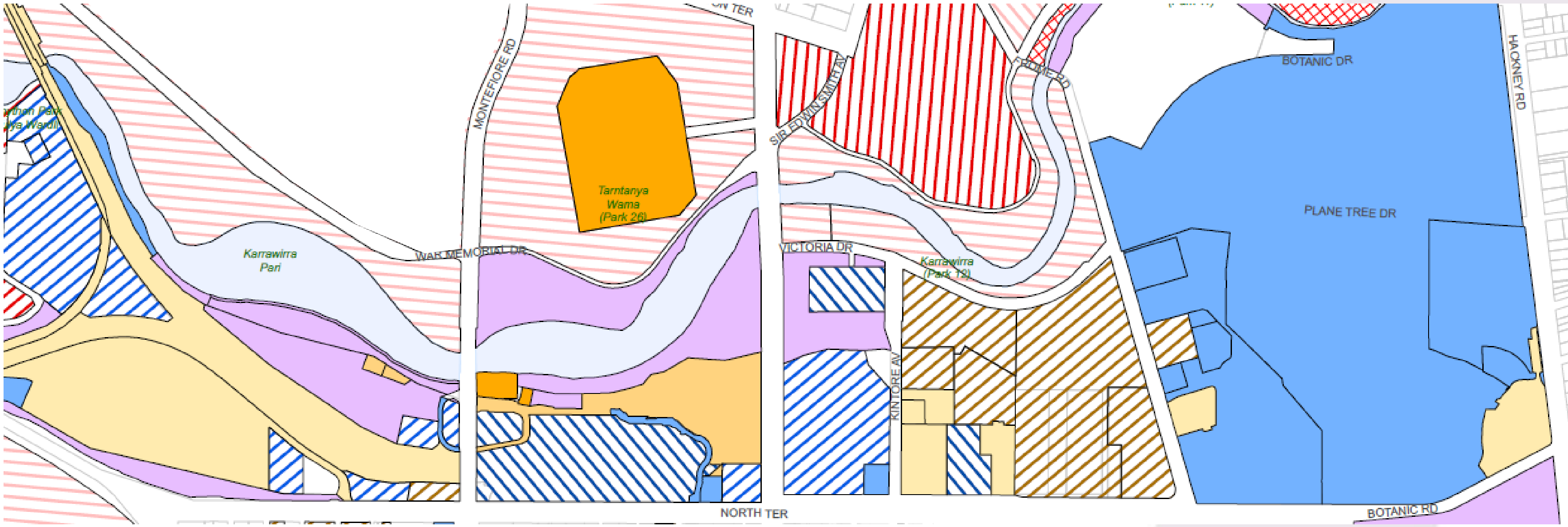
Exemptions for 2020-2021- CBD



Council held land
Crown Land – Public Purpose
Crown Land/ Instrument of Crown – Public Purpose
Instrument of Crown – Public Purpose
University Occupied
Council held land / Virtue of another Act
Council held land / Crown Land – Public Purpose
Crown – Unalienated / Virtue of another Act
Council held land – University Occupied
Common Property – Strata Titled Land
Crown Unalienated Land

Rating Policy Review

Exemptions for 2020-2021 – Riverbank



Crown Land/ Instrument of Crown – Public Purpose

Crown Unalienated Land

Instrument of Crown – Public Purpose

University Occupied

Crown Land – Public Purpose

Recreation Grounds Rates & Taxes Act

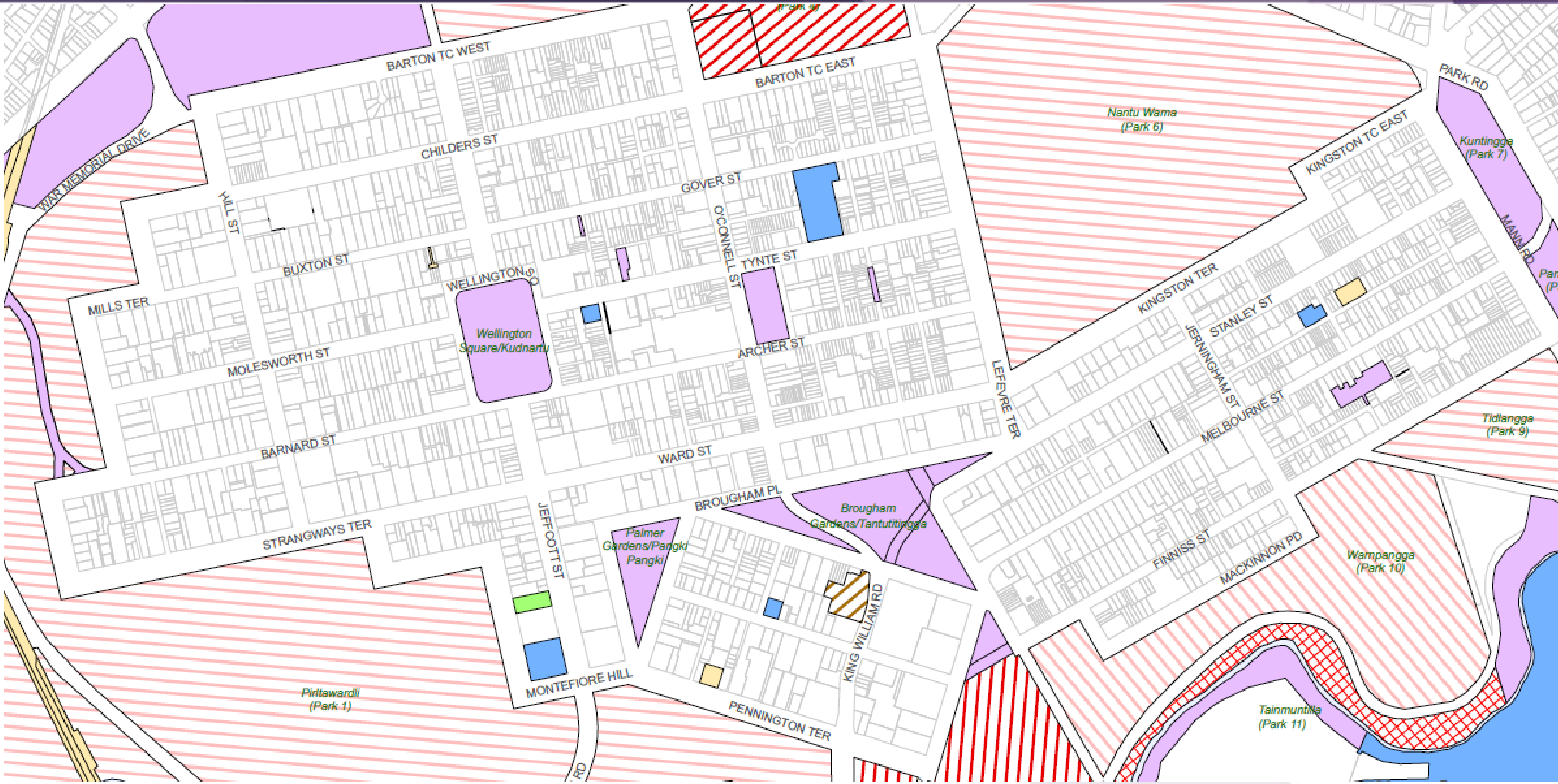
Council held land

Council held land – Recreation Grounds Rates & Taxes Act

Council held land - Recreation Grounds Rates & Taxes Act – University Occupied

Rating Policy Review

Exemptions for 2020-2021 – North Adelaide



Council held land

Common Property – Strata Titled Land

Council held land - Recreation Grounds Rates & Taxes Act – University Occupied

Crown Land – Public Purpose

Council held land – Recreation Grounds Rates & Taxes Act

Instrument of Crown – Public Purpose

University Occupied

Council held land / Instrument of Crown – Public Purpose

Rating Policy Review

Rebates as per S159 of the *Local Government Act 1999*

Properties may be entitled to a rebate under the following circumstances:

- **Health Services** – hospital or health centre incorporated under the *SA Health Commission Act 1976* will be rebated at 100 per cent
- **Community Services** – a community service organisation will be rebated at 75 per cent
- **Religious purposes -** church or property used for public worship will be rebated at 100 per cent
- **Public cemeteries** – will be rebated at 100 per cent
- **Royal Zoological Society of SA** – will be rebated at 100 per cent
- **Educational purposes** – properties occupied by a government school, or accommodation provided by Universities for students will be rebated at 75 per cent
- **Discretionary rebate** – a Council may grant a rebate up to and including 100 per cent upon application. The five-year free rates scheme is an example

Rating Policy Review

Rebates & Remissions for 2020-2021

Description	Total Rebate
Rebate – Community Services	$1,489,264.78
Rebate – Discretionary	$374,827.42
Rebate – Education	$1,106,139.65
Rebate – Hospital or Health	$1,448,268.80
Rebate – Religious	$1,058,227.18
Rebate – Zoo	$401,702.40
Remission – Self Funded Retirees	$14,400.00
Remission – Pensioners	$35,400.00
TOTAL	$5,928,230.22

Rating Policy Review

Special Discretionary Rebate (SDR)

As per S166(l)(ii) of the *Local Government Act 1999*

‘where the rebate is considered to be appropriate to provide relief against what would amount to a substantial change in rates due to a change to the basis on which land is valued, rapid changes in valuations, or anomalies in valuations’

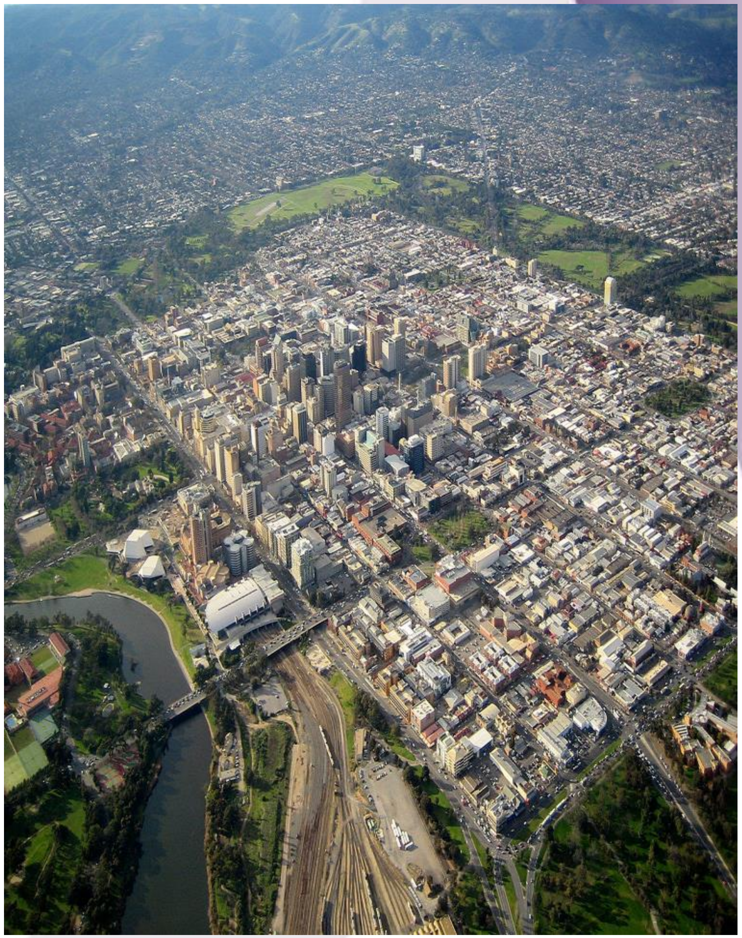
The special discretionary rebate is currently 10% and applies to both residential and non-residential properties.

The table below shows the cumulative effect of the special discretionary rebate over the past five years.

Year	Value of Rebate	Valuation Increase
2016-17	$722,908.00	2.20%
2017-18	$3,173,358.00	3.40%
2018-19	$1,912,766.00	4.20%
2019-20	$3,266,736.00	5.20%
2020-21	$1,297,614.00	2.20%
TOTAL	$10,373,392.00	

Rating Policy Review

Special Discretionary Rebate (SDR)



Options for Discussion

1. Leave the special discretionary rebate unchanged at 10% for both residential and non-residential properties.

2. Increase the special discretionary rebate to 15% for both residential and non-residential properties.

3. Apply the current 10% special discretionary rebate to residential owner-occupier ratepayers only.

Rating Policy Review

Separate Rate Consideration – for discussion

As per S154(1) of the *Local Government Act 1999*

‘ A council may declare a separate rate on rateable land within a part of the area of the council for the purpose of planning, carrying out, making available, supporting, maintaining or improving an activity that is, or is intended to be, of particular benefit to the land, or the occupiers of the land, within that part of the area, or to the visitors to that part of the area’

Current separate rates levied by the City of Adelaide are the Rundle Mall Levy for the purposes of managing and marketing the Rundle Mall Precinct, and the Regional Landscape Levy (formerly the NRM levy) which recovers funds on behalf of the Green Adelaide Board.

Options for possible consideration

Introduce a separate rate/s as a method to fund projects such as:

1. The purchase of a new community centre for the South West
   - Approximate cost $1.5m
2. To assist with the redevelopment of the Adelaide Aquatic Centre
3. To assist with delivering projects that could benefit business, support growth in the City and align to the City of Adelaide 20-24 Strategic Plan.

Rating Policy Review

Separate Rate Scenario – for discussion

Project: Community Centre

Separate Rate Target: $1.5m

Timeframe: One year

Levied against the South Ward assessments

AAV: $145,385,170 all South Ward assessments
Rate in $: 0.0103 (all properties)
Rate in $: 0.0197 (residential only)

AAV	Description	No. of Assessments 20-21	Amount to be raised	Average Separate Rate (per assessment)	Average Separate Rate (residential only)
$76,296,400	Residential	4,986	$787,182.08	$157.88	$300.84
$69,088,770	Commercial	1,610	$712,817.92	$442.74	
$145,385,170		**6,596**	**$1,500,000.00**		

Rating Policy Review

Separate Rate Scenario – for discussion

Project: Aquatic Centre

Separate Rate Target: $20m

Timeframe: Two years

Levied against all assessments

AAV: $902,589,700 all assessments
Rate in $: 0.0110 (all properties) per year for 2 years

AAV	Description	No. of Assessments 20-21	Amount to be raised per year for 2 years	Average Separate Rate per year (per assessment)
$251,493,600	Residential	16,098	$2,786,356	$173.09
$651,096,100	Commercial	10,167	$7,213,644	$709.52
$902,589,700		**26,265**	**$10,000,000**	

Rating Policy Review

Vacant Land

As at 30 June 2020, CoA has 0.2% of its assessments (40 rateable properties) classified as vacant land and this sector contributes 0.3% of total rate revenue.

The current differential rate applied to vacant land is the same rate as applied to all non-residential properties (0.1408).

For 2020-21 these properties realised rate income of $327,673.

Of the 40 properties currently rated as vacant, 29 have been held undeveloped for a period of five years or more.

Options for Discussion

1. Declare a differential vacant land rate on all vacant land holdings to:
    a) Provide a disincentive to withholding land from development
    b) Recognise the cost of surrounding infrastructure and services
2. Amend the rating policy to include a definition of ‘long term vacant land’
3. Utilise the discretionary rebate powers under S166 of the *Local Government Act 1999* to provide a

rebate (rate relief) for the principal ratepayers of vacant land that is not within the definition of ‘long term’.

Rating Policy Review

Discounts

As per S181(11) of the *Local Government Act 1999*

"A council may grant discounts or other incentives in order to encourage -

a) the payment of instalments of rates in advance; or

b) the prompt payment of rates"

For 2020-21, approximately 12% (3,321) of all assessments (26,265) were paid in full upfront.

Land Use Code	No. of Assessments	Rates Paid	Percentage share of rates paid	Average Discount per ratepayer
Residential	2110	$3,443,952.27	35.09%	$16.96
Commercial – Office	290	$3,078,434.35	31.37%	$93.84
Commercial – Shop	154	$698,093.50	7.11%	$80.28
Commercial – Other	701	$2,152,645.40	21.94%	$75.60
Industry – Light	21	$111,574.55	1.14%	$45.30
Vacant Land	8	$91,353.60	0.93%	$81.92
Other	37	$237,366.50	2.42%	$170.84
Total	**3321**	**$9,813,420.17**	**100.00%**	

<u>Option for Discussion</u>

Offer a 1% discount to encourage more ratepayers to pay rates upfront in full.

Rating Policy Review

Next Steps

More detailed modelling will be undertaken if Council indicates an interest in exploring any of the options.

Any recommended changes to the CoA rating policy will be subject to legal and governance review and consideration by the Audit Committee in March/April 2021.

Community consultation on any recommended changes will be undertaken as part of the 2021-2022 Business Plan & Budget process in April/May 2021.

Update the CoA Rating Policy and seek adoption by Council in June 2021.

Enabling Priorities

2021 - 2022 Business Plan and Budget
Setting the Scene

Deputy CEO, Director Culture
Clare Mockler

CITY OF ADELAIDE

2021 – 2022 Business Plan and Budget

Key Messages

Outline

Proposed Approach

- Two Stages
- Timeline

Funding Framework

- Strategic Priorities
- LTFP – overview
- Borrowings
- Principles and Framework
- Fees and Charges
- Rates
- Assets and Infrastructure
- Operations
- Strategic Projects
- Financial summary and assumptions
- Financial Scenarios

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 Approach – Two Stages

It is proposed that we would look to members to endorse the Draft BP&B for consultation in April to allow for a Final BP&B to be adopted in June 2021.

Timeline for adoption:

The BP&B will be built with Council in two stages:

Stage One

Set Budget Parameters

Adopt Long Term Financial Plan

Discuss Strategic Asset Management Plan

Discuss services with Council

Stage Two

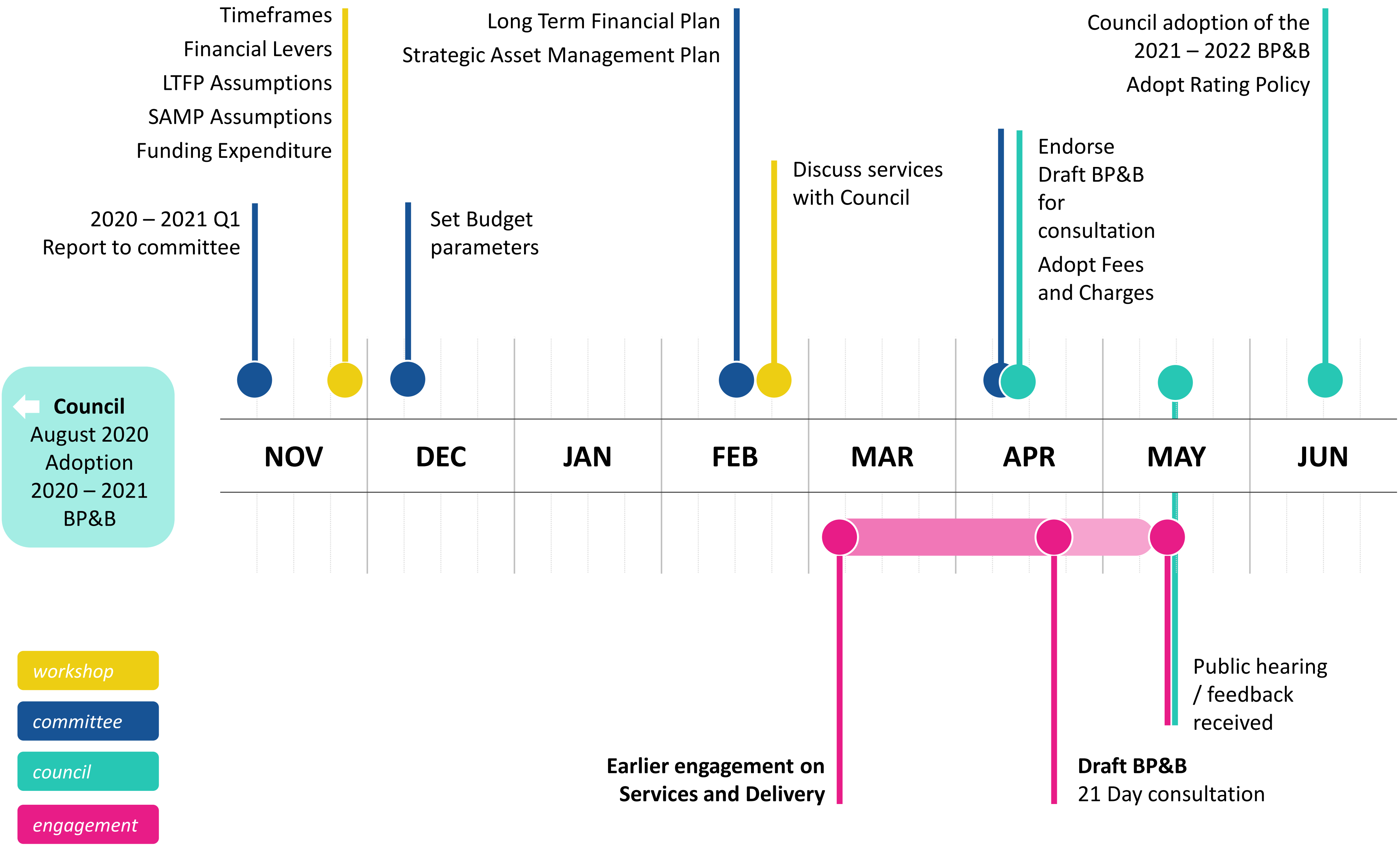
Adopt BP&B

Adopt Fees and Charges

Adopt Rating Policy

Community engagement

Proposed timeframe



Strategic Priorities

Recovery Principles

Our Service Delivery will reflect the needs of the community

Discussion point:

Council is legislatively required every year to articulate annual priorities. These priorities are derived from our Strategic Plan and create a direct link between what we are delivering in a particular year towards achieving our vision for the City.

The 2020 – 2024 Strategic Plan underpins Council's Strategic Framework. It provides Council's plan for the next four years for those strategic items of importance and guides our work.

Adelaide: the most liveable City in the world

The Strategic Plan describes what we want to achieve together as community outcomes of: Thriving Communities; Strong Economies; Dynamic City Culture; and Environmental Leadership. Enabling Priorities support the delivery of these outcomes.

The community outcomes and enabling priorities contain 49 Key Actions, which guide what we will deliver over the next four years. 13 of these actions formed the basis of the 2020 – 2021 BP&B Key Activities and Council will need to look at what it wishes to prioritise for 2021 – 2022.

Long Term Financial Plan Overview

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.

We know that the assumptions built within the LTFP require further updating, in particular to income and expenditure levers.

Long Term Financial Plan: current 2020, compared to forecast for 2021:

	Surplus / (Deficit)	Borrowings
Current 20/21	($39.0m)	$92.8m (53%)
forecast 21/22	**($4.7m)**	**$89.6m (50%)**

In the LTFP the current position is an operating deficit of ($39.0m) and the forecast position for 2021 – 2022 is a deficit of ($4.7m). This improvement is driven by:

Income – increase $12.6m

- Increase in rates income $4.9m based on new developments and CPI increase
- Fees and charges $10.2m as our revenue streams return to 85% of pre-Covid levels
- Reduction in Grant funding ($2.4m)

Expenditure – reduction $21.7m

- 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 detail is provided in Appendix 1, Statement of Comprehensive Income*

Long Term Financial Plan Overview

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: 2020 adopted, compared to current forecast:

	Surplus / (deficit)	Borrowings
forecast 21/22	**($4.7m)**	**$89.6m (50%)**
forecast 30/31	$6.7m	$165.3m (78%)

Based on the adopted LTFP, the following assumptions exist:

- Inflation 2%
- Growth from new developments 1%
- Interest rates 2%

The forecast position for 2021-22 in the current LTFP, based on the assumptions above is:

- Operating deficit of ($4.7m)
- $20m permanent ongoing reduction in operating expenditure
- Improvement to income of $10.2m in fees and charges.
- Borrowings forecast to be $89.6m, which is 50% of our current prudential limits.

Building the 2021 – 2022 BP&B requires a revision to the assumptions that underpin the LTFP. Decisions Council make regarding income and expenditure will have an impact on borrowings and Council's operating position.

Borrowings

Discussion point:

When Council increased the Prudential Limit in 2020 it was based on the principle that borrowings meet two of the following criteria:

- Have a positive return on investment
- Leverage external grant funding
- City shaping Projects with intergenerational equity

Borrowings should not be used to fund the

- Delivery of operational services
- Routine asset renewals

The current LTFP requires borrowings to fund major renewals by the end of the decade. Financial Sustainability principles would guide Council to not fund operations and asset renewals from borrowings.

CURRENT LTFP ASSUMPTION	REVISED LTFP FORECAST	TO NOTE
Interest rates 2% Inflation (CPI) 2%	Interest rates 1.35 - 2% Inflation (CPI) 1.25 - 2%	Economic forecasts guide us to believe that this position will remain for several years.

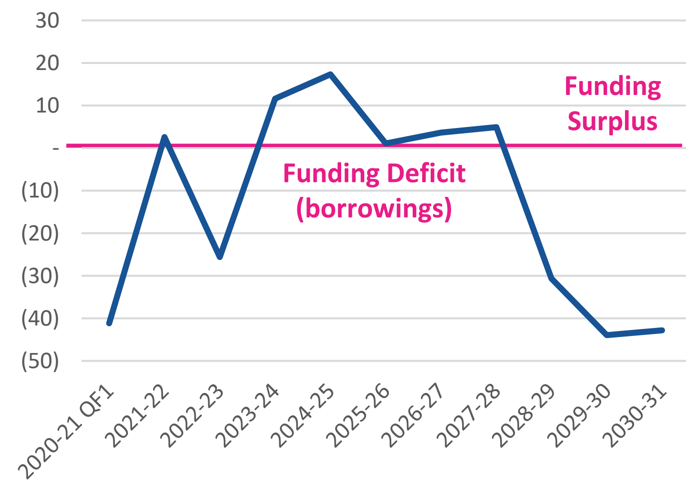
The LTFP has been updated to reflect lower interest which has resulted in less interest paid.

The revised forecast debt position is $194.6m (87% of prudential limit). This assumes no new and significant upgrades beyond Central Market Arcade redevelopment and that Council will borrow to fund significant asset renewals required in 2028 – 2030.

Based on this level of debt, there is limited capacity to respond to emerging priorities and it would not be paid off until 2050-51.

Other financial levers available to Council will alter this borrowing position.

A funding surplus is used to reduce borrowings (pay off debt)



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

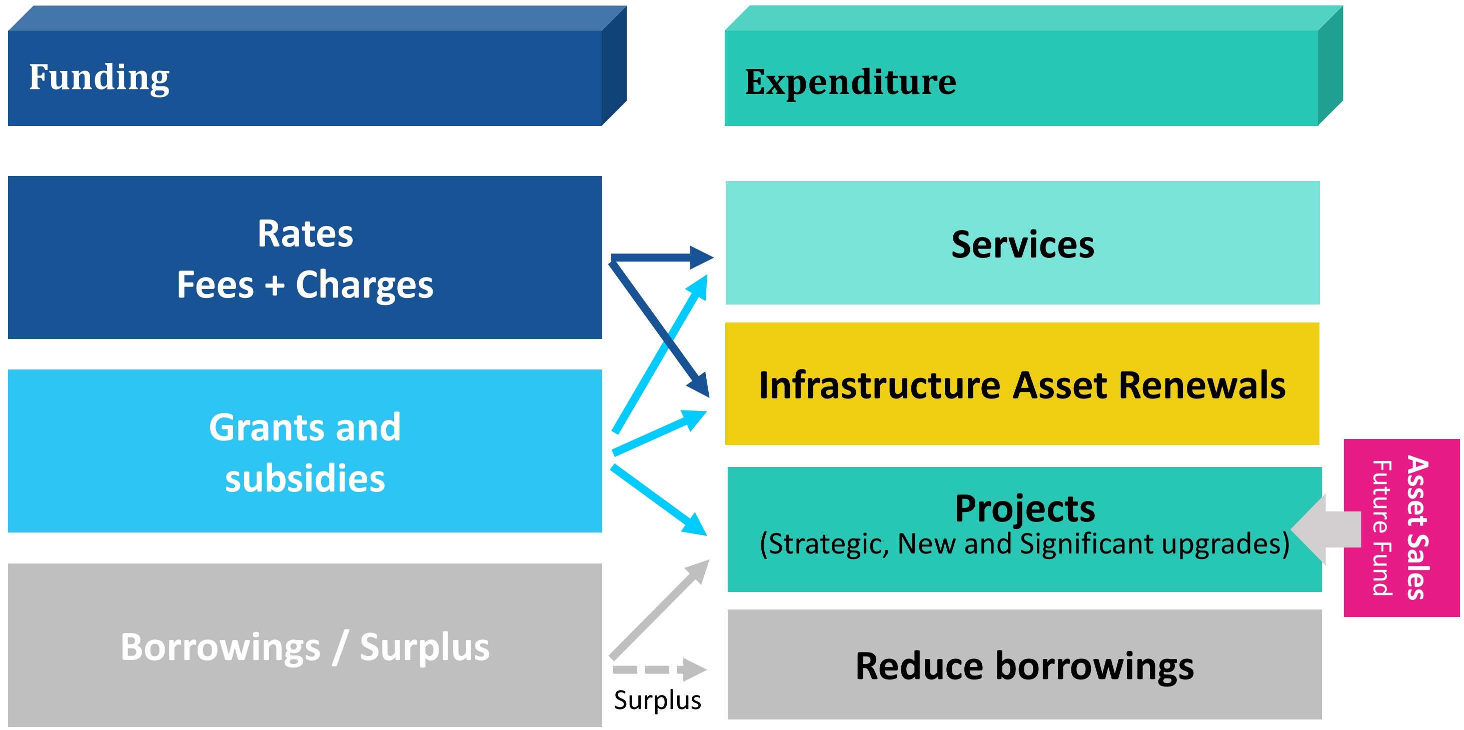
We will seek Government funding for new infrastructure

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.



Fees and charges

Recovery Principles

Our rates, fees and charges approach is fair and equitable

Discussion point:

For the current 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%)

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.

CURRENT LTFP ASSUMPTION	REVISED LTFP FORECAST	TO NOTE
Fees within Council's influence to change will increase with CPI (2%)	Fees within Council's influence to change will increase with CPI (1.25-2%)	For every 1% increase +$0.140m extra income

Council can influence

Fees & charges relating to:

- On-street parking
- Park Land Event licenses and permits
- City works, cranes, encroachments etc
- And other minor user fees and statutory charges

Decisions delegated to administration / subsidiaries:

- Subsidiary fees and charges
- Commercial business fees
- SRF licence fees (commission)

To note: set by State Government

- *Expiations (compliance and on-street) and development consent*

Recovery Principles

Our rates, fees and charges approach is fair and equitable

Discussion point:

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

Revised forecast on current market conditions:

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

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.

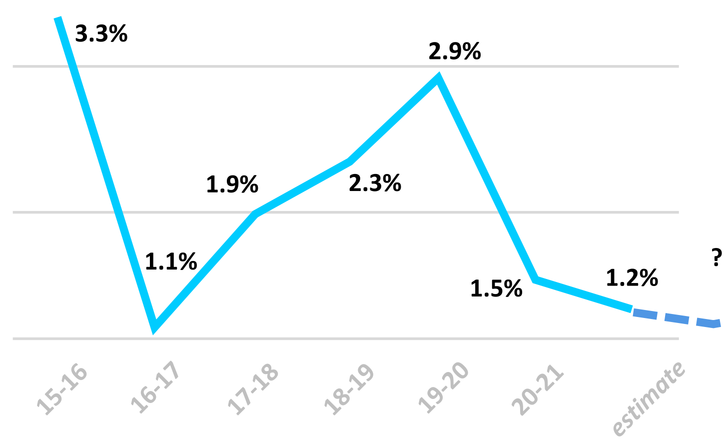
CURRENT ASSUMPTION	REVISED FORECAST	TO NOTE
Valuations CPI 2% New developments 1% Rate in the dollar frozen	Valuations 0% (held) New development 1.24% Rate in the dollar TBD	Freezing the rate in the dollar will result in less income in the LTFP

The rating presentation earlier this evening presented multiple options for Council consideration.

Forecast growth in rate revenue has a material impact on the LTFP, especially when the impact is compounded on outer financial years.

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.

LTFP rate income forecast includes growth from new developments, which has fluctuated over prior years:



Rates impact on borrowings

Recovery Principles

Financial borrowings adjusted to stimulate growth

Investment is prioritised to support recovery.

Discussion point:

Borrowings will increase to $211.2m in 2030-31 (94% of prudential limit of $223.8m) based on revised forecast treatment to rates income.

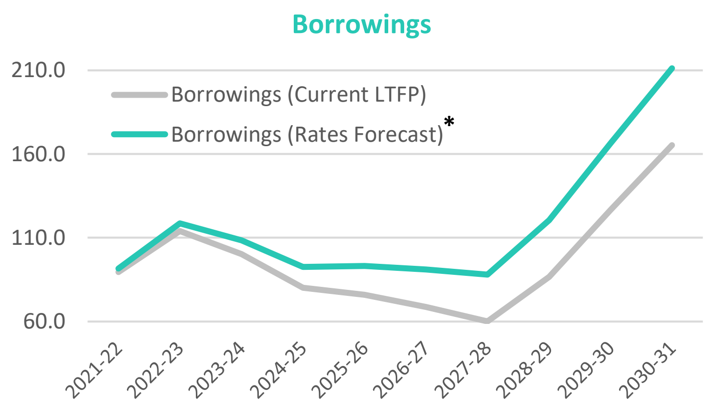
This limits capacity for Council to respond to emerging priorities across the LTFP.

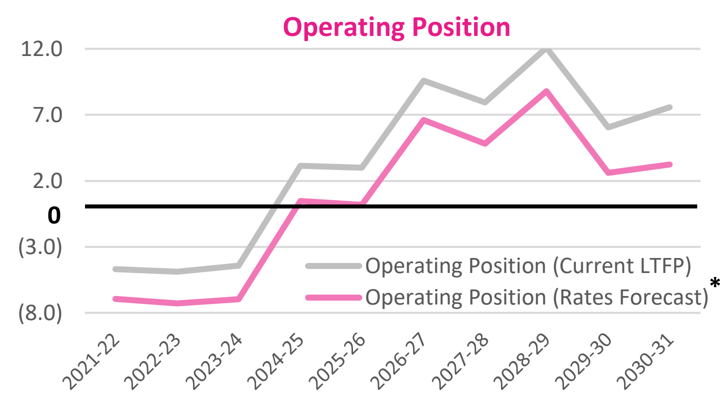
The revised forecast to rates results in less than expected income across the LTFP. Assuming no further impacts to the LTFP, it is proposed that the gap in income will be funded through borrowings.

As such across the life of the LTFP:

- **Borrowings** will be within 10% of the Prudential limit (an increase of $45m over ten years to $211.2m)
- A **delay to generating an operating surplus** by two years to 2026 – 2027 (noting the deficit increasing by $1.9m in 2021-22)

$m's	2021 -22	2022 -23	2023 -24	2024 -25	2025 -26	2026 -27	2027 -28	2028 -29	2029 -30	2030 -31
Increase to Borrowings	2.1	4.7	8.2	12.4	17.2	22.4	27.9	33.7	39.7	45.9
Impact on Operating Surplus	(1.9)	(2.7)	(3.6)	(4.3)	(5.0)	(5.4)	(5.7)	(5.9)	(6.2)	(6.3)





*** based on holding valuations and freezing the rate in the dollar for 2021 – 2022 only**

Assets and infrastructure

Recovery Principles

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.

Discussion point:

Decision to delay a renewal today (say $500k) will cost $2.5m in 5 years (plus increased maintenance costs)

Opportunity to divest or externally fund major assets: Adelaide Bridge; Weir; Grenfell Currie

Levels of Service vs cost effectiveness

Sustainability Ratio

Council currently owns $2 billion of Assets that must be maintained, managed and monitored for their useful life. It is an obligation under the *Local Government Act* that we practice responsible infrastructure asset management.

CURRENT ASSUMPTIONS 10 year pipeline – 21/22 to 30/31	**OPPORTUNITIES** 10 year pipeline – 21/22 to 30/31
Renewals – $581m	Review/Decrease Levels of Service to find optimal cost effectiveness
Maintenance - $400m	**Review/Decrease Levels of Service to find optimal cost effectiveness**
New/Significant Upgrade - $33.6m *No new and significant Upgrade budgeted after 22/23*	Seek External Funding for new infrastructure
10 year Asset Sustainability Ratio Average - 97%	**Adjust Asset Sustainability Ratio (guide 90-110%)**
Confirmed External Funding - $0 *beyond current deeds in place*	Council to Seek and Secure External Funding (State/Federal/Private)
$2b Asset Portfolio	**Divest/Externally fund assets such as Adelaide Bridge, Weir and Grenfell Currie – ability to reduce the overall cost burden**
Based on current AMP assumptions	Optimisation modelling to Stretch Council's dollar further

Assets and infrastructure

Recovery Principles

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.

Discussion point:

Understanding the current state of our assets and the risk profile helps inform appropriate maintenance and capital intervention to manage risk and provide optimal level of service to the organisation

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

Category	/ Current State	Value	Notes
Bridges	Poor	**$179m**	Our bridge network contains 5 road bridges, 3 major footbridges and a series of minor park lands footbridges. Assets overall are in good to fair condition however, Adelaide Bridge (~$60m) is approaching end of life and will likely require renewal/replacement within the next 5 to 10 years.
Buildings	Poor	**$511m**	Commercial buildings are in fair to good condition, park lands buildings are in poor to fair condition and corporate buildings are in good condition.
Kerbs and water table	Good	**$117m**	These are a long life asset and the network is in a good condition and performing well. Ongoing investment is required to sustain service levels.
Lighting & Electrical	Fair	**$140m**	The above ground lighting assets are in good to fair condition however the underground assets such as cables and conduits are ageing and require investment in to the future.
Park Lands improvement	Fair	**$25m**	There are no formal condition assessments undertaken on the green and growing assets however we believe they are in good to fair condition.
Pathways	Fair	**$297m**	Our footpath assets are in fair condition and will require ongoing investment to sustain service levels.
Roads	Fair	**$291m**	Majority of the road network is rated good to fair condition. The Currie Grenfell (~$80m) road corridor is approaching end of life and will be requiring significant renewal investment within the next 5 years. There is a need to continue to investment in roads sustain current service levels and manage network health.
Stormwater and drainage	Poor	**$271m**	The underground stormwater network is an aging asset and will require significant investment over the next few years to enable it to work efficiently. Recent investment in stormwater has aligned to capital works projects and investment is required in the remainder of the network. The Torrens Lake and Weir are part of this asset category and the Weir is approaching end of life and will likely need replacement (~$35m).
Traffic signals	Poor	**$60m**	This category contains aboveground components such as controller boxes and lanterns, which are rated in a good to fair condition however the underground cables and conduits are aging and require more significant investment into the future.
Urban Elements	Good	**$96m**	Good condition following recent investment and will require ongoing investment.
Total		**$1,987m**	

Assets and infrastructure

Recovery Principles

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.

Discussion point:

Infrastructure program has been reduced from the original forecast for the 20-21 financial year, reducing sustainability ratio to 67%.

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

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.

Current Program	Proposed Program
Renewals	
Infrastructure Renewals $29.9m	Infrastructure Renewals $20m
- Expenditure Write-off ($3.1)m	- Expenditure Write-off ($3.1)m
Capitalised Resources $7.3m	Capitalised Resources $5.9m
Asset Sustainability Ratio 100%	Asset Sustainability Ratio 67%
Total: $37.2m	**Total: $25.9m**

Strategic Projects

Recovery Principles

We will seek Government funding for new infrastructure

Our service delivery will reflect the needs of the community

Investment is prioritised to support recovery.

Discussion point:

Council is able to re-prioritise its strategic priorities including either increasing or decreasing funding for Strategic Projects.

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.

CURRENT ASSUMPTION
Funding for Strategic Projects to increase by CPI (2%)

REVISED FORECAST
Funding for Strategic Projects to increase by CPI (1.25-2%)

TO NOTE
Less Strategic Project expenditure impacts delivery of Council's Strategic Plan

The below are examples of some of the Strategic Projects that Council has already committed to delivering, which span across multiple years, including $5.4m 2021 – 2022:

- 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

Operations (Services)

Recovery Principles

Our Service Delivery will reflect the needs of the community

Discussion point:

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

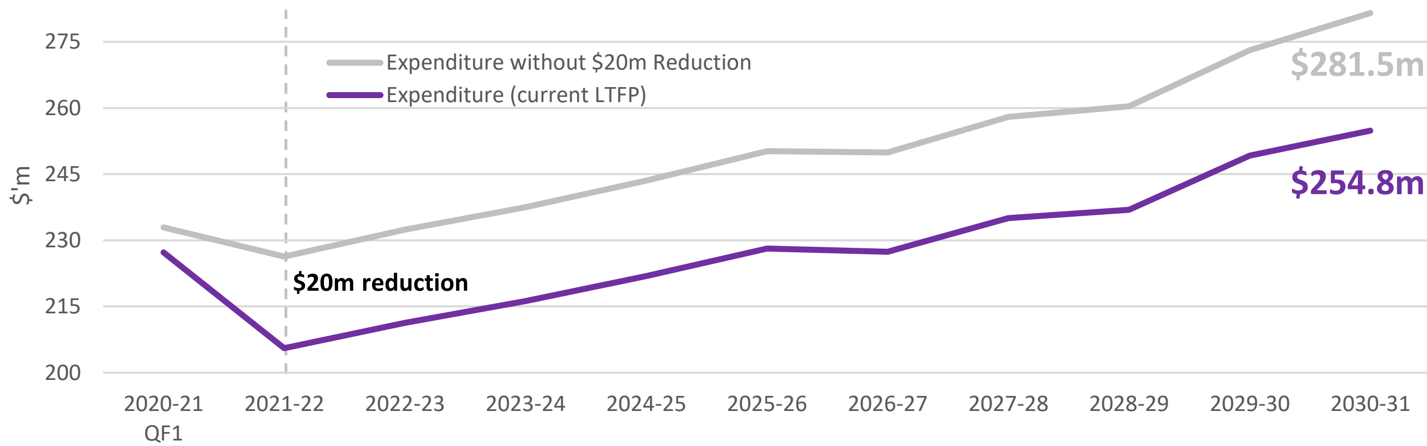
Council and the community will be further engaged on levels of service as we build asset management plans and the Draft BP&B.

On 13 August 2020 Council adopted the 2020-21 Business Plan and Budget. Within that budget was a $20 million reduction in operating expenditure which is represented within the LTFP in 2021 – 2022.

CURRENT ASSUMPTION	REVISED FORECAST	TO NOTE
Employee costs as per Enterprise Agreements Other Expenditure CPI 2%	Employee costs as per Enterprise Agreements Other Exp. by CPI 1.25-2%	Any further reduction to Operations will impact service delivery

This reduction improves the financial sustainability of Council over the longer term, softens any undue pressure on our rates base and any impacts to Council's services while supporting Council's position to generate a surplus.

The 2021 – 2022 BP&B builds from this baseline.



Summary of financial levers

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.

This workshop has presented a variety of LTFP assumptions that potentially influence the forecast in our longer term modelling. These are summarised as:

Rates

- Rates growth of 2.5%-3% from 2022 – 2023 in the LTFP
- New developments to increase in 2021 – 2022 by 1.24% and 1% there after
- **Rate in the dollar is a lever Council can consider**

Projects
(Strategic, New and Significant upgrades)

Services

- Projects are forecast to increase by CPI (1.25-2%) in the LTFP
- Service level discussions required with Council and the community
- **Project funding and prioritisation is a lever Council can consider**
- ***For Council to review in 2021***

Fees + Charges

- **Fees and charges to increase by CPI (1.25-2%) in the LTFP**
- **Council has an ability to influence changes in some fees and charges**

Infrastructure Asset Renewals

- Infrastructure Levers will be investigated through Strategic Asset Management Planning

Summary of financial levers

Rates	Potential Funding Scenarios		
	Freeze	**Breakeven**	**Surplus**
▪ Rates growth of 2.5%-3% from 2022 – 2023 in the LTFP ▪ New developments to increase in 2021 – 2022 by 1.24% and 1% there after ▪ **Rate in the dollar is a lever Council can consider**	▪ Continue to freeze the rate in the dollar ▪ Hold Valuations; New Developments 1.24% ▪ **$1.5m increase to income**	▪ $50 increase for residential (av. 2.95%); $100 increase for non-residential (av. 1.18%). Hold valuations; New developments 1.24% ▪ **$3.3m increase to income**	▪ $100 increase for residential (av. 5.90%); $200 increase for non-residential (av. 2.36%). Hold valuations; New developments 1.24% ▪ **$5.1m increase to income**

Summary of financial levers

Fees and Charges

- **Fees and charges to increase by CPI (1.25-2%) in the LTFP**
- **Council has an ability to influence changes in some fees and charges**

Potential Funding Scenarios

Freeze

- Continue to freeze Fees and Charges that Council can influence (income assumed at 85% pre-COVID levels)
- **$0.0m increase to income**

Breakeven

- 5% increase to Fees and Charges that Council can influence (income assumed at 85% pre-COVID levels)
- **$0.5m increase to income**

Surplus

- 7.5% increase to Fees and Charges that Council can influence (income assumed at 85% pre-COVID levels)
- **$0.9m increase to income**

Council has the ability to influence the rates for many fees and charges. Some commercial fees are delegated to administration to allow for a change in market conditions.

Examples of fees and charges based on the above scenarios are provided in Appendix 3.

Summary of financial levers

Infrastructure Asset Renewals

- Infrastructure Levers will be investigated through Strategic Asset Management Planning

Potential Funding Scenarios

Infrastructure Levers already pulled in 21/22

- Reduce program to $20m and prioritise on condition audit and risk
- Reduce sustainability ratio to 67%
- No New/Significant upgrade proposals (unless already committed)

Infrastructure Levers we will investigate through Strategic Asset Management Planning:

- Review/Decrease Levels of Service to find optimal cost effectiveness
- Seek External Funding for new infrastructure
- Adjust Asset Sustainability Ratio (guide 90-110%)
- Council to Seek and Secure External Funding (State/Federal/Private)
- Divest/Externally fund assets such as Adelaide Bridge, Weir and Grenfell Currie – ability to reduce the overall cost burden
- Optimisation modelling to Stretch Council's dollar further

Potential funding scenarios

In forming the 2021 – 2022 BP&B, Council has income and expenditure levers that it needs to makes decisions on, which will form discussions in the New Year. The below provides scenarios with approximate income and expenditure for 2021-22 only, and the impact on the LTFP, for discussion:

	Freeze	Breakeven	Surplus
Rates	Continue to freeze the rate in the dollar Hold Valuations; New Developments 1.24%	$50 increase for residential *(av. 2.95%)*; $100 increase for non-residential *(av. 1.18%)*. Hold valuations; New developments 1.24%	$100 increase for residential *(av. 5.90%)*; $200 increase for non-residential *(av. 2.36%)*. Hold valuations; New developments 1.24%
Fees and charges	Continue to freeze Fees and Charges that Council can influence *(income assumed at 85% pre-COVID levels)*	5% increase to Fees and Charges that Council can influence *(income assumed at 85% pre-COVID levels)*	7.5% increase to Fees and Charges that Council can influence *(income assumed at 85% pre-COVID levels)*
Infrastructure and assets	As per LTFP and guided by SAMP *(Asset sustainability ratio at 67%)*	As per LTFP and guided by SAMP *(Asset sustainability ratio at 67%)*	As per LTFP and guided by SAMP *(Asset sustainability ratio at 67%)*
Projects / Services	As per LTFP approx. 2% increase in costs *(Strategic Projects approx. $6.7m, Services $198.8m)*	Reduce Strategic Project expenditure by $1.3m (to $5.4m)*(one off)*; Reduce services by $3.2m (to $195.6m)*(ongoing)*	Reduce Strategic Project expenditure by $1.3m (to $5.4m)*(one off)*; Reduce services by $5.2m (to $193.6m)*(ongoing)*
LTFP impact	**Income increases by $1.5m (rates $1.5m, fees and charges $0.0m)**	**Income increases by $4.2m (rates $3.3m, fees and charges $0.5m) Expenditure reduced by $4.5m**	**Income increases by $6.0m (rates $5.1m, fees and charges $0.9m) Expenditure reduced by $6.5m**

Freeze

	Surplus/ (deficit)	Borrowings
21/22	**($6.9m)**	$92.0m (52%)
30/31	**($0.1m)**	$215.3m (96%)

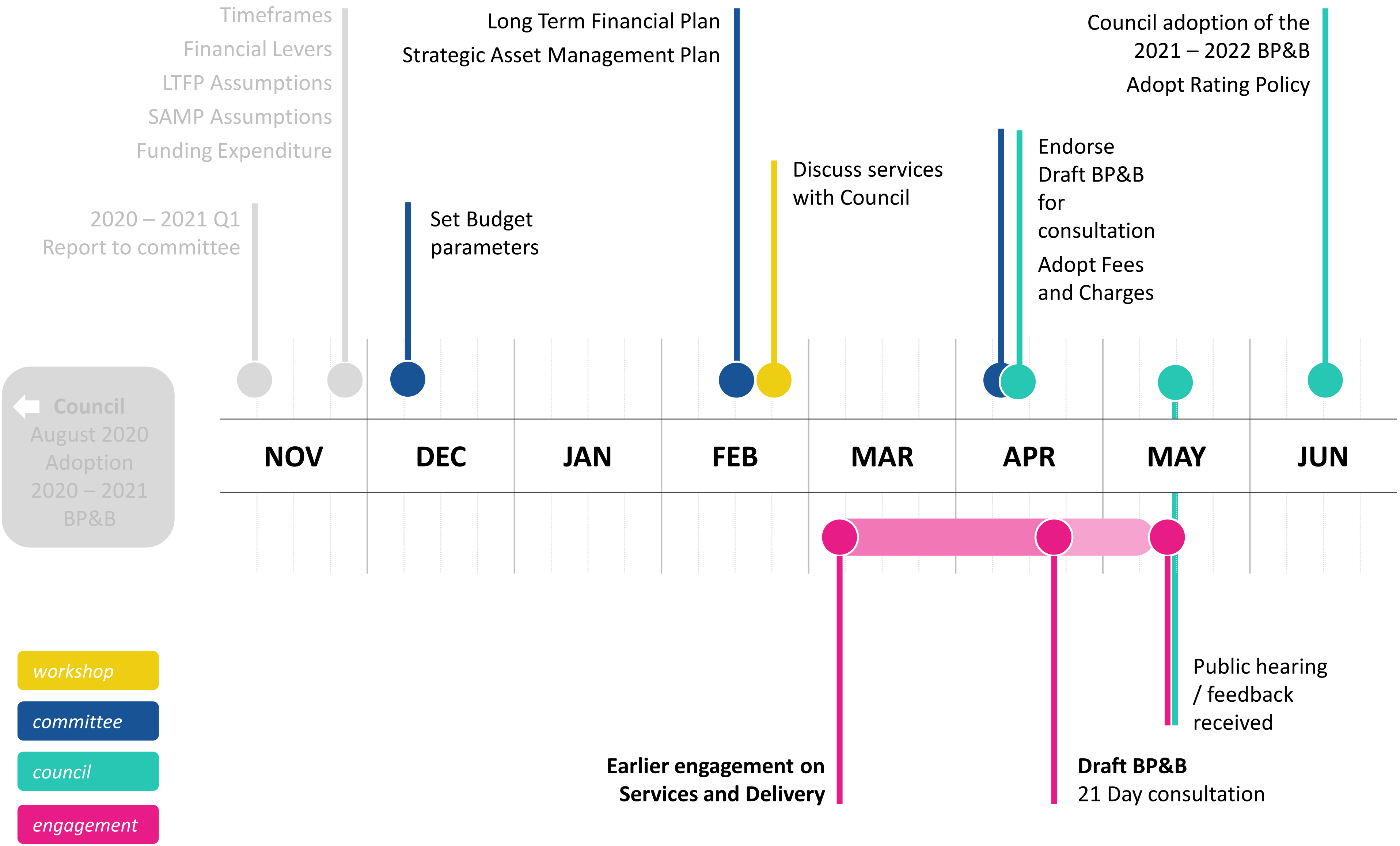
Breakeven

	Surplus/ (deficit)	Borrowings
21/22	**$0.3m**	$84.8m (48%)
30/31	**$9.2m**	$137.6m (61%)

Surplus

	Surplus/ (deficit)	Borrowings
21/22	**$4.3m**	$80.8m (46%)
30/31	**$15.0m**	$89.0m (40%)

Next Steps


Timeframes
Financial Levers
LTFP Assumptions
SAMP Assumptions
Funding Expenditure
2020 – 2021 Q1
Report to committee
Council
August 2020
Adoption
2020 – 2021
BP&B
Set Budget
parameters
Long Term Financial Plan
Strategic Asset Management Plan
Discuss services
with Council
Endorse
Draft BP&B
for
consultation
Adopt Fees
and Charges
Council adoption of the
2021 – 2022 BP&B
Adopt Rating Policy
NOV
DEC
JAN
FEB
MAR
APR
MAY
JUN
Earlier engagement on
Services and Delivery
Draft BP&B
21 Day consultation
Public hearing
/ feedback
received
workshop
committee
council
engagement

Appendices
Supporting material for
<u>Potential Funding Scenarios</u>

1. Statement of Comprehensive Income (2020-2021)
2. Fees and charges examples
3. LTFP Dashboard

1. Statement of Comprehensive Income 52

Statement of Comprehensive Income				
$m	**2020-21 Q1 Forecast**	**2021-22 Plan**	**Variance**	**Commentary**
Income				
Rates Revenues	118.5	123.3	4.9	▪ 3% growth through: valuation uplift; and/or rate in the dollar increase; and new developments. ▪ $1.2m through discretionary rebate, late penalties, objections
Statutory Charges	9.4	12.0	2.6	▪ $9.9m additional income assumed as the City recovers from COVID-19. The assumptions from 21-22 is parking will increase to approximately 85% of Pre-COVID levels. Other - Inflation of 2% inbuilt
User Charges	53.9	61.5	7.6	
Grants, Subsidies and Contributions	5.5	3.1	(2.4)	▪ ($1.6m) funding received for renewals ($0.8m) one off funding such as Outdoor Activation Grant Program ($0.3m), Recover & Reimagine ($0.2m)
Investment Income	0.0	0.0	-	
Reimbursements	0.7	0.7	-	
Other Income	0.3	0.3	-	
Total Income	188.2	200.9	12.6	
Expenses				
Employee Costs	78.1	71.7	6.4	▪ $9m additional ongoing reduction in employee costs through reshaping the organisation * Offset by ($2.5m) increase in Enterprise Agreements (Step, level, & Superannuation)
Materials, Contracts & Other Expenses	93.1	78.5	14.6	▪ $5.8m ongoing reduction in expenditure through reshaping the organisation * ▪ $3.3m estimated reduction in WIP write off based on 10% allocation for 21-22. ▪ $1.0m reduction in expenditure for Central Market Arcade during redevelopment ▪ $1.5m reduction in Strategic Plan ongoing assumption, partially due to carry forwards from previous years ▪ $2.7m grants, subsidies and contributions, such as Outdoor Activation Program $0.9m, Recover & Reimagine $0.2m
Depreciation, Amortisation & Impairment	53.6	52.8	0.8	▪ Due to anticipated reduction in renewals
Finance Costs	2.4	2.5	(0.1)	▪ Reduced interest rate
Total Expenses	227.3	205.5	21.7	
Operating Surplus / (Deficit)	**(39.0)**	**(4.7)**	**34.4**	

** When the LTFP was built for 2020-21, the $20m ongoing reduction to expenditure was split between Employee costs and Materials, Contracts & Other. The LTFP will be updated to reflect the $18m savings identified to date in QF2. This will result in a reclassification between the 2 categories*

2. Examples of Fees + Charges for each scenario

To note

Fees and Charges are assumed to be those items that Council Decisions are required for.

Freeze
Remain frozen at 2020 – 2021 levels

Breakeven
5% increase

Surplus
7.5% increase

Example Fee/Charge	Current	Freeze	Breakeven	Surplus
Archives - coloured maps A1 size	$65.30	$65.30	$68.50	$70.20
Building Inspection Pre-purchase/completion	$153.00	$153.00	$161.00	$164.00
Dog registration (microchipped and desexed)	$37.00	$37.00	$39.00	$40.00
Dumping organic waste 6x4 trailer	$38.50	$38.50	$40.50	$41.50
Park Lands Hire (eg Weddings) Per 1000m2 per day	$60.00	$60.00	$63.00	$64.50
Sports Field - Annual Licence - Clubs & Associations (per ha)	$720.00	$720.00	$756.00	$774.00
Ticket Machines – on street parking (Zone 1 Half Hourly rate)	$4.40	$4.40	$4.60	$4.70

3. LTFP Dashboard for "**Freeze**" scenario

- Operating Deficit forecast to continue for serval years
- Borrowings are forecast to be 96% of prudential limit in 2031-31, noting that any draw down on the future fund would result in limits being exceeded
- Net Financial Liabilities target is breached in 2030-31, indicating that Council is borrowing beyond its means and cannot generate the income required to service assets and operations

Financial Indicator	Explanation	Target	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%**	**(4%)**	**(4%)**	**(4%)**	**(1%)**	**(1%)**	**2%**	**1%**	**2%**	**0%**	**0%**
Net Financial Liabilities	**Financial liabilities and a percentage of operating income**	**Less than 80%**	**62%**	**74%**	**68%**	**54%**	**53%**	**51%**	**49%**	**61%**	**78%**	**93%**
Asset Sustainability Ratio	Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans	90%-110%	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%	33%	28%	24%	23%	23%	21%	29%	39%	48%
Interest Expense Ratio	Number of times General Rates Revenue (less Landscape Levy) can service the annual interest expense	Maximum 10%	1.2%	1.2%	1.5%	1.4%	1.3%	1.3%	1.3%	1.4%	1.9%	2.4%
Leverage Test Ratio	Total borrowings relative to General Rates Revenue (Less Landscape Levy)	Maximum 1.5 years	0.8	1.0	0.9	0.7	0.7	0.7	0.6	0.8	1.1	1.4
Borrowings	**Total borrowings (% of prudential limit)**	**Within Prudential Limits**	**92.0** **52%**	**119.4** **66%**	**109.5** **56%**	**94.1** **47%**	**95.0** **47%**	**93.4** **45%**	**90.7** **43%**	**123.6** **57%**	**169.9** **77%**	**215.3** **96%**
Operating Position	**Operating Income less Expenditure**	**$2m - $10m**	**(6.9)**	**(7.9)**	**(8.4)**	**(1.6)**	**(2.4)**	**3.8**	**1.8**	**5.7**	**(0.6)**	**(0.1)**
Future Fund	Proceeds from the sale of Council assets to fund new income generating assets or new strategic capital projects		0.1	0.1	25.1	50.6	50.6	50.6	50.6	50.6	50.6	50.6

3. LTFP Dashboard for "Breakeven" scenario

- Operating Surplus forecast to be generated from 2024-25
- Borrowings are forecast to be 61% of prudential limit in 2031-31, this gives capacity to access the future fund
- Beyond the Asset Sustainability ratio in 2021-22, all ratios are within the target

Financial Indicator	Explanation	Target	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%**	**0%**	**(1%)**	**(1%)**	**2%**	**2%**	**5%**	**4%**	**6%**	**3%**	**4%**
Net Financial Liabilities	Financial liabilities and a percentage of operating income	Less than 80%	57%	66%	57%	41%	37%	32%	27%	35%	49%	62%
Asset Sustainability Ratio	Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans	90%-110%	67%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Asset Test Ratio	Borrowings as a percentage of total saleable property assets	Maximum 50%	24%	29%	23%	17%	15%	12%	9%	15%	23%	31%
Interest Expense Ratio	Number of times General Rates Revenue (less Landscape Levy) can service the annual interest expense	Maximum 10%	1.2%	1.1%	1.3%	1.1%	0.8%	0.7%	0.6%	0.7%	1.1%	1.5%
Leverage Test Ratio	Total borrowings relative to General Rates Revenue (Less Landscape Levy)	Maximum 1.5 years	0.7	0.9	0.7	0.5	0.4	0.4	0.3	0.4	0.7	0.9
Borrowings	**Total borrowings (% of prudential limit)**	**Within Prudential Limits**	**84.8** **48%**	**105.8** **59%**	**89.3** **46%**	**66.8** **34%**	**60.2** **30%**	**50.8** **25%**	**39.9** **19%**	**64.2** **30%**	**101.5** **46%**	**137.6** **61%**
Operating Position	**Operating Income less Expenditure**	**$2m - $10m**	**0.3**	**(1.6)**	**(1.7)**	**5.5**	**5.0**	**11.6**	**10.1**	**14.3**	**8.3**	**9.2**
Future Fund	Proceeds from the sale of Council assets to fund new income generating assets or new strategic capital projects		0.1	0.1	25.1	50.6	50.6	50.6	50.6	50.6	50.6	50.6

3. LTFP Dashboard for "Surplus" scenario

- Operating Surplus forecast to be generated in all years presented
- Borrowings are forecast to be 40% of prudential limit in 2031-31, this gives capacity to access the future fund
- Beyond the Asset Sustainability ratio in 2021-22, all ratios are within the target

Financial Indicator	Explanation	Target	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%**	**2%**	**1%**	**1%**	**4%**	**4%**	**7%**	**6%**	**8%**	**5%**	**6%**
Net Financial Liabilities	Financial liabilities and a percentage of operating income	Less than 80%	54%	62%	50%	32%	27%	20%	13%	20%	32%	42%
Asset Sustainability Ratio	Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans	90%-110%	67%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Asset Test Ratio	Borrowings as a percentage of total saleable property assets	Maximum 50%	23%	27%	20%	12%	9%	6%	2%	6%	13%	20%
Interest Expense Ratio	Number of times General Rates Revenue (less Landscape Levy) can service the annual interest expense	Maximum 10%	1.1%	1.0%	1.1%	0.8%	0.6%	0.4%	0.2%	0.3%	0.6%	1.0%
Leverage Test Ratio	Total borrowings relative to General Rates Revenue (Less Landscape Levy)	Maximum 1.5 years	0.7	0.8	0.6	0.4	0.3	0.2	0.1	0.2	0.4	0.6
Borrowings	**Total borrowings**	**Within Prudential Limits**	**80.8**	**97.6**	**76.7**	**49.7**	**38.4**	**24.1**	**8.0**	**27.0**	**58.8**	**89.0**
			46%	**54%**	**40%**	**25%**	**19%**	**12%**	**4%**	**13%**	**27%**	**40%**
Operating Position	**Operating Income less Expenditure**	**$2m - $10m**	**4.3**	**2.6**	**2.7**	**10.0**	**9.7**	**16.5**	**15.2**	**19.7**	**13.9**	**15.0**
Future Fund	Proceeds from the sale of Council assets to fund new income generating assets or new strategic capital projects		0.1	0.1	25.1	50.6	50.6	50.6	50.6	50.6	50.6	50.6