



# THE COMMITTEE AGENDA & REPORTS

for the Special meeting

Tuesday 23 February 2021  
at 5:00 pm

in the Colonel Light Room  
Adelaide Town Hall



Members - The Right Honourable the Lord Mayor, Sandy Verschoor  
Deputy Lord Mayor, Councillor Couros (Chair)  
Councillors Abrahamzadeh, Donovan, Hou, Hyde, Khera, Knoll,  
Mackie, Martin, Moran and Simms (Deputy Chair).

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## 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 Kurna 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 Kurna 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

Nil

## 3. Discussion Forum Items

### Workshops

#### Strategic Alignment – Enabling Priorities

- 3.1. 10 Year Long Term Financial Plan Update - 2021-22 to 2030-31 [2020/01920] [Page 2]
- 3.2. 2021 - 2022 Business Plan and Budget - Services and Operational Activities [2020/01920] [Page 31]
- 3.3. Strategic Asset Management Plan [2020/01524] [Page 53]

## 4. Closure

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# Enabling Priorities

**10 Year Long Term Financial Plan Update**  
2021-22 to 2030-31

Chief Operating Officer  
Justin Lynch



# 2021 – 2022 Business Plan and Budget

## Key Messages

### Outline

#### Background

#### Financial Sustainability

#### LTFP Overview

- Impact of the approved parameters over the LTFP

#### 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.

# Background: Independent Members of the Audit Committee Advice

**Section 8(k) of the Local Government Act 1999 (SA) 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 \$34.1m 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.

**Section 8(k) of the *Local Government Act 1999 (SA)* requires the Council to uphold and promote the principle to “ensure the sustainability of the council’s long term financial performance and position”.**

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

### **Key strategic focus areas:**

- Improve operating performance (surpluses)
- Effective debt management
- Manage asset renewal and growth

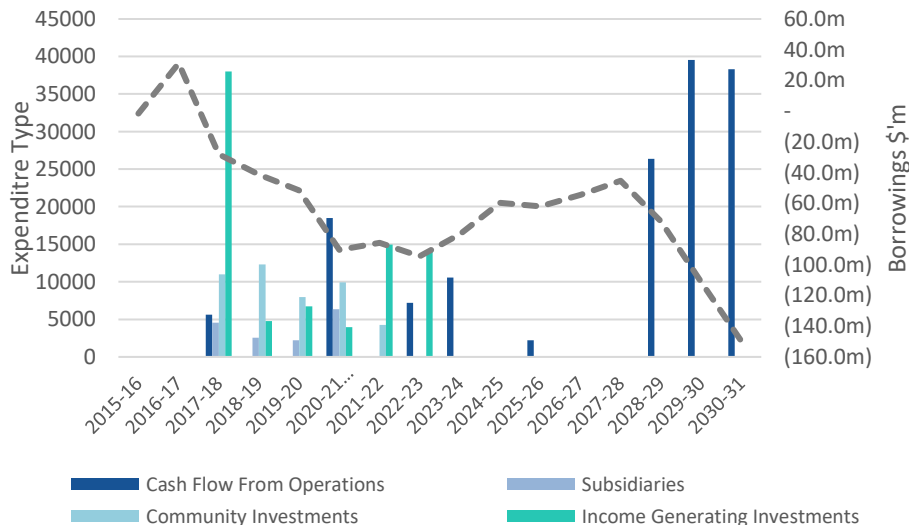
### **Levers available to council**

- Increase rates revenue, and seek new revenue generating activities
- Continue to monitor expenditure and deliver cost efficiencies
- Allocate clear funding pathways to all expenditure to avoid bad debt
- Implement Strategic Asset Management involving levers specific to our Infrastructure responsibilities.

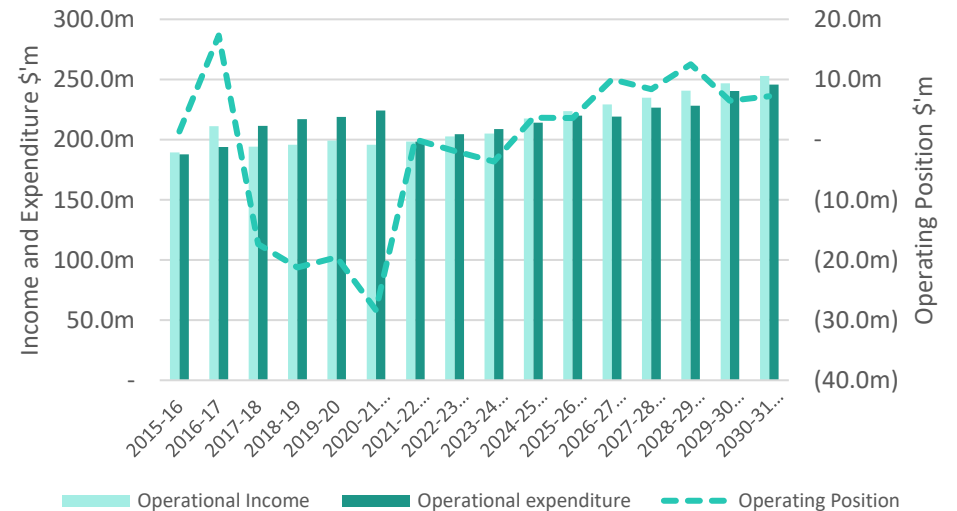
**Section 8(k) of the *Local Government Act 1999 (SA)* requires the Council to uphold and promote the principle to “ensure the sustainability of the council’s long term financial performance and position”.**

Financial Indicator	Explanation	Target	2020-21 QF2	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
<b>Borrowings (\$m)</b>	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%
<b>Operating Position (\$m)</b>	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

## Borrowings



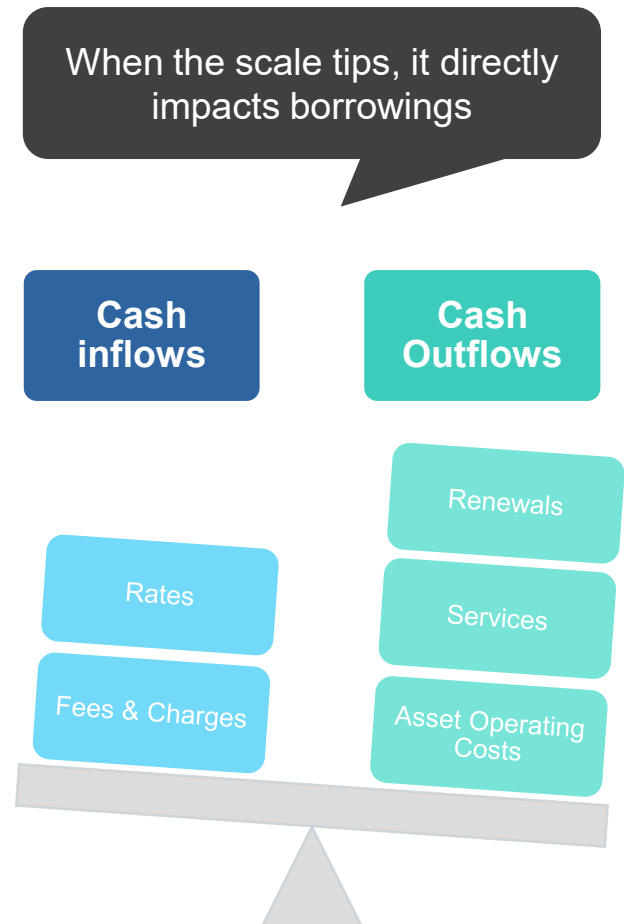
## Operating Position



# Funding Framework

Our funding framework (below) shows the relationship between our funding pathways and expenditure. Every expenditure decision **MUST** have an associated funding pathway to ‘balance the scales’ and ensure financial sustainability is maintained.

	Cash inflows (Funding Pathway)	Cash outflows (Expenditure)
<b>Operations</b>	<b>Rates</b> <b>Fees and Charges</b> <b>Grants &amp; Subsidies</b>	<b>Operating Expenses</b> <ul style="list-style-type: none"> <li>Services</li> <li>Strategic projects</li> <li>Costs associated with capital expenditure (interest, depreciation, Maintenance)</li> <li>Renewal or replacement of existing assets</li> </ul>
<b>New Capital</b>	<b>Borrowings/Grants</b> <ul style="list-style-type: none"> <li>repaid by returns on investment, Commercial Fees &amp; Charges</li> <li>Repaid by surplus cashflow after renewals</li> <li>Future Funds (where cash surpluses exist)</li> </ul>	<b>Capital Expenditure</b> <ul style="list-style-type: none"> <li>New Income Generating Assets</li> <li>New Community Assets</li> </ul>





## 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 from 2022-23

**The following slides will refer to each component of the Funding Framework, in context of the assumptions within the LTFP.**

The 2021-22 budget is based on the expenditure and revenue targets adopted on by Council on 15 December 2020.

Beyond 2021-22, the longer term assumptions are based on current market conditions and predictions. The appendix includes a table which indicate the assumptions that underpin the LTFP.

### KEY QUESTION

***What are Council Members' views on the assumptions within the LTFP? Do they require further revision?***

# Long Term Financial Plan Dashboard

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Financial Indicator	Explanation	Target	2020-21 QF2	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
<b>Operating Surplus Ratio</b>	Operating surplus as a percentage of operating revenue	0%-20%	(18%)	(0%)	(1%)	(2%)	2%	2%	4%	4%	5%	3%	3%
<b>Net Financial Liabilities</b>	Financial liabilities and a percentage of operating income	Less than 80%	60%	55%	62%	54%	38%	38%	34%	29%	39%	54%	68%
<b>Asset Sustainability Ratio</b>	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%
<b>Asset Test Ratio</b>	Borrowings as a percentage of total saleable property assets	Maximum 50%	26%	25%	27%	20%	15%	16%	14%	11%	17%	26%	34%
<b>Interest Expense Ratio</b>	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%
<b>Leverage Test Ratio</b>	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
<b>Cash Flow from Operations Ratio</b>	<b>Cash Flow from Operations as a percentage of required expenditure in the asset management plans</b>	<b>Greater than 100%</b>	<b>97%</b>	<b>115%</b>	<b>99%</b>	<b>97%</b>	<b>103%</b>	<b>101%</b>	<b>106%</b>	<b>106%</b>	<b>92%</b>	<b>87%</b>	<b>88%</b>
<b>Future Fund (\$m)</b>	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

**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	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
<b>Operating Surplus Ratio</b>	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	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
<b>Net Financial Liabilities</b>	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 <sup>11</sup>

Financial Indicator	Target	2020-21 QF2	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
<b>Asset Sustainability Ratio</b>	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).
- Infrastructure and 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.
- AMPs will be reviewed after the adoption of the Strategic Asset Management Plans (SAMP). The development of the AMP's and the application of the strategic asset management levers provides the opportunity to better understand our future funding requirements. This will result in a return to the recommended asset sustainability range in future years.

Financial Indicator	Target	2020-21 QF2	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
<b>Asset Test Ratio</b>	Maximum 50%	26%	25%	27%	20%	16%	16%	14%	11%	17%	26%	35%
<b>Interest Expense Ratio</b>	Maximum 10%	1.1%	1.2%	1.0%	1.2%	1.0%	0.8%	0.8%	0.7%	0.8%	1.2%	1.7%
<b>Leverage Test Ratio</b>	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

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Financial Indicator	Target	2020-21 QF2	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Cash Flow from Operations	Greater than 100%	97%	115%	99%	97%	103%	101%	106%	106%	92%	87%	88%

**Cash Flow from Operations Ratio** (Cash Flow from Operations as a percentage of forecast required expenditure in the asset management plans)

- This indicator represents whether Council is generating enough cash from its operations to cover the replacement of assets over time.
- A lower ratio indicates that Council is not generating enough cash from operations to cover asset replacement (less than 100%) and as a result Council is funding the replacement of assets from unsustainable sources of income that is forecasting an increasing level of borrowings over time.
- Council's Cash Flow from Operations Ratio falls outside of the target across the plan. Between 2020-21 and 2023-24 Council is forecast to recover from COVID-19, and invest in the Central Market Arcade resulting in reduced income during construction. From 2028-29 Council falls outside of the target as reserves have not been put aside in order to fund significant renewals required.

Financial Indicator	Target	2020-21 QF2	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.

## 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	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
<b>Total Income</b>	<b>118.5m</b>	<b>121.1m</b>	<b>124.2m</b>	<b>127.7m</b>	<b>132.3m</b>	<b>136.7m</b>	<b>140.6m</b>	<b>144.7m</b>	<b>148.8m</b>	<b>153.0m</b>	<b>157.2m</b>

## 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

# Funding Framework : 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
<b>Total Income</b>	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

# Funding Framework : Strategic Projects <sup>15</sup>

## 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
<b>Strategic Projects</b>	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.



# Funding Framework : 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 AMPS and the Draft BP&B.

## Note:

- Approximately \$18m of the \$20m 2020-21 target to reduce operating expenditure has been identified as at January 2021.
- An additional \$5.2m reduction in operational expenditure has been built into the 2021-22 budget as a result of the expenditure target of \$193.6m as per the Council decision on 15 December 2020.
- Council will workshop and prioritise the additional \$7.2m in February and March.

**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 on 15 December 2020**

\$	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
<b>Total Expenses</b>	<b>215.3m</b>	<b>193.6m</b>	<b>197.6m</b>	<b>201.7m</b>	<b>206.8m</b>	<b>212.7m</b>	<b>211.7m</b>	<b>219.0m</b>	<b>220.6m</b>	<b>232.5m</b>	<b>237.8m</b>

## Risks

- Reduction of services as a result of the identification of the \$7.2 million of savings to achieve the 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
- Understanding the demand for services through Community engagement and resource appropriately, which may reduce required funding in the plan
- Greater understanding of service performance may lead to efficiency savings

# Capital Expenditure on Renewals and Replacement of Assets

## Assumptions:

The current program is based predominantly on like for like renewal.

We will fund the renewal of major infrastructure in years 7 to 10.

Funding allocation for major renewals is based on replacement value and all in one year.

## Note:

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

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

We have an obligation to manage public infrastructure vested in our care and control.

**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)
<b>Total Renewal and Replacement of Assets</b>	<b>32.9m</b>	<b>27.6m</b>	<b>53.0m</b>	<b>55.5m</b>	<b>50.6m</b>	<b>51.2m</b>	<b>50.9m</b>	<b>51.8m</b>	<b>85.7m</b>	<b>99.2m</b>	<b>99.8m</b>

\* A further breakdown by asset category is included within the appendix

## Risks

- Towards the end of the current LTFP there are major renewals required due to reaching the end of their useful life. Budget required is based on asset replacement cost allocated within one year. Our current assumption is that the borrowings will fund the shortfall of cash flow generated in these years.
- We have an obligation to manage public infrastructure vested in our care and control.
- An Asset Management Plan is required for the Adelaide Central Market complex, renewals of the market is not currently forecast in the LTFP
- Further reductions to the renewal program could result in an asset sustainability ratio outside of the target range (90-110%)

## Opportunities

- Refer to Strategic Asset Management Plan workshop for detailed explanation of opportunities

# 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.

## Note:

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

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)	-	-	-	-	-	-	-	-	-
<b>Total Expenditure of New and Upgraded Assets</b>	<b>32.5m</b>	<b>19.2m</b>	<b>14.2m</b>	<b>73.2m</b>	<b>81.1m</b>	<b>82.5m</b>	<b>84.0m</b>	<b>85.7m</b>	<b>87.4m</b>	<b>89.1m</b>	<b>90.9m</b>

## 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

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
<b>Income</b>											
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
<b>Total Income</b>	<b>190,086</b>	<b>198,131</b>	<b>202,518</b>	<b>205,054</b>	<b>217,570</b>	<b>223,505</b>	<b>229,112</b>	<b>234,885</b>	<b>240,772</b>	<b>246,777</b>	<b>252,954</b>
<b>Expenses</b>											
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
<b>Total Expenses</b>	<b>224,143</b>	<b>198,231</b>	<b>204,416</b>	<b>208,730</b>	<b>213,942</b>	<b>219,934</b>	<b>219,096</b>	<b>226,532</b>	<b>228,249</b>	<b>240,331</b>	<b>245,737</b>
<b>Operating Surplus / (Deficit)</b>	<b>(34,057)</b>	<b>(101)</b>	<b>(1,898)</b>	<b>(3,677)</b>	<b>3,628</b>	<b>3,570</b>	<b>10,016</b>	<b>8,353</b>	<b>12,524</b>	<b>6,446</b>	<b>7,217</b>
Asset Disposal & Fair Value Adjustments	791	(861)	2,090	2,213	-	-	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	7,877	132	-	-	-	-	-	-	-	-	-
<b>Net Surplus / (Deficit)</b>	<b>(25,390)</b>	<b>(830)</b>	<b>192</b>	<b>(1,464)</b>	<b>3,628</b>	<b>3,570</b>	<b>10,016</b>	<b>8,353</b>	<b>12,524</b>	<b>6,446</b>	<b>7,217</b>
Changes in Revaluation Surplus - I,PP&E	-	-	-	42,873	-	-	-	-	-	-	-
Net Actuarial Gains/(Loss) on Defined Benefit Plan	-	-	-	-	-	-	-	-	-	-	-
<b>Total Other Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,873</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income</b>	<b>(25,390)</b>	<b>(830)</b>	<b>192</b>	<b>41,409</b>	<b>3,628</b>	<b>3,570</b>	<b>10,016</b>	<b>8,353</b>	<b>12,524</b>	<b>6,446</b>	<b>7,217</b>

# 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)
<b>Operating Surplus / (Deficit) before Capital Amounts</b>	<b>(34,057)</b>	<b>(101)</b>	<b>(1,898)</b>	<b>(3,677)</b>	<b>3,628</b>	<b>3,570</b>	<b>10,016</b>	<b>8,353</b>	<b>12,524</b>	<b>6,446</b>	<b>7,217</b>
<b>Net Outlays on Existing Assets</b>											
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	-	-	-	-	-	-	-	-	-	-
<b>Net Outlays on Existing Assets</b>	<b>20,859</b>	<b>25,266</b>	<b>(558)</b>	<b>(1,864)</b>	<b>3,483</b>	<b>6,643</b>	<b>2,968</b>	<b>5,146</b>	<b>(34,289)</b>	<b>(41,831)</b>	<b>(41,386)</b>
<b>Net Outlays on New and Upgraded Assets</b>											
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	-	-	-	-	-	-
<b>Net Outlays on New and Upgraded Assets</b>	<b>(27,490)</b>	<b>(16,958)</b>	<b>(7,688)</b>	<b>25,000</b>	<b>25,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>(41,348)</b>	<b>8,208</b>	<b>(10,144)</b>	<b>19,459</b>	<b>32,612</b>	<b>10,213</b>	<b>12,984</b>	<b>13,499</b>	<b>(21,766)</b>	<b>(35,385)</b>	<b>(34,169)</b>

The complete set of Financial Statements are included in the Appendix

## To consider

Further workshops were requested by Council in December 2020, to help inform budget decisions:

- **Approach to infrastructure and property within the LTFP:** included in SAMP, Strategic Property Review and LTFP workshops / reports.
- **Economic Policy and Investment Strategy:** proposed workshop in April 2021.

## 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

- Approve Draft BP&B for consultation.
- 21 Day Public Consultation on Draft Business Plan and Budget Document.
- Consultation on Rating Policy changes.
- Economic Policy and Investment Strategy workshop.

## May

- Council Meeting to receive feedback received during Public Consultation  
*Public hearing on consultation pending legislative changes (currently not permitted).*

## June

- Adopt BP&B, LTFP, Fees and Charges, and Rates.

## Appendices

1. What we have borrowed for
2. Infrastructure Renewals by Asset Category
3. LTFP Assumptions
4. LTFP - Financial Statements

# What we have borrowed for

23

The table below provides a further breakdown of what Council has borrowed for, and is forecast to borrow for in the 10 year plan

\$'m	Actuals					Forecast										
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 QF2	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
<b>Cash Flow From Operations (including Renewals)</b>			(5.6m)	6.2m	6.7m	(18.5m)	20.7m	(7.2m)	(10.5m)	1.9m	(2.2m)	7.5m	9.0m	(26.4m)	(39.5m)	(38.3m)
<b>Subsidiaries</b>			(4.5m)	(2.5m)	(2.2m)	(6.4m)										
<b>Community Investments</b>																
City Bike Ways			(0.4m)	(0.3m)	(0.6m)	(4.4m)										
Gawler Place Redevelopment			(1.6m)	(9.2m)	(6.5m)	(0.2m)										
Light Rail Extension			(0.4m)	(0.2m)	(0.7m)	(0.7m)										
Market to Riverbank			(2.7m)	(0.5m)	0.1m	(2.1m)	(2.3m)									
Smart City and Smart Organisation			(4.9m)	(2.1m)	(0.2m)	-										
Whitmore Square			-	-	-	(0.8m)										
Moonta Street			-	-	-	(0.2m)	(1.8m)									
South West Community Centre						(1.5m)										
Other			(1.0m)	-	-	-	(0.2m)									
<b>Income Generating Investments</b>																
88 O'Connell Street			(35.0m)													
Ten Gigabit Adelaide			(3.0m)	(2.0m)	(5.0m)	(2.0m)										
Gawler Place Upark				(1.7m)	(1.4m)	(2.0m)										
Solar PV				(1.1m)	(0.3m)											
Central Market Arcade Redevelopment							(14.9m)	(14.2m)	-	-	-	-	-	-	-	-
<b>Borrowings</b>	<b>(1.7m)</b>	<b>31.1m</b>	<b>(28.0m)</b>	<b>(41.5m)</b>	<b>(51.6m)</b>	<b>(90.3m)</b>	<b>(85.7m)</b>	<b>(94.6m)</b>	<b>(80.1m)</b>	<b>(59.7m)</b>	<b>(61.9m)</b>	<b>(54.4m)</b>	<b>(45.4m)</b>	<b>(71.8m)</b>	<b>(111.4m)</b>	<b>(149.7m)</b>



# Infrastructure Renewals by Asset Category

The following table provides a breakdown of the Infrastructure Renewals by Asset Category. The renewals are based on the current asset replacement cost. The Strategic Asset Management Plan workshop for detailed explanation of opportunities to review to strategically manage our assets

\$'000s	2021-22 (Draft Program)	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
Bridges	422	2,388	2,399	2,491	2,587	2,687	2,790	2,898	3,009	<sup>3</sup> 53,069
Buildings	5,740	11,806	9,258	9,946	9,817	10,917	11,219	11,126	<sup>2</sup> 61,936	12,151
Pathways	3,125	5,699	5,749	5,793	5,867	5,921	6,058	6,197	6,339	6,466
Kerb and Water Table	1,235	2,031	2,052	2,084	2,103	2,145	2,188	2,188	2,188	2,232
Lighting & Electrical	1,621	7,962	5,986	2,414	2,306	1,365	916	3,308	1,955	1,468
Park Lands & Open Space	488	2,848	2,174	3,835	4,693	4,200	4,297	4,395	4,497	4,586
Roads	3,396	6,500	6,500	6,500	6,500	6,600	6,752	6,907	7,066	7,207
Water Infrastructure	1,159	5,434	10,508	5,602	5,457	5,742	5,915	<sup>1</sup> 41,056	5,592	5,704
Traffic Signal	1,510	1,603	2,506	2,494	2,506	1,600	1,625	1,151	1,178	1,201
Urban Elements	1,489	1,825	3,668	3,910	3,819	3,900	3,990	4,081	4,175	4,259
<b>Total Infrastructure Renewals</b> <sup>4</sup>	<b>20,184</b>	<b>48,097</b>	<b>50,799</b>	<b>45,069</b>	<b>45,655</b>	<b>45,078</b>	<b>45,750</b>	<b>83,308</b>	<b>97,935</b>	<b>98,344</b>

1. River Torrens Weir \$35m
2. Rundle UPark \$50m
3. Adelaide Bridge \$50m
4. Transport assets are managed as a Network. Within the Network allocation there is approximately ~\$10-\$15m allocated for asset renewals of Grenfell-Currie Street at replacement cost across road/kerb/footpath programs within the LTFP. the delivery of the Grenfell Currie renewals has been delayed to pursue upgrade/new opportunity via funding grants. We are managing the condition through additional patching works.

## 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
<b>Other Income and Expenditure</b>	<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%
<b>Rates - New Developments</b>	1%	2.20%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
<b>Rates - Existing Valuations</b>	<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%
<b>Interest Rate</b>	<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%
<b>Employee costs</b>	<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%
<b>Employee costs - Super Increase</b>	<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
<b>Income</b>											
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
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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
<b>Total Income</b>	<b>190,086</b>	<b>198,131</b>	<b>202,518</b>	<b>205,054</b>	<b>217,570</b>	<b>223,505</b>	<b>229,112</b>	<b>234,885</b>	<b>240,772</b>	<b>246,777</b>	<b>252,954</b>
<b>Expenses</b>											
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
<b>Total Expenses</b>	<b>224,143</b>	<b>198,231</b>	<b>204,416</b>	<b>208,730</b>	<b>213,942</b>	<b>219,934</b>	<b>219,096</b>	<b>226,532</b>	<b>228,249</b>	<b>240,331</b>	<b>245,737</b>
<b>Operating Surplus / (Deficit)</b>	<b>(34,057)</b>	<b>(101)</b>	<b>(1,898)</b>	<b>(3,677)</b>	<b>3,628</b>	<b>3,570</b>	<b>10,016</b>	<b>8,353</b>	<b>12,524</b>	<b>6,446</b>	<b>7,217</b>
Asset Disposal & Fair Value Adjustments	791	(861)	2,090	2,213	-	-	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	7,877	132	-	-	-	-	-	-	-	-	-
<b>Net Surplus / (Deficit)</b>	<b>(25,390)</b>	<b>(830)</b>	<b>192</b>	<b>(1,464)</b>	<b>3,628</b>	<b>3,570</b>	<b>10,016</b>	<b>8,353</b>	<b>12,524</b>	<b>6,446</b>	<b>7,217</b>
Changes in Revaluation Surplus - I,PP&E	-	-	-	42,873	-	-	-	-	-	-	-
Net Actuarial Gains/(Loss) on Defined Benefit Plan	-	-	-	-	-	-	-	-	-	-	-
<b>Total Other Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,873</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income</b>	<b>(25,390)</b>	<b>(830)</b>	<b>192</b>	<b>41,409</b>	<b>3,628</b>	<b>3,570</b>	<b>10,016</b>	<b>8,353</b>	<b>12,524</b>	<b>6,446</b>	<b>7,217</b>

# LTFP – Statement of Financial Position <sup>27</sup>

'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
<b>Current Assets</b>											
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
<b>Total Current Assets</b>	<b>14,892</b>	<b>14,539</b>	<b>14,502</b>	<b>14,573</b>	<b>15,341</b>	<b>15,714</b>	<b>16,069</b>	<b>16,436</b>	<b>16,810</b>	<b>17,192</b>	<b>17,585</b>
<b>Non-Current Assets</b>											
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
<b>Total Non-Current Assets</b>	<b>1,878,610</b>	<b>1,887,701</b>	<b>1,898,039</b>	<b>1,919,992</b>	<b>1,891,015</b>	<b>1,891,347</b>	<b>1,888,390</b>	<b>1,883,256</b>	<b>1,917,560</b>	<b>1,959,407</b>	<b>2,000,810</b>
<b>TOTAL ASSETS</b>	<b>1,893,502</b>	<b>1,902,240</b>	<b>1,912,540</b>	<b>1,934,566</b>	<b>1,906,356</b>	<b>1,907,060</b>	<b>1,904,459</b>	<b>1,899,691</b>	<b>1,934,369</b>	<b>1,976,598</b>	<b>2,018,395</b>
<b>Current Liabilities</b>											
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
<b>Total Current Liabilities</b>	<b>39,938</b>	<b>40,104</b>	<b>40,439</b>	<b>47,754</b>	<b>41,718</b>	<b>42,108</b>	<b>41,450</b>	<b>40,573</b>	<b>40,446</b>	<b>40,136</b>	<b>39,965</b>
<b>Non-Current Liabilities</b>											
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
<b>Total Non-Current Liabilities</b>	<b>125,967</b>	<b>135,370</b>	<b>145,143</b>	<b>118,444</b>	<b>92,643</b>	<b>89,386</b>	<b>77,427</b>	<b>65,184</b>	<b>87,466</b>	<b>123,558</b>	<b>158,310</b>
<b>TOTAL LIABILITIES</b>	<b>165,906</b>	<b>175,474</b>	<b>185,582</b>	<b>166,198</b>	<b>134,360</b>	<b>131,495</b>	<b>118,877</b>	<b>105,757</b>	<b>127,911</b>	<b>163,694</b>	<b>198,274</b>
<b>Net Assets</b>	<b>1,727,596</b>	<b>1,726,766</b>	<b>1,726,958</b>	<b>1,768,368</b>	<b>1,771,996</b>	<b>1,775,566</b>	<b>1,785,582</b>	<b>1,793,934</b>	<b>1,806,458</b>	<b>1,812,904</b>	<b>1,820,120</b>
<b>EQUITY</b>											
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
<b>Total Council Equity</b>	<b>1,727,596</b>	<b>1,726,766</b>	<b>1,726,958</b>	<b>1,768,368</b>	<b>1,771,996</b>	<b>1,775,566</b>	<b>1,785,582</b>	<b>1,793,934</b>	<b>1,806,458</b>	<b>1,812,904</b>	<b>1,820,120</b>

# LTFP – Statement of Changes in Equity <sup>28</sup>

\$'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
<b>Balance at the end of previous reporting period</b>	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							
<b>Balance at the end of period</b>	<b>1,727,596</b>	<b>1,726,766</b>	<b>1,726,958</b>	<b>1,768,368</b>	<b>1,771,996</b>	<b>1,775,566</b>	<b>1,785,582</b>	<b>1,793,934</b>	<b>1,806,458</b>	<b>1,812,904</b>	<b>1,820,120</b>

# LTFP – Statement of Cash Flows

29

\$'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
<b>Cash Flows from Operating Activities</b>											
<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)
<b>Net Cash provided by (or used in) Operating Activities</b>	25,567	53,243	50,864	50,176	57,805	54,431	63,864	65,305	63,943	63,833	65,637
<b>Cash Flows from Investing Activities</b>											
<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)	-	-	-	-	-	-	-	-
<b>Net Cash provided by (or used in) Investing Activities</b>	(59,637)	(43,521)	(54,693)	(30,539)	(32,127)	(51,210)	(50,878)	(51,804)	(85,707)	(99,217)	(99,806)
<b>Cash Flows from Financing Activities</b>											
<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											
<b>Net Cash provided by (or used in) Financing Activities</b>	33,925	(9,722)	3,829	(19,637)	(25,677)	(3,221)	(12,986)	(13,500)	21,764	35,384	34,169
<b>Net Increase (Decrease) in Cash Held</b>	(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
<b>Cash &amp; Cash Equivalents at end of period</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>

\$'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)
<b>Operating Surplus / (Deficit) before Capital Amounts</b>	(34,057)	(101)	(1,898)	(3,677)	3,628	3,570	10,016	8,353	12,524	6,446	7,217
<b>Net Outlays on Existing Assets</b>											
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	-	-	-	-	-	-	-	-	-	-
<b>Net Outlays on Existing Assets</b>	20,859	25,266	(558)	(1,864)	3,483	6,643	2,968	5,146	(34,289)	(41,831)	(41,386)
<b>Net Outlays on New and Upgraded Assets</b>											
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	-	-	-	-	-	-
<b>Net Outlays on New and Upgraded Assets</b>	(27,490)	(16,958)	(7,688)	25,000	25,500	-	-	-	-	-	-
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>(40,688)</b>	<b>8,208</b>	<b>(10,144)</b>	<b>19,459</b>	<b>32,612</b>	<b>10,213</b>	<b>12,984</b>	<b>13,499</b>	<b>(21,766)</b>	<b>(35,385)</b>	<b>(34,169)</b>

# Enabling Priorities

**2021 - 2022 Business Plan and Budget**  
Services and Operational Activities

Chief Operating Officer  
Justin Lynch





# 2021 – 2022 Business Plan and Budget

## Key Messages

### Workshop outline

#### Approach

- Delivery timeline
- 20 -21 Budget Summary
- 21-22 Budget Parameters
- Bridging 20-21 and 21-22

#### 21-22 Draft Budget

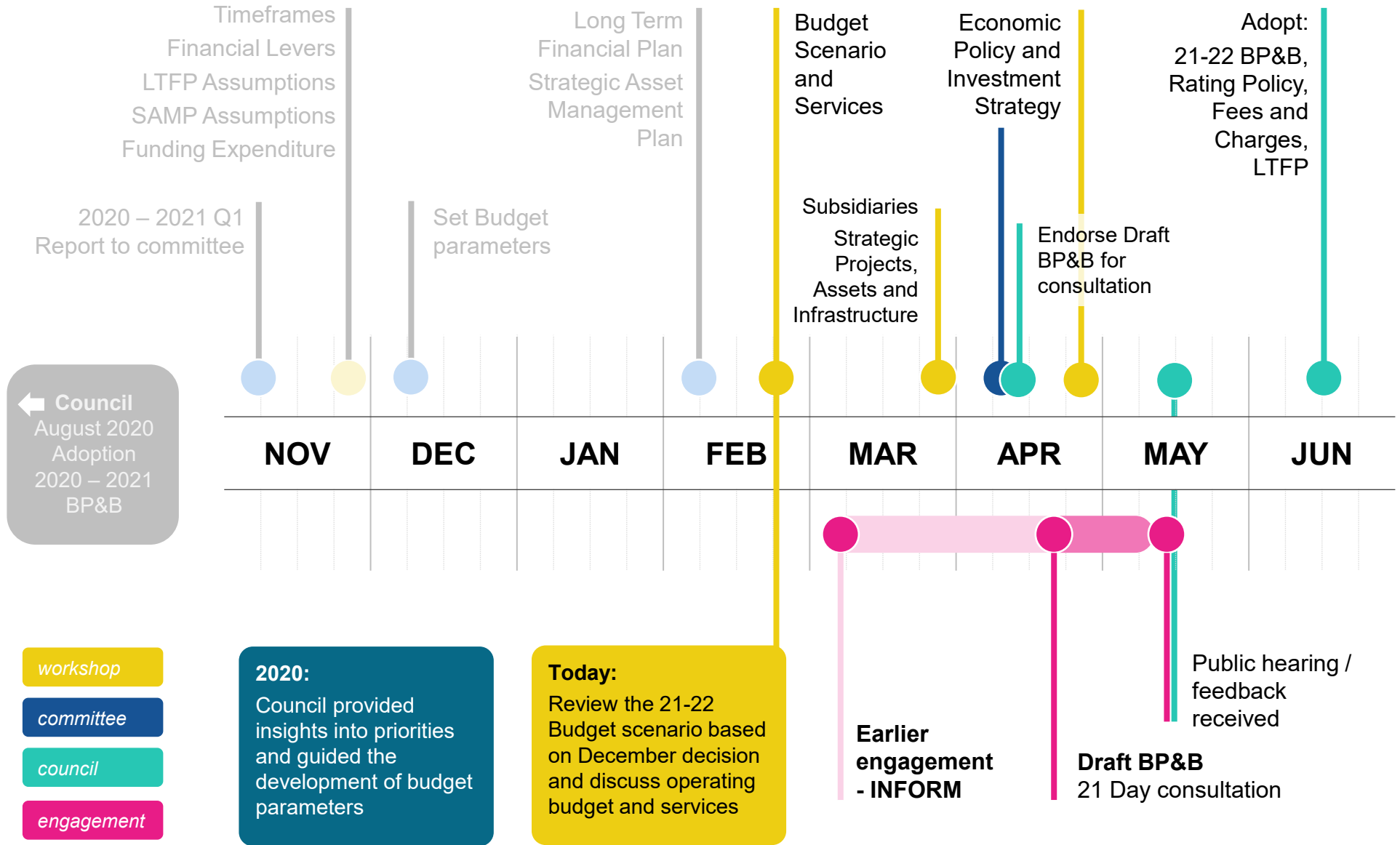
- Reshaping our Organisation
- Income
- Expenditure

#### Our Services and Budget

- Overview of Services
- Summary of Levers
- Review of Operating Activities
- Review of Levels of Service

#### Next Steps

# 21-22 BP&B Approach : Delivery timeline



## 2020-21 Journey

The 2020-21 Adopted budget was built in the early stages of COVID-19, and as such the assumptions within the 2020-21 budget require revision. This is reflected through the Quarterly Forecasts.

### Income:

Council has experienced better than expected recovery of income against the initial budget assumptions. The 2020-21 budget assumed a gradual return of income from user fees and charges to 85-90% of pre COVID-19 levels at the end of the Financial year. The increase in income quarterly reflects the year to date favourable position to the budget.

### Expenditure Impacts:

- Council decisions (\$1.84m).
- Movement to the WIP write-off following project scope refinement (\$2.2m).
- Project retiming to 2021-22 \$0.5m.
- Net savings base on favourable position to budget \$2.14m.

### Borrowings:

Borrowings have been adjusted to reflect the variance to our Operating Position as well as changes in the Capital Program including:

- Council Decision to purchase the Southwest Community Centre \$1.5m.
- Timing adjustment to the cash flow from the divestment of underperforming assets adjusted to 2021-22 \$1.0m.

### Operating Position:

- Council's net operating position is \$2.4m better than the Adopted Budget.

\$'m	2020-21 Adopted Budget	2020-21 Q1 Forecast	2020-21 Q2 Forecast	Total Movement
Operating Income	186.3m	188.2m	190.1m	3.8m ↑
Operating Expenditure	222.7m	227.3m	224.1m	1.4m ↑
<b>Operating Position</b>	<b>(36.4m)</b>	<b>(39.0m)</b>	<b>(34.1m)</b>	<b>\$2.4m ↑</b>
<b>Borrowings</b>	<b>90.1m</b>	<b>92.8m</b>	<b>90.3m</b>	<b>0.2m ↑</b>

## Assumptions

**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.**

### Revenue targets (includes Subsidiaries):

- 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 (includes subsidiaries):

- Strategic Project expenditure target not exceeding \$5.4m, based on 2020-21 commitments across multiple years.
- **Service Delivery expenditure target not exceeding \$193.6m. Permanent savings of \$7.2m have been incorporated into this budget as a target.**

### 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.

## Parameter 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.

The 2021-22 forecast has been updated to include the income and expenditure parameters approved by Council and presents a forecast Operating Deficit of (\$0.1m) for the 2021-22 Financial year.

How do we get from a forecasted operating deficit of (\$34.1m) in 2020-21 to (\$0.1m) in 2021-22:

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

### Income – increase \$8.0m

- Increase in rates income of \$2.7m based on growth through new developments and a reduction to the special discretionary rate rebate .
- Fees and charges \$7.7m as our revenue streams return to 85% of pre-Covid levels.
- Reduction in Grant funding of \$2.4m.

### Expenditure – reduction \$26.6m

- One off transition costs in 2020-21 of \$14.4m (*see next slide for further details*).
- WIP write off is assumed to reduce by \$3.3m as capital expenditure reduces (10% of the Program).
- A decrease in Grant expenditure of \$2.7m.
- Reduction in allocation for Strategic Projects \$1.5m.
- Further reduction in the delivery of services \$5.2m.

## Efficiency Approach

**2020-21:** Within the 2020-21 BP&B the following allocations were incorporated:

- \$20m ongoing reduction to operating expenditure, to be identified during 2020-21.
- A one-off \$14.4m transition costs, in order to achieve the ongoing savings.

**2021-22:** In order for Council to achieve an operating deficit of (\$0.1m), a further \$5.2m ongoing permanent reduction to expenditure has been incorporated from 2021-22, in line with the 15 December 2020 decision.

**Council agreed to a \$20 million permanent ongoing reduction to Operating Expenditure during the 2020-21 BP&B process.**

As of January 2021, \$18m of the ongoing savings have been identified within Labour and Non-Labour expenditure. Savings have been identified throughout 2020-21, the full impact of the savings will not be realised until 2021-22.

Recognising the time required to identify the \$20m, as well as the costs associated in reshaping the organisation, a \$14.4m provision was incorporated for 2020-21 only. The current forecast is \$0.5m favourable for 2020-21 (*as shown in the table*), noting that the ongoing shortfall of the \$2m has not yet been identified.

**This workshop will highlight some of the levers that are available to Council to help achieve the required reduction in our operating expenditure in order to become financially sustainability.**

\$'000s	2020-21	Ongoing from 2021-22
<b>2020 – 21: \$20m Expenditure Savings</b>		
Target	(20,000)	(20,000)
Labour	13,086	12,960
Non-Labour		5,040
<b>Net</b>	<b>(6,914)</b>	<b>(2,000)</b>

<b>2021 – 22: \$5.2m Expenditure Target</b>		
Target	-	(5,200)
<b>Net</b>	<b>-</b>	<b>(5,200)</b>

<b>Transition costs for Reshaping our Organisation</b>		
Budget	14,400	
Actuals	(6,970)	
<b>Net</b>	<b>7,430</b>	<b>-</b>
<b>Net Position</b>	<b>516*</b>	<b>(7,200)</b>

<b>Savings still to be Identified</b>	<b>(7,200)</b>
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## Income Summary

The Draft Budget presented to Council in April will reflect an update to these positions, including any updates to the assumptions for 21-22 on User Charges based on pre-COVID levels (i.e. whether 85% is still an appropriate assumption).

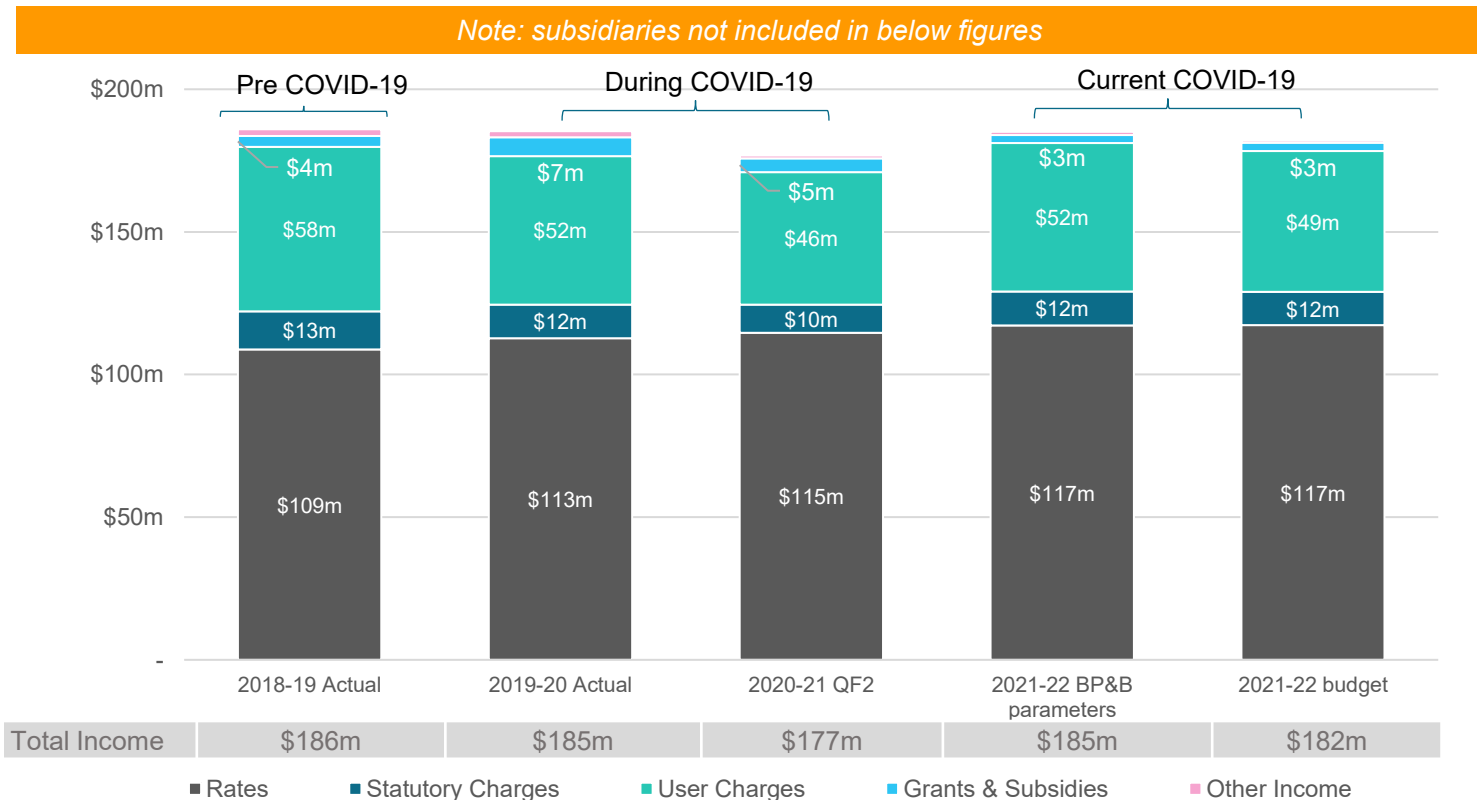
January income illustrates that we are between 85-90% compared to January 2020.

## Current Assumptions

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

**Fees and Charges** to increase as per the Market (Adelaide (CPI) of 1.25%)

LTFP currently assumes that from 2021-22 **revenue (i.e. commercial)** will conservatively return to approximately 85%-90% of pre COVID-19 levels.



## 2021-22 draft Budget Assumptions

Employee costs to increase by the relevant Enterprise Agreement.

Superannuation to increase by 0.5% from 1 July 2021.

Materials, Contracts & Other Expenditure have not been increased by CPI unless a contractual commitment exists.

Depreciation is calculated on current asset levels.

Interest on borrowings based on current market rate.

\$7.2m target has been incorporated within Materials, Contracts & Other Expenditure.

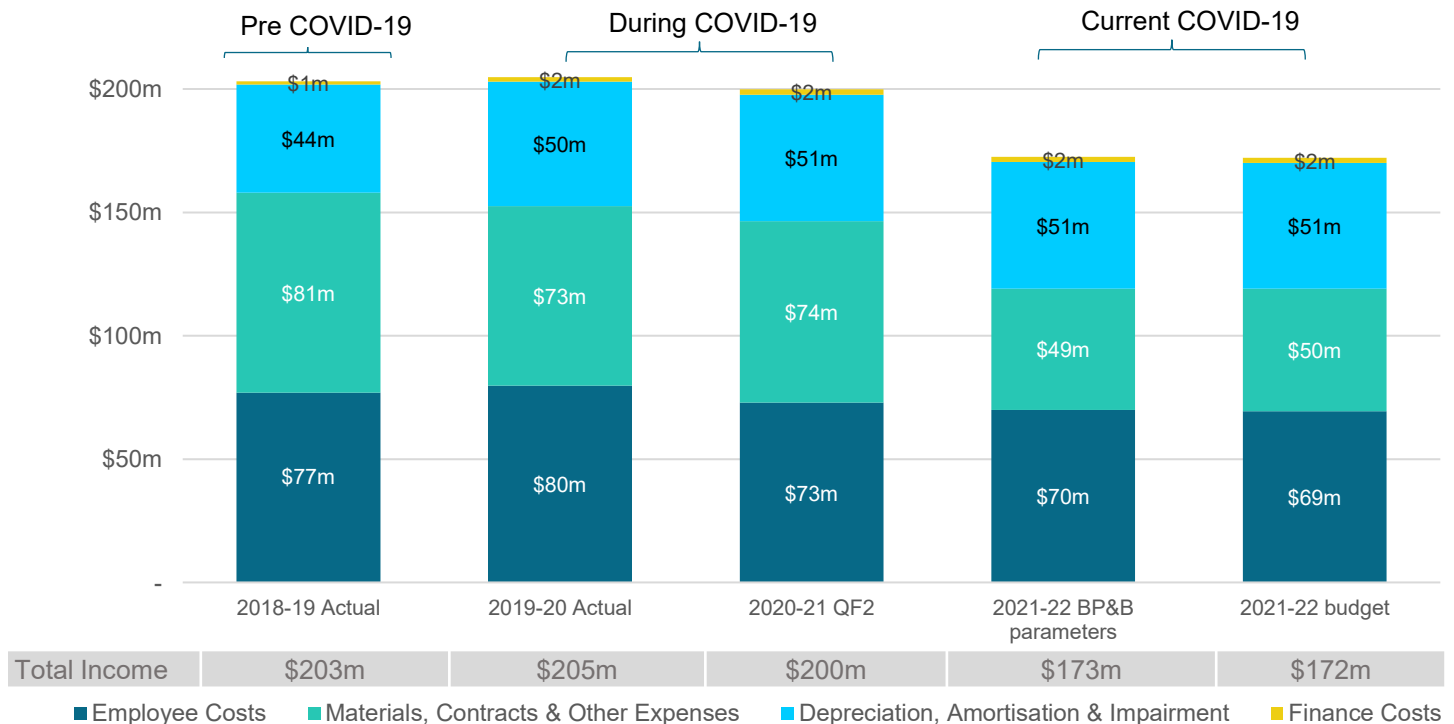
## Current Assumptions

**Employee Costs:** As per Enterprise Agreements (2% - 2.5%, plus Superannuation Increase 0.5%.

**Service Delivery expenditure** target not exceeding \$193.6m including subsidiaries – a \$5.2m reduction from previous year.

**Interest Rates for 21-22 at 1.35% - 1.5%.**

*Note: subsidiaries not included in below figures*





## KEY QUESTIONS IN THIS SECTION:

### Review of Operating Activities

1. What are Council Members' views on the scenarios provided to adjust the funding allocations for our operating activities?
2. What are Council Members' views on any operating activities that we could stop entirely?

### Further Reviews Services

3. What are Council Members' views on undertaking a review on Levels of Service?

**The purpose of this section is to introduce our services as per the 2021-22 Service Directory and highlight the levers that are available to Council to achieve the required reduction in our operating expenditure.**

The following slides talk to our operating budget by Service, as presented in the DRAFT 2021-22 Service Directory.

1

**Overview of Services** – As per Service Directory.

2

**Summary of levers** available to achieve ongoing operating efficiencies.

3

Review of **Operating Activities**.

4

Further review of **Services**.

## 2021-22 Service Directory:

The new service directory has been built to include a full cost attribution model to reflect direct and indirect costs inclusive of corporate and management overheads.

Our 2021 – 2022 Budget will be presented to the community in alignment with the Service Directory.

As Subsidiary budgets are to be considered by Council in March and April, they are not included in the following sections (including any relevant Operating Activities).

From 2019 we have transitioned 10 service categories, which contained 93 services into 13 Community Services, 2 Subsidiary services and 8 Corporate Services.

The following principles have guided the approach to Reshaping our Services:

- Customer Centric:** Services are developed in a way that makes sense to our external audiences.
- Outcome focused:** Services reflect the outcomes they deliver for our customers.
- Holistic:** Functions within a service represent all contributing elements of delivery.
- Sustainable:** Services remain relatively constant and are enduring through structural or strategic plan changes.
- Performance based:** Services are established to facilitate effective performance monitoring and reporting.

1

2

3

4

## Direct Expenditure and FTE's

The distribution of staff levels (FTE) and (Direct) expenditure across services such as Park Lands and Open Space, Roads and Footpaths, Parking and Sports and Recreation is a reflection of the investment and management of Council's major asset categories and commercial operations.

1

2

3

4

	Service (% as a total of all services listed below)	(Direct) FTE	(Direct) Expenditure	(Direct) Income
COMMUNITY	Arts, Culture and Events	6.4%	5.9%	0.8%
	Community Development	1.8%	1.5%	0.2%
	Community Safety	4.2%	2.0%	1.4%
	Environmental Sustainability	1.3%	1.2%	0.0%
	Library Services	4.4%	3.2%	0.2%
	Park Lands and Open Space	16.9%	11.8%	1.0%
	Parking	9.2%	9.7%	23.2%
	Planning, Building and Heritage	2.6%	1.9%	0.2%
	Property Management and Development	1.9%	3.1%	2.8%
	Resource Recovery and Waste Management	1.7%	2.7%	0.4%
	Roads and Footpaths	18.7%	27.7%	0.2%
	Social and Economic Planning	1.7%	1.2%	0.1%
Sports and Recreation	8.7%	8.2%	4.9%	
CORPORATE	Customer Experience	3.8%	1.9%	0.0%
	Finance, Procurement and Rating	4.6%	4.2%	64.8%
	Governance	1.3%	1.7%	0.0%
	Information Management	4.1%	7.1%	0.0%
	Lord Mayor and Council Members	1.1%	1.2%	0.0%
	Marketing and Communications	1.7%	1.2%	0.0%
	People	2.6%	1.7%	0.0%
	Strategy, Planning and Insights	1.4%	0.7%	0.0%
<b>Total Share</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>



## Community Services

13 Community services.

*Please note that rates income has not been apportioned across services. Only direct income made from the service is represented in the below.*

	Budgeted FTE		Direct Costs '000's		Indirect Costs'000's		Total Nett
	Direct	Indirect	Expend.	Income	Mgmt.	Corp.	
Arts, Culture and Events	42.48	12.24	(\$10,766)	\$1,380	(\$391)	(\$2,658)	(\$12,435)
Community Development	12.14	5.43	(\$2,707)	\$352	(\$125)	(\$1,248)	(\$3,729)
Community Safety	27.95	8.17	(\$3,589)	\$2,489	(\$258)	(\$1,822)	(\$3,179)
Environmental Sustainability	8.86	3.67	(\$2,207)	\$9	(\$89)	(\$887)	(\$3,174)
Library Services	29.53	3.30	(\$5,815)	\$281	(\$234)	(\$898)	(\$6,666)
Park Lands and Open Space	112.08	25.40	(\$21,440)	\$1,729	(\$981)	(\$4,331)	(\$25,024)
Parking	61.26	7.80	(\$17,528)	\$41,989	(\$493)	(\$1,056)	\$22,912
Planning, Building and Heritage	17.54	5.87	(\$3,430)	\$444	(\$167)	(\$1,350)	(\$4,504)
Property Management and Development	12.62	3.87	(\$5,600)	\$5,046	(\$118)	(\$827)	(\$1,499)
Resource Recovery and Waste Management	11.00	6.91	(\$4,828)	\$679	(\$128)	(\$1,743)	(\$6,019)
Roads and Footpaths	124.47	23.41	(\$50,087)	\$353	(\$1,055)	(\$3,698)	(\$54,487)
Social and Economic Planning	11.32	6.86	(\$2,200)	\$228	(\$130)	(\$1,744)	(\$3,845)
Sports and Recreation	58.20	10.56	(\$14,897)	\$8,826	(\$491)	(\$1,657)	(\$8,218)
<b>Total</b>	<b>529.44</b>	<b>123.50</b>	<b>(\$145,093)</b>	<b>\$63,805</b>	<b>(\$4,660)</b>	<b>(\$23,919)</b>	<b>(\$109,867)</b>

## Corporate Services

Budgeted FTE and Expenditure for Corporate Services have been embedded in the cost of service for our Community and Subsidiary Services. We have provided them separately below to ensure transparency.

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	Budgeted FTE	Expenditure '000's	Income '000's	Total Nett
Customer Experience	25.40	(\$3,490)	\$1	(\$3,489)
Finance, Procurement & Rating	30.40	(\$7,689)	\$117,448	\$109,760
Governance	8.53	(\$3,124)	\$0	(\$3,124)
Information Management	27.00	(\$12,846)	\$45	(\$12,802)
LM & Council Members	7.00	(\$2,135)	\$0	(\$2,135)
Marketing and Communications	11.00	(\$2,162)	\$0	(\$2,162)
People	17.40	(\$3,135)	\$25	(\$3,110)
Strategy, Planning & Insights	9.00	(\$1,308)	\$0	(\$1,308)
<b>TOTAL</b>	<b>135.73</b>	<b>(\$35,890)</b>	<b>\$117,519</b>	<b>\$81,629</b>

*For additional information refer to the City of Adelaide Draft 2021 Service Directory*

## Budget Parameters

Council approved 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.

As part of 'Reshaping our Organisation' administration has worked to find efficiencies and to better align our available resources to ensure that we are delivering value to our Community.

**As part of the 21/22 Budget build, further efficiencies are required.**

The levers available to identify the required reduction in operating expenditure over the coming budget year include:

### **Review Operating Activities**

Identify opportunities to find efficiencies in the expenditure of Operating Activities.

### **Further Review Services**

Continue to review Services and identify additional opportunities with Council and the Community

### **Service Contestability**

Good business practice to ensure value for money to our ratepayers (reporting back to Council in March).

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## Operating expenditure

Operating Activities support the delivery of the Strategic Plan and have been incorporated into the cost of service.

The expenditure associated with each operating activity is captured within the direct cost (from previous slides) to deliver the service and articulated separately for transparency purposes.

Operational Activity	DRAFT Budget	Operational Activity	DRAFT Budget
<b>Arts, Culture and Events</b>		<b>Information Management</b>	
Adelaide's New Year's Eve	\$371,020	IM Roadmap	\$2,000,000
ANZAC Day Service & Related Activities	\$58,000	<b>Lord Mayor and Council Members</b>	
Australia Day Sponsorship	\$179,000	International Relations (Sister Cities)	\$100,000
Business Activation and Support	\$100,000	<b>Marketing and Communications</b>	
Christmas in the City	\$350,000	Brand	\$10,000
City Activation – East End Unleashed	\$140,000	Content	\$65,000
City Activation – Hutt Street	\$50,000	Online Advertising	\$30,000
City Activation - Melbourne Street	\$50,000	Public relations	\$20,000
City Activation – North Adelaide/O'Connell	\$50,000	Web and Digital Development	\$82,500
Cultural Entrepreneurs Incubator Program	\$50,000	<b>Planning, Building and Heritage</b>	
Fashion Industry Support	\$50,000	Built Heritage Management Grants	\$1,115,180
History Festival	\$30,000	Built Heritage Management Promotion	\$63,538
Live Music Strategic Partnership	\$10,000	<b>Roads and Footpaths</b>	
Umbrella Winter Festival	\$40,000	Free City Connector	\$933,911
UNESCO City of Music	\$50,000	<b>Social and Economic Planning</b>	
<b>Community Development</b>		Adelaide Prize	\$29,500
Adelaide Leaders & Community-led Neighbourhood Dev't	\$40,000	Annual delivery of Kaurna RAP initiatives	\$50,000
Community Development Grants	\$559,000	Economic Policy	\$39,936
<b>Community Safety</b>		NAIDOC Week celebrations	\$50,000
Safer City Policy 2019-22	\$65,000	Noise Management	\$38,634
<b>Environmental Sustainability</b>		Residential Growth Action Plan	\$32,800
Carbon Neutral Adelaide	\$1,331,758	<b>Sports and Recreation</b>	
		Recreation and Sports Grants	\$187,000
		<b>Strategy, Planning and Insights</b>	
		Efficiency and Service Reviews	\$50,000

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# Operating Activities: Review

## Budget Review

Two scenarios have been mapped on the remaining operating activities to demonstrate where **potential operating expenditure reductions** could be made through a change to the budget allocation.

*Alternatively a customised approach could be taken.*

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Operational Activity	Draft 21-22 Budget	10% reduction	20% reduction	Customised approach	3 year average spend*
<b>Arts, Culture and Events</b>					
Adelaide's New Year's Eve	\$371,020	\$333,918	\$296,816		\$328,262
ANZAC Day Service, March & Related Activities	\$58,000	\$52,200	\$46,400		\$49,953
Arts and Cultural Grants	\$261,000	\$234,900	\$208,800		\$244,502
Australia Day Sponsorship	\$179,000	\$161,100	\$143,200		\$171,333
Business Activation and Support	\$100,000	\$90,000	\$80,000		\$89,064
Christmas in the City	\$350,000	\$315,000	\$280,000		\$345,000
City Activation – East End Unleashed	\$140,000	\$126,000	\$112,000		\$161,613
City Activation – Hutt Street	\$50,000	\$45,000	\$40,000		\$6,333
City Activation - Melbourne Street	\$50,000	\$45,000	\$40,000		-
City Activation – North Adelaide/O'Connell St	\$50,000	\$45,000	\$40,000		\$10,527
Cultural Entrepreneurs Incubator Program	\$50,000	\$45,000	\$40,000		\$39,974
Fashion Industry Support (previously Vogue)	\$50,000	\$45,000	\$40,000		\$78,237
History Festival	\$30,000	\$27,000	\$24,000		\$23,000
Live Music Strategic Partnership	\$10,000	-	-	\$10,000*	\$10,000
Umbrella Winter Festival	\$40,000	\$36,000	\$32,000		\$40,000
UNESCO City of Music (new)	\$50,000	-	-	\$50,000*	-

\* Budgets proposed to remain at full level due to funds being committed through a joint funding or partnership agreement



## Budget Review

Two scenarios have been mapped on the remaining operating activities to demonstrate where **potential operating expenditure reductions** could be made through a change to the budget allocation.

*Alternatively a customised approach could be taken.*

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Operational Activity	Draft 21-22 Budget	10% reduction	20% reduction	Customised approach	3 year average spend*
<b>Community Development</b>					
Adelaide Leaders & Community-led Neighbour Dev't	\$40,000	\$36,000	\$32,000		\$26,609
Community Development Grants	\$559,000	\$503,100	\$447,200		\$480,677
<b>Community Safety</b>					
Safer City Policy 2019-22	\$65,000	\$58,500	\$52,000		\$0
<b>Environmental Sustainability</b>					
Carbon Neutral Adelaide	\$1,331,758	\$1,198,582	\$1,065,406		\$1,168,627
<b>Information Management</b>					
IM Roadmap	\$2,000,000	\$1,800,000	\$1,600,000		\$2,000,000
<b>Lord Mayor &amp; Council Members</b>					
International Relations (Sister Cities)	\$100,000	\$90,000	\$80,000		\$159,280
<b>Marketing and Communications</b>					
Brand	\$10,000	\$9,000	\$8,000		-
Content	\$60,000	\$54,000	\$48,000		-
Online Advertising	\$30,000	\$27,000	\$24,000		-
Public Relations	\$20,000	\$18,000	\$16,000		-
Web and Digital Development	\$60,000	\$54,000	\$48,000		-

## Budget Review

Two scenarios have been mapped on the remaining operating activities to demonstrate where **potential operating expenditure reductions** could be made through a change to the budget allocation.

*Alternatively a customised approach could be taken.*

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Operational Activity	Draft 21-22 Budget	10% reduction	20% reduction	Customised approach	3 year average spend*
<b>Planning, Building &amp; Heritage</b>					
Built Heritage Management Grants	\$1,115,180	\$1,003,662	\$892,144		\$1,039,579
Built Heritage Management Promotion	\$63,538	\$57,184	\$50,830		\$42,254
<b>Roads &amp; Footpaths</b>					
Free City Connector	\$1,115,000	-	-	\$1,115,000*	\$855,088
<b>Social and Economic Planning</b>					
Adelaide Prize	\$29,500	\$26,550	\$23,600		\$29,118
Annual delivery of Kaurna RAP initiatives	\$50,000	\$45,000	\$40,000		-
Economic Policy	\$39,936	\$35,942	\$31,949		-
NAIDOC Week Celebrations	\$50,000	\$45,000	\$40,000		\$53,293
Noise Management	\$38,634	\$34,771	\$30,907		\$34,578
Residential Growth Action Plan	\$32,800	\$29,520	\$26,240		\$58,738
<b>Sport &amp; Recreation</b>					
Recreation and Sports Grants	\$187,000	\$168,300	\$149,600		\$152,968
<b>Strategy, Planning &amp; Insights</b>					
Efficiency & Service Reviews	\$50,000	\$45,000	\$40,000		\$33,176
<b>TOTAL POTENTIAL SAVINGS</b>	<b>-</b>	<b>\$771,137</b>	<b>\$1,542,273</b>	<b>TBC</b>	<b>-</b>

\* Budgets proposed to remain at full level due to funds being committed through a joint funding or partnership agreement

## Budget Activity

To assist us to build the draft budget we are keen to understand Council Members views on the budget allocation for Operating Activities based on the scenarios provided: Scenario 1 (10% reduction; Scenario 2 (20% reduction); or a Customised Approach - where you can share your thoughts on an adjustment to the budget allocation (i.e a budget range of \$1,000-\$2,000), a budget hold (100%), or a budget removal (\$0 – stop doing).

**To allow us to collect your views, please utilise the butchers paper placed around the room.**

Based on the scenarios provided, potential savings to our operating expenditure could be achieved:

- **10% reduction, saving of \$771,137.**
- **20% reduction, saving of \$1,542,273.**
- **Council indicated savings of \$ TBC**

### KEY QUESTION

***1. What are Council Members' views on the scenarios provided to adjust the funding allocations for our operating activities?***

***2. What are Council Members' views on any operating activities that we could stop entirely?***

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## Community and Corporate Services

Continuing a review of our services provides an opportunity to discuss Levels of Service with Council and the Community.

It is proposed that this be initiated as part of the 21/22 Business Plan and Budget process in alignment with the 2021-22 Service Directory.

Further to the review of our operating activity expenditure, we have an opportunity to work with Council and our Community to continue to review our services.

### COMMUNITY SERVICES

- Arts, Culture and Events
- Community Development
- Community Safety
- Environmental Sustainability
- Library Services
- Park Lands and Open Space
- Parking
- Planning, Building and Heritage
- Property Management and Development
- Roads and Footpaths
- Social and Economic Planning
- Sports and Recreation
- Resource Recovery and Waste Management

### CORPORATE SERVICES

- Customer Experience
- Finance, Procurement and Rating
- Governance
- Information Management
- LM and Council Members
- Marketing and Communications
- People
- Strategy, Planning and Insights

### KEY QUESTION

*What are Council Members' views on undertaking a review on Levels of Service?*

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## To consider

Further workshops were requested by Council in December 2020, to help inform budget decisions:

- **Approach to infrastructure and property within the LTFP:** included in SAMP, Strategic Property Review and LTFP workshops / reports.
- **Economic Policy and Investment Strategy:** proposed workshop in April 2021.

## 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

- Approve Draft BP&B for consultation.
- 21 Day Public Consultation on Draft Business Plan and Budget Document.
- Consultation on Rating Policy changes.
- Economic Policy and Investment Strategy workshop.

## May

- Council Meeting to receive feedback received during Public Consultation  
*Public hearing on consultation pending legislative changes (currently not permitted).*

## June

- Adopt BP&B, LTFP, Fees and Charges, and Rates.

# Enabling Priorities

## Strategic Asset Management Plan

Infrastructure

Jean-Pierre Koekemoer / Matthew Morrissey



# Strategic Asset Management

## Key Questions

### Asset Management Levers

Do Council Members have any views/feedback on the levers proposed?

### Moving Forward

What are Council Members views/feedback on the draft Strategic Asset Management Plan?

### Prioritisation

What are Council Members views/feedback on the Resource Allocation Strategy filters?

### Strategic “Actions”

What are Council Members views/feedback on the Strategic actions and considerations?

# Strategic Asset Management Plan

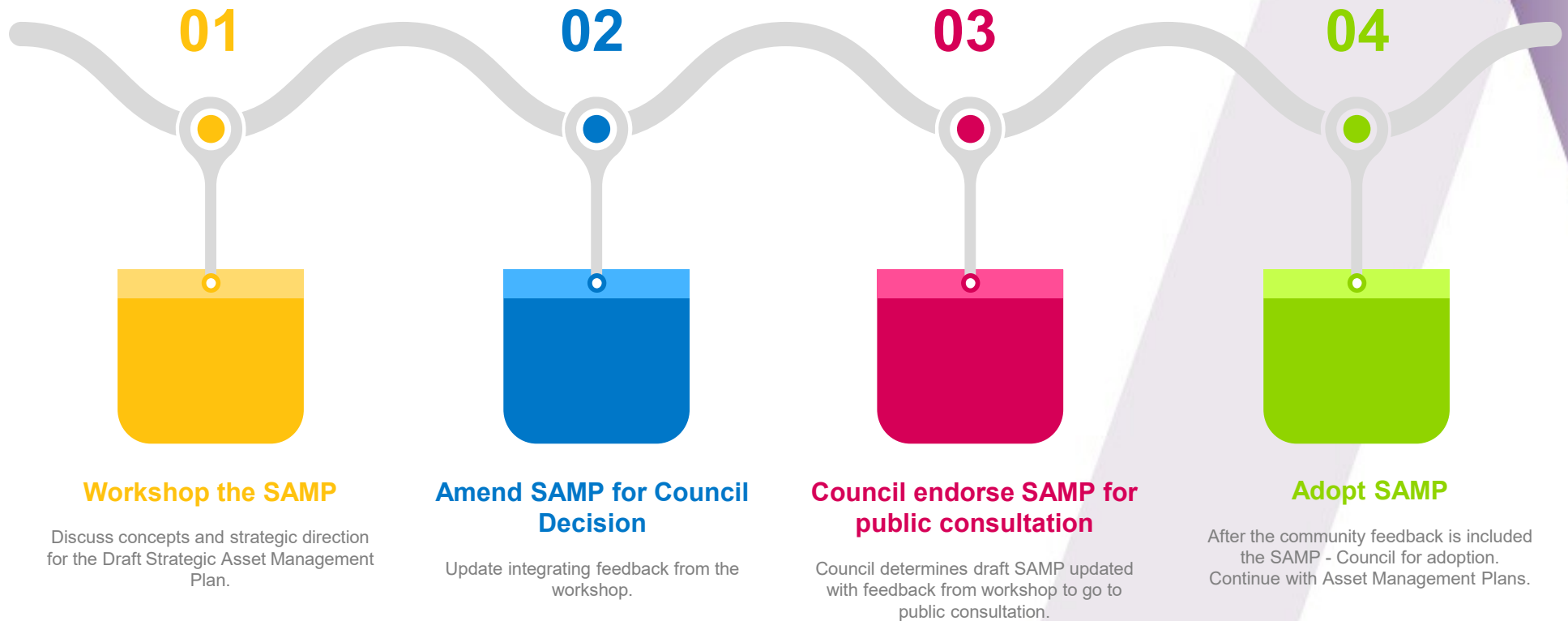
## Background

55

- Council have 6 endorsed Asset Management Plans:
  - Transportation Asset Management Plan
  - Water Infrastructure Asset Management Plan
  - Building Asset Management Plan
  - Park Lands and Open Space Asset Management Plan
  - Urban Elements Asset Management Plan
  - Lighting Electrical CCTV Assets Asset Management Plan
- Legislative requirement to review Asset Management Plans (Section 122 of the Local Government Act 1999 (SA))
- Infrastructure Asset Management Policy was approved by Council in February 2019
- Development of the Strategic Asset Management Plan (SAMP), Link 1 view [here](#).



# Strategic Asset Management Plan Approval Process



## Strategic Asset Management Plan

# What is Strategic Asset Management

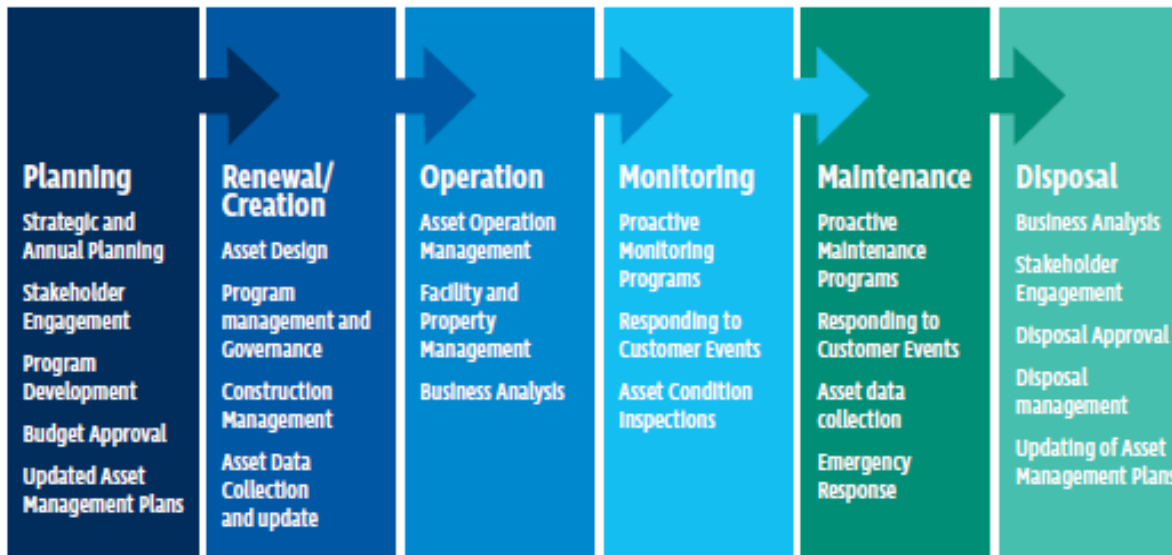
### Purpose SAMP is to:

- Convert organisational objectives to Asset Management objectives.
- Set the approach for developing Asset Management Plans (AMP)

### Asset Management

Lifecycle management of physical assets to achieve the organisational long-term objectives with the lowest cost to the community.

### Asset Management Lifecycle

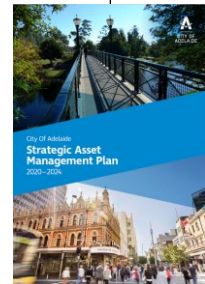


# Strategic Asset Management Plan Asset Management Framework

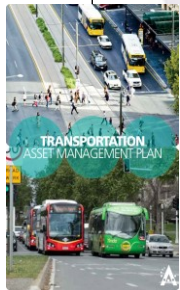


## Asset Management Policy

- Community Benefit
- Financial sustainability
- Environmental Sustainability
- Continuous Improvements
- Evidence-based decision making



## SAMP



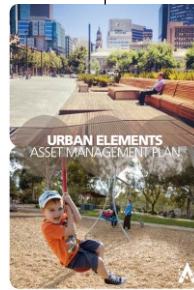
Transportation



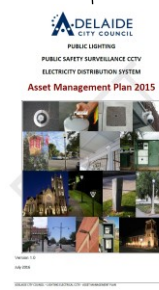
Building



Park Lands and Open Space



Urban Elements



Lighting Electrical



Water Infrastructure

## Asset Management Plans

# Strategic Asset Management Plan

## Asset Management in the Organisation



# Strategic Asset Management Plan Asset Portfolio

The City of Adelaide has approximately \$2 billion worth of assets to manage through their lifecycle.

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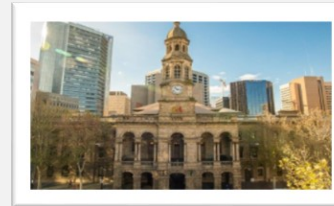
Bridges



\$179million – 5 Road Bridges, 44 Footbridges

2

Buildings



\$514million - 175 Buildings

3

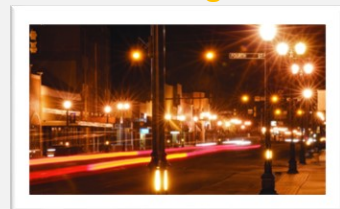
Transportation



\$705mil - 140km Roads

4

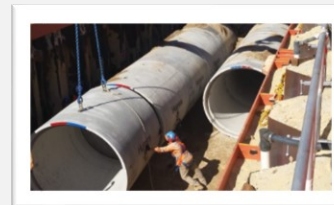
Lighting and Electrical  
Traffic Signals



\$200mil – 133 signalised intersections, over 7500 assets

5

Stormwater



\$271mil ~135km of pipe network

6

Park Lands & Urban  
Elements



\$121mil – 7.6mil m<sup>2</sup> and over 8300 assets

## Asset Management Levers that impact on LTFP

Lever 1: Optimisation of renewals to stretch Council's dollar further

Lever 2: Review and redefine Level or Service (LoS) to find optimal cost

Lever 3: Asset Sustainability Ratio

Lever 4: Divest and Accepting Assets

Lever 5: Seek External Funding

Lever 6: Resource Allocation Strategy

# Strategic Asset Management Plan

## Lever 1: Optimisation of Renewals

### Benefits

- Optimal outcome for asset renewals based on Council endorsed budget and level of service
- Stretch Council's dollar further

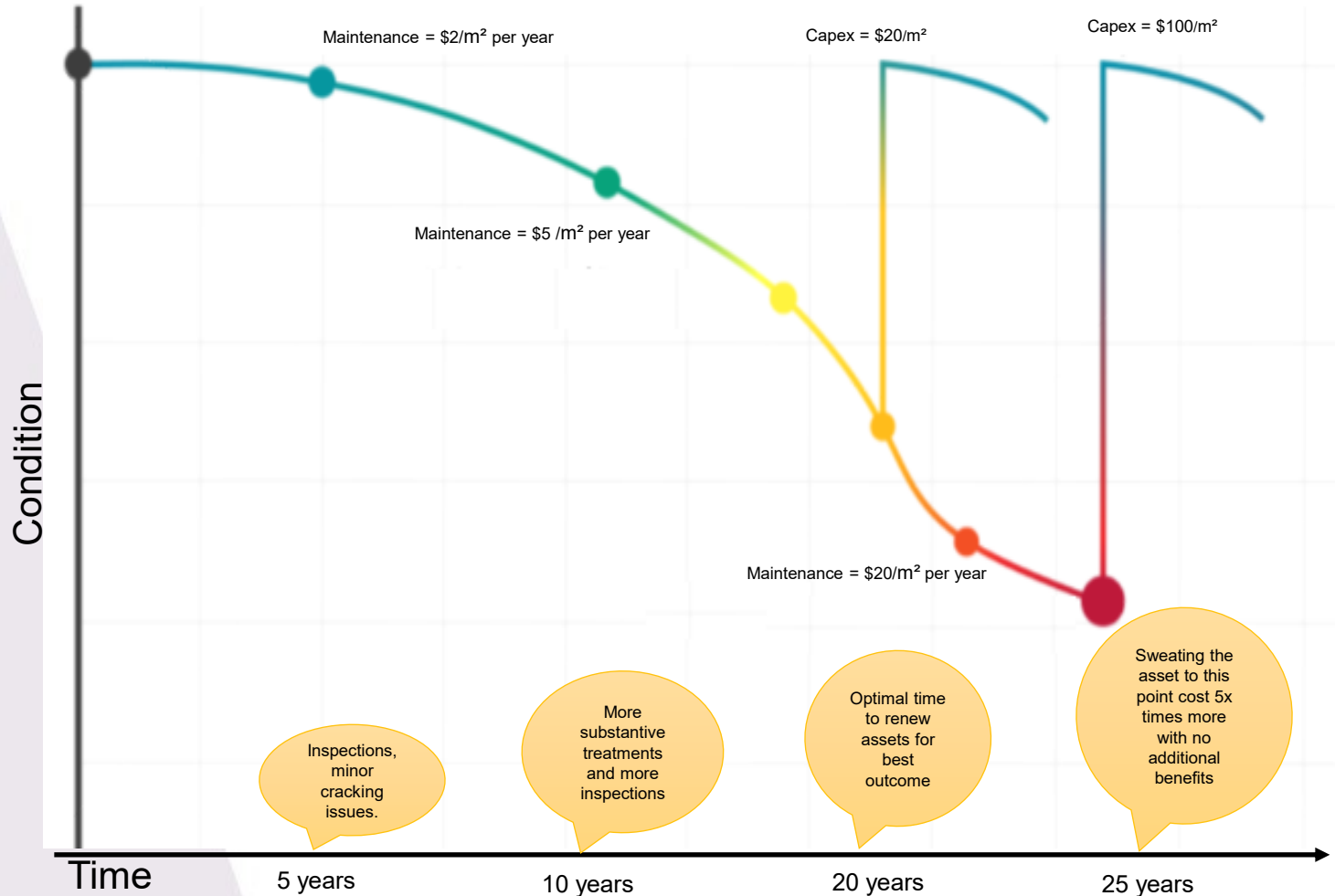
### How the Lever is applied

Optimisation scenarios will be workshopped per asset class through development of Asset Management Plans

### Impact to LTFP

Modelled scenarios will have a direct impact on the LTFP. We can develop scenarios to determine the best opportunities.

### Example: Road Optimisation



# Strategic Asset Management Plan Lever 2: Level of Service

## Benefits

- Meet the community expectation
- Minimise risk as an organisation

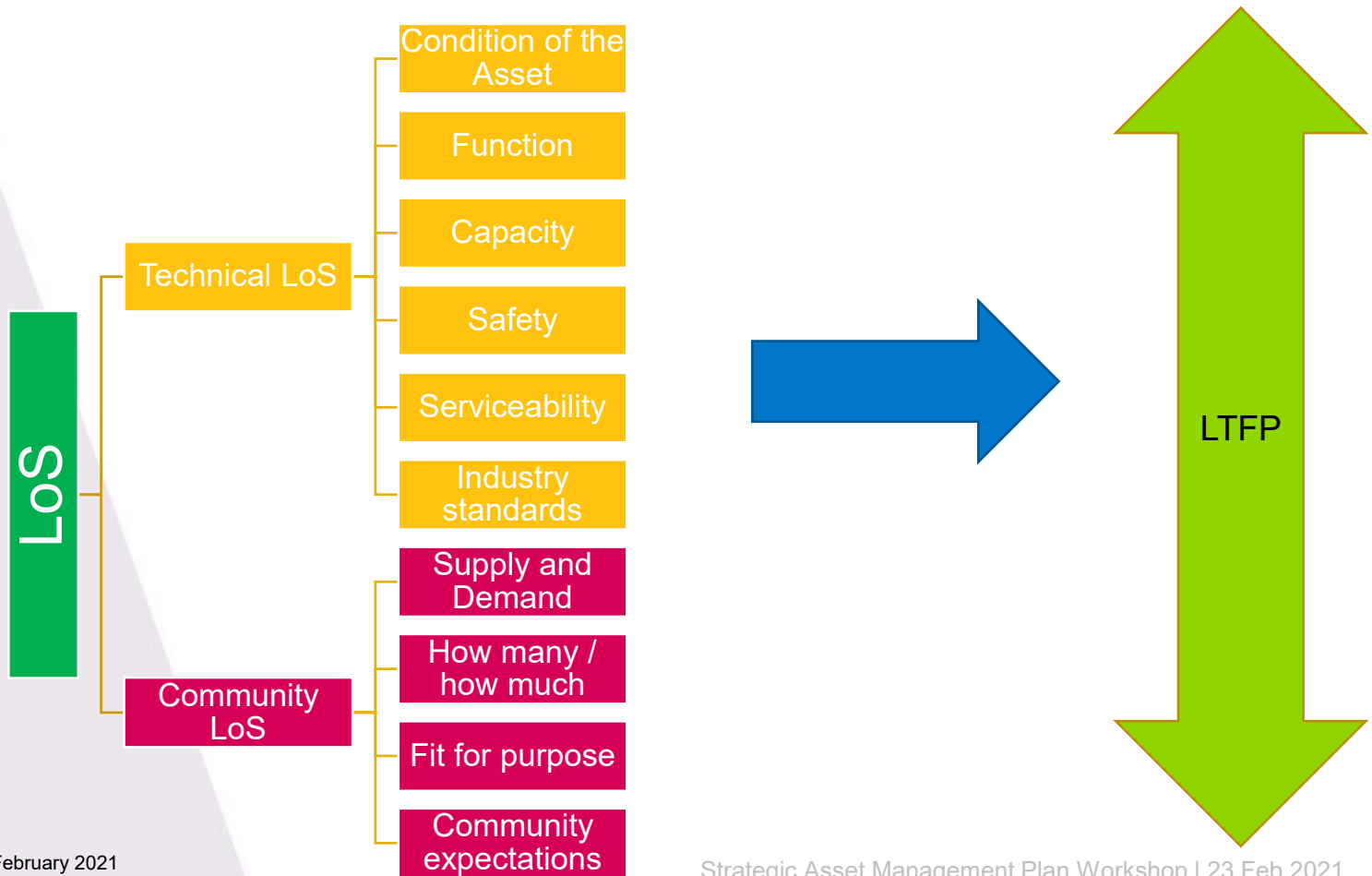
## How the Lever is applied

Each asset class will have its own community LoS determined through consultation with Council and Community. Technical LoS determined through industry standards.

## Impact to LTFP

Reductions in LoS would reduce the cost of ownership. The degree of the impacts are yet to be determined and approved by Council.

Level of Service(LoS) is the standard to which you want to manage the services to the community. LoS sets the expectation of the community and the performance indicators of the services we provide through the assets lifecycle.





# Lever 3: Asset Sustainability Ratio

## Benefits

- Sustain services
- Ensure we do not push the burden of asset renewal onto future generations.
- Measure of how sustainability the organisation is functioning

## How the Lever is applied

Industry standards recommend target of 90%-110%.

Council will approve a renewal budget and respective asset sustainability ratio as part of BP&B annually.

## Impact to LTFP

Delay of renewals will impact on our ability to deliver new and significant upgrades and major projects.

- Asset Sustainability indicates whether the Council is renewing or replacing existing assets at the same rate as its overall assets are wearing out.
- Indications of proper planning and continuation of service
- Renewal over the past decade has depleted the asset sustainability ratio below 40% (2019-20). Our current forecast sustainability ratio 2020-21 is 74% and 2021-22 at 67%.
- Failure to achieve the 100% measure will result in a bow wave of future spend required to correct assets, impacting on future of new and significant upgrades and major projects, as well as rates and income requirements.

## Strategic Asset Management Plan

# Lever 4: Divest Assets or Accepting Assets

### Benefits

- No longer maintaining assets which have no community or financial benefit
- Share financial burden of significant assets required by visitors to the city

### How the Lever is applied

Divestment and partnership opportunities for impacted assets will be workshopped with Council

### Impact to LTFP

Reduced infrastructure budget required for significant assets  
Prioritised investment into demand driving assets

- Divesting underperforming assets which no longer serve its purpose could be a wise community strategy
- Reconsider the ownership and level of responsibility between City of Adelaide and other State/Federal departments or interested parties to share the responsibilities for the management, operation and renewal of the assets.
  - i.e. Currie/Grenfell street, the Weir, Adelaide Bridge, Traffic signals, Parklands
- Determine the optimal time to divest an asset to maximise Councils benefits
- Gifted Assets

# Strategic Asset Management Plan

## Lever 5: Resource Prioritisation

### Benefits

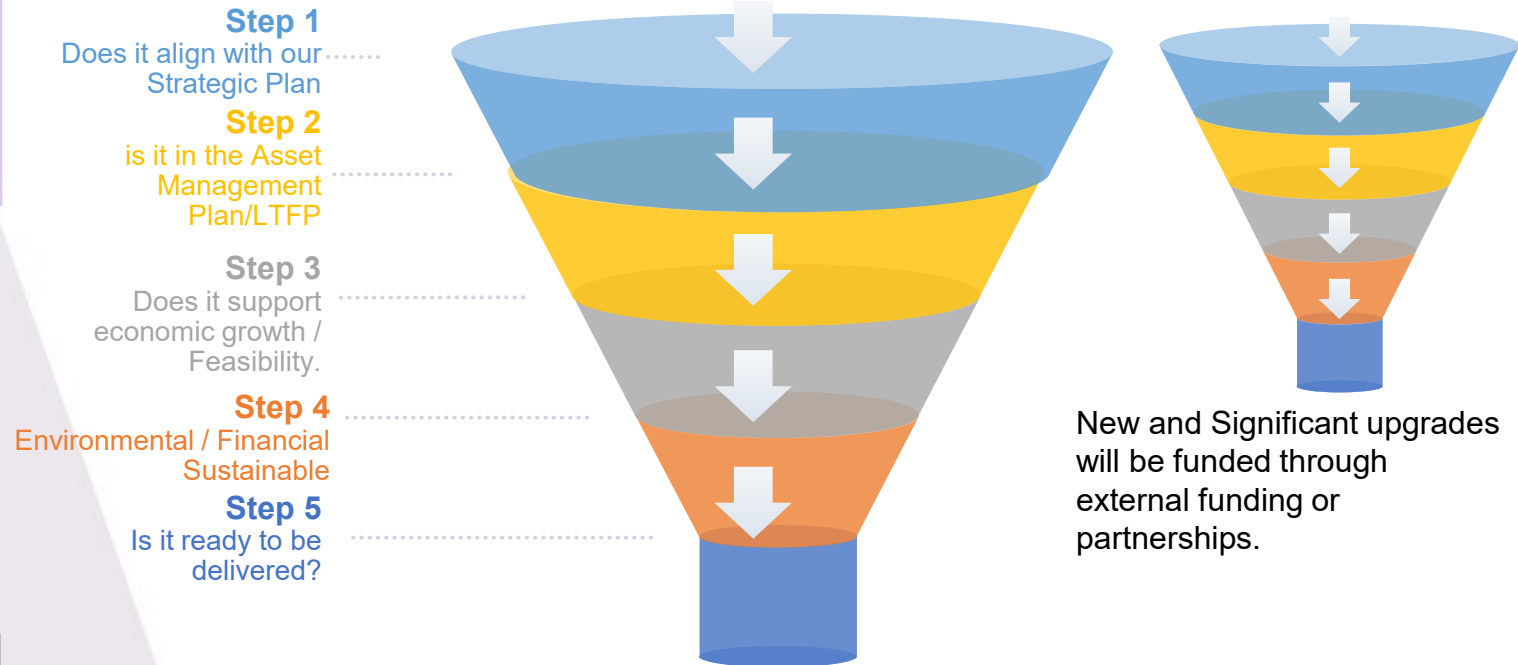
- Governance structure regarding new project requests
- Enables proactive planning approach
- Ensures consistent approach and line of sight to when new requests will be delivered

### How the Lever is applied

Council determine and approve the resource prioritisation model through the SAMP and Administration will apply to project planning.

### Impact to LTFP

Provide a responsible planned, understanding of future spending requirements.



Renewal = Rates funded 100%

Opportunity to prioritise investment in assets which either directly or indirectly contribute or support economic growth or generate income.

# Strategic Asset Management Plan

## Next Steps – Asset Management Plan Development



# Strategic Asset Management

## Key Questions

### Asset Management Levers

Does Council Members have any views/feedback on the levers proposed?

### Moving Forward

What are Council Members views/feedback on the draft Strategic Asset Management Plan?

### Prioritisation

What are Council Members views/feedback on the Resource Allocation Strategy filters?

### Strategic “Actions”

What are Council Members views/feedback on the Strategic actions and considerations?