



CITY FINANCE AND GOVERNANCE COMMITTEE AGENDA & REPORTS

for the meeting

Tuesday, 6 August 2024
at 4.30 pm

in the Colonel Light Room, Adelaide Town Hall

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Members – The Right Honourable the Lord Mayor, Dr Jane Lomax-Smith

Councillor Dr Siebentritt (Chair)

Councillor Elliott (Deputy Chair)

Deputy Lord Mayor, Councillor Snape and Councillors Abrahamzadeh, Couros, Davis, Giles, Hou,
Li, Martin and Noon

1. Acknowledgement of Country

At the opening of the City Finance and Governance 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

Apology:

Councillor Abrahamzadeh

On Leave:

The Right Honourable the Lord Mayor, Dr Jane Lomax-Smith

3. Declaration of Conflict of Interest

4. Deputations

Nil

5. Workshops

5.1 2024/25 Long Term Financial Plan Workshop 2 - Capital

3 - 27

6. Closure

2024/25 Long Term Financial Plan Workshop 2 - Capital

Tuesday, 6 August 2024
**City Finance and Governance
Committee**

Presenter: Anthony Spartalis
Acting Chief Operating Officer

Strategic Alignment - Our Corporation

Public

PURPOSE OF WORKSHOP

This workshop continues discussion around the 2024/25 update of the Long Term Financial Plan. It specifically outlines implications of capital decisions related to Renewals, Significant Renewals (Adelaide Bridge, Torrens Weir and Rundle UPark), and New and Upgrade investment.

The financial levers and settings available will be discussed, and feedback sought from Committee on their application towards a finalised draft of the LTFP.

KEY QUESTIONS

Committee's views are specifically sought on the:

- impact of transitioning from 92.5% to 100% Asset Renewal Funding Ratio
- preferred assumptions about significant renewals (Adelaide Bridge, Torrens Weir, Rundle UPark)
- level of investment committed in new and upgraded assets

- END OF REPORT -

Our Corporation

2024/25 Long Term
Financial Plan (LTFP)

Capital Discussion including
Renewals and
New and Upgraded Assets

6 August 2024
Acting Chief Operating Officer

Operating Budget 2024/25 LTFP Roadmap



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Date	Forum	Role	Topic
23 July (Special)	CFG (Workshop)	Discuss	Introduction and foundation to building a LTFP (Roadmap) What underpins the build of the proposed 2024/25 LTFP (Parameters, Assumptions and Levers)
6 August (Special)	CFG (Workshop)	Discuss	Capital - AMP impacts; Rundle UPark; Adelaide Bridge / Weir; New and upgrade
9 August (Special)	ARC (Workshop)	Discuss	Introduction and foundation to building a LTFP (Roadmap) What underpins the build of the proposed 2024/25 LTFP (Parameters, Assumptions and Levers) Capital - AMP impacts; Rundle UPark; Adelaide Bridge / Weir; New and upgrade
20 August	CFG (Workshop)	Discuss	Lever settings - Revenue Assumptions, Service Delivery, Borrowings Market Expansion Assumptions (Operating Impacts)
17 September	CFG	Endorse	Finalise and endorse consultation draft
24 September	Council	Approve	Approve consultation draft
25 September	Begin public consultation	Consultation	21 days public consultation (Strategic Management document)
27 September	ARC	Consultation	Feedback on consultation draft 2024/25 LTFP
15 October	CFG	Endorse	Seek Committee feedback on draft 24/25 LTFP
16 October	End public consultation	Consultation	21 days public consultation (Strategic Management document)
22 October	Council	Approve	Adopt 24/25 LTFP Including consultation feedback



Key Discussion Points

What are Council Members' views...

regarding the transition of the Asset Renewal Funding Ratio from 92.5% to 100%?

What are Council Members' views...

on the recommended assumptions in relation to Significant Renewals?

What are Council Members' views...

on the level of investment in New and Upgraded Assets?

Challenges for long term financial planning

- Continue to deliver to community expectations and the process of budget repair
- Increased cost to maintain existing assets (as per adopted AMPs)
- Cost to renew significant assets
- Existing commitments for New & Upgrade projects
- Allowance for New & Upgrade projects into the future
- Constraints within existing Prudential Borrowing Limits
- Balances long term financial sustainability with sustainable rate increases

Asset Renewal Funding

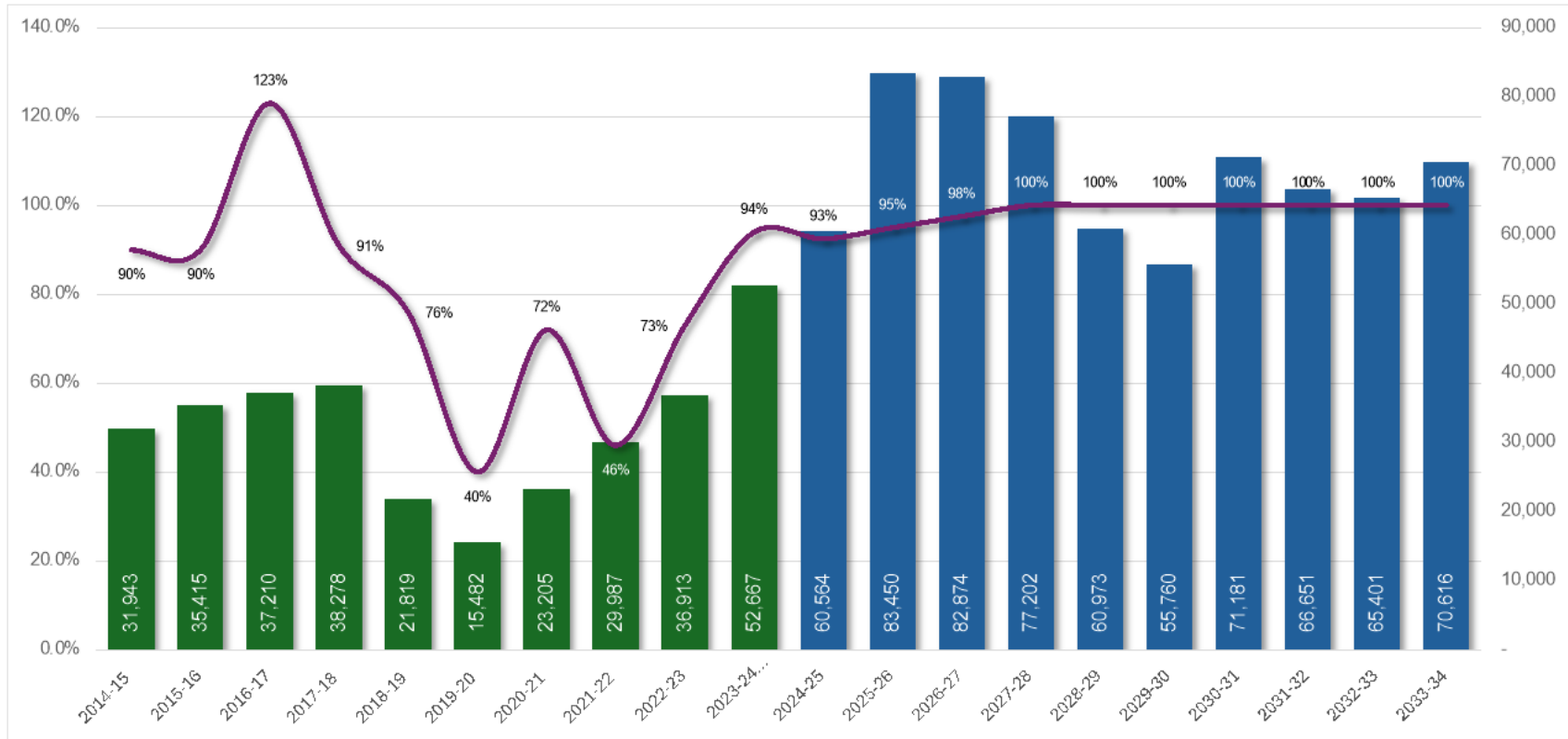
- The **unindexed** 10-year forecast expenditure based on revised AMPs at 100% ARFR is \$69.5m
- Current assumption sees a transition of the Asset Renewal Funding Ratio (ARFR) to 100% over a 4-year period
- Commitment to upgrade Mainstreets requires associated renewals to be brought forward

2024 AMP Forecasts (\$'000s)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	10 Year average
Transportation	21,577	25,475	24,239	26,322	29,978	29,748	32,948	29,298	28,298	28,323	27,621
Buildings	12,114	15,200	16,585	12,200	12,160	8,050	8,050	9,050	9,050	8,050	11,051
Water Infrastructure	4,800	5,584	5,261	9,494	3,472	3,472	13,472	13,472	13,472	13,472	8,597
Urban Elements	3,270	5,300	2,470	3,550	4,443	4,893	6,688	5,393	5,393	7,420	4,882
Lighting & Electrical	1,914	4,150	3,100	4,900	5,783	5,783	5,783	5,783	5,783	5,783	4,876
Park Lands & Open Space	2,095	3,599	4,335	4,793	2,710	1,507	1,787	1,330	1,078	5,241	2,848
Total Infrastructure Renewals	45,770	59,308	55,990	61,259	58,546	53,453	68,728	64,326	63,074	68,289	59,874
Delivery Resources	6,124	6,124	6,124	6,124	6,124	6,124	6,124	6,124	6,124	6,124	6,124
Plant, Fleet & Equipment Replacement	3,547	3,546	3,415	3,400	3,529	3,409	3,555	3,427	3,429	3,429	3,469
Total Renewal of Assets (exc Mainstreets)	55,441	68,978	65,529	70,783	68,199	62,986	78,407	73,877	72,627	77,842	69,467
Mainstreet Impact	5,123	14,472	17,345	6,419	(7,226)	(7,226)	(7,226)	(7,226)	(7,226)	(7,226)	0
Total Renewal & Replacement of Assets	60,564	83,450	82,874	77,202	60,973	55,760	71,181	66,651	65,401	70,616	69,467

* Excludes Significant Renewals

Asset Renewal Funding

- The chart provides the **Asset Renewal Funding Ratio** over a 20-year period, illustrating:
 - Historical 10-year actuals
 - 10-year forecast expenditure based on revised AMPs



Renewals & ARFR

FEEDBACK

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Current State of Play	<ul style="list-style-type: none"> • AMPs recently adopted • Requires significant funding to reach 100% ARFR • Likely focus of ESCOSA review
Options	<ol style="list-style-type: none"> 1. Maintain current position to reach 100% ARFR over 4 years 2. Transition to 100% over a longer period (eg 8 years) 3. Target a lower ARFR, say 92.5%, over the life of the LTFP (subject to monitoring condition of assets) 4. Normalise impact of Mainstreet Renewals
Preferred Assumption for LTFP	<ol style="list-style-type: none"> 1. Maintain current position - transition to 100% over 4 years 2. Adjust program to fund \$69m per annum average
Why	<ul style="list-style-type: none"> • Meets ESCOSA expectations • Delivers on the AMPs with appropriate level of funding
Implications	<ul style="list-style-type: none"> • Without larger increase in rates, debt will need to be utilised to fund the AMP with Mainstreets

	2025-26		2026-27		2027-28		Total Increase	
\$000's	\$	%	\$	%	\$	%	\$	%
Asset Renewal Repair Fund (exc ARFR Increase)	9,938	7.2%	-	0.0%	-	0.0%	9,938	7.2%
Asset Renewal Funding Ratio Increase	1,514	1.1%	1,776	1.2%	1,776	1.1%	5,065	3.4%
Total Rates Impact	11,452	8.3%	1,776	1.2%	1,776	1.1%	15,003	10.5%

Significant asset renewals

- There are 3 significant assets reaching their theoretical end of useful lives:
 - **Adelaide Bridge**
 - **Torrens Weir**
 - **Rundle UPark**
- Given the quantum of funds anticipated, it is recommended to remove these from the usual day-to-day renewal program, and develop a specific assumption for each asset within the LTFP
- Various approaches for each asset are discussed on the following slides

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Significant Renewals (un-indexed)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	Total 10 years
Adelaide Bridge				30,000	30,000						60,000
Torren's Weir					20,000	20,000					40,000
Rundle Upark								30,000	30,000		60,000
Total Significant Renewals	-	-	-	30,000	50,000	20,000	-	30,000	30,000	-	160,000

FEEDBACK

Adelaide Bridge

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<p>Current State of Play</p>	<ul style="list-style-type: none"> • Council adoption of 2020/21 LTFP assumed like for like replacement • Adopted Transportation AMP assumes full replacement on a like for like basis • Options analysis being undertaken (complete Dec 2024) • Useful life to 2027/28
<p>Options</p>	<ol style="list-style-type: none"> 1. Extend current useful life 2. Renew to support current load bearing 3. Upgrade to increase load bearing
<p>Preferred Assumption for LTFP</p>	<ol style="list-style-type: none"> 1. Renew with existing load bearing 2. CoA funds 50% (net \$30m) over 2 years 3. Advocate for financial assistance for 50% funding contribution
<p>Why</p>	<ul style="list-style-type: none"> • Provides a definitive funding position for inclusion in LTFP • Options analysis will provide more detailed approaches & costs • Provides advocacy time to secure a clear funding assistance outcome • Upgrade meets Council’s preferred option as part of transport strategy
<p>Implications</p>	<ul style="list-style-type: none"> • Reliant on 50% contribution, yet to be secured

FEEDBACK

Torrens Weir

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<p>Current State of Play</p>	<ul style="list-style-type: none"> • Council adoption of 2020/21 LTFP assumed like for like replacement • Adopted Water Infrastructure AMP assumes full like for like replacement • Options analysis being undertaken (complete Dec 2024) • Useful life to 2028/29
<p>Options</p>	<ol style="list-style-type: none"> 1. Extend current useful life 2. Renew like for like 3. Alternative solution (eg retain for heritage with a new functional weir behind it)
<p>Preferred Assumption for LTFP</p>	<ol style="list-style-type: none"> 1. Renew like for like 2. Assume 100% funding by CoA, over 2 years 3. Advocate for financial assistance
<p>Why</p>	<ul style="list-style-type: none"> • Provides a definitive funding position for inclusion in LTFP • Options analysis will provide more detailed approaches & costs • Provides advocacy time to secure a clear funding assistance outcome
<p>Implications</p>	<ul style="list-style-type: none"> • \$40m requirement from 2028/29 to 2029/30 • Alternative solution would be considered new and upgrade and increase debt

Rundle UPark

FEEDBACK

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<p>Current State of Play</p>	<ul style="list-style-type: none"> • Council resolved not to undertake like-for-like replacement, remove from LTFP and conduct EOI process in future for redevelopment (13 April 2021) • Removed from LTFP (costs & revenues) • Adopted Buildings AMP assumes full replacement like for like • Useful life to 2030/31 • Further Council discussions to identify asset priorities and recommendations, through a CoA Strategic Property workshop (29 August 2024)
<p>Options</p>	<ol style="list-style-type: none"> 1. Extend current useful life 2. Replace the asset like for like 3. Redevelop the site and / or sell the asset
<p>Preferred Assumption for LTFP</p>	<ol style="list-style-type: none"> 1. Reinstate in LTFP 2. Extend useful life (assume \$15m over 2 years) 3. Reinstate associated revenue whilst considering 4. Redevelopment opportunities
<p>Why</p>	<ul style="list-style-type: none"> • Accounts for asset in LTFP & provides a definitive funding position • Recognises the net revenue generated by the asset • Provides time to develop options to redevelop
<p>Implications</p>	<ul style="list-style-type: none"> • Need for shorter term leases upon renewal

Significant Renewals

- The following table provides the cash flow of the preferred assumptions in the LTFP (unindexed dollars).
- Rundle UPark renewals are planned to be brought forward to ensure its structural integrity. The timing of this will be subject to Council decision on the future use of the site, as well as ongoing structural reviews.

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Significant Renewals (un-indexed)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	Total 10 years
Adelaide Bridge				30,000	30,000						60,000
Torren's Weir					20,000	20,000					40,000
Rundle UPark						7,500	7,500	-	-		15,000
Total Expenditure on Significant Renewals	-	-	-	30,000	50,000	27,500	7,500	-	-	-	115,000
Assumed External Grant Funding				(15,000)	(15,000)						(30,000)
Net Expenditure on Significant Renewals	-	-	-	15,000	35,000	27,500	7,500	-	-	-	85,000

New and Upgraded Assets

Capital Expenditure: New and Upgraded Assets	2024-25 Budget	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan	2032-33 Plan	2033-34 Plan	Total 10 years
Central Market Arcade Redevelopment	15,918	8,778	-	-	-	-	-	-	-	-	24,696
Hindley Street Upgrade	4,980	9,240	-	-	-	-	-	-	-	-	14,220
Gouger Street Upgrade	1,250	4,000	9,250	-	-	-	-	-	-	-	14,500
O'Connell Street Upgrade	1,000	1,500	1,000	11,450	-	-	-	-	-	-	14,950
Melbourne Street Upgrade	100	1,400	1,000	4,000	-	-	-	-	-	-	6,500
Hutt Street Upgrade	1,250	5,000	6,200	-	-	-	-	-	-	-	12,450
Down Hill Keswick Creek	320	320	320	320	320	320	320	320	320	320	3,200
Aquatic Centre Community Playing Field		6,157	-	-	-	-	-	-	-	-	6,157
218-232 Flinders Street		500	500	-	-	-	-	-	-	-	1,000
Public Realm Greening Program	1,700	-	-	-	-	-	-	-	-	-	1,700
Charles Street	5,925	-	-	-	-	-	-	-	-	-	5,925
Upgrade to Park Lands Buildings (1.5% Rates Revenue)	1,763	2,161	2,257	2,337	2,418	2,498	2,580	2,668	2,763	2,860	24,305
Other ^	22,604	-	-	-	-	-	-	-	-	-	22,604
Assumed forward Commitment		-	-	-	15,000	15,000	15,000	15,000	15,000	15,000	90,000
Total Capital Expenditure: New and Upgraded Assets	56,809	39,055	20,527	18,107	17,738	17,818	17,900	17,988	18,083	18,180	242,206
Confirmed External Funding	6,026	-	-	-	-	-	-	-	-	-	6,026
Net Capital Contribution	50,783	39,055	20,527	18,107	17,738	17,818	17,900	17,988	18,083	18,180	236,180

^ one-off funding for New and Upgraded Assets in 2024/25

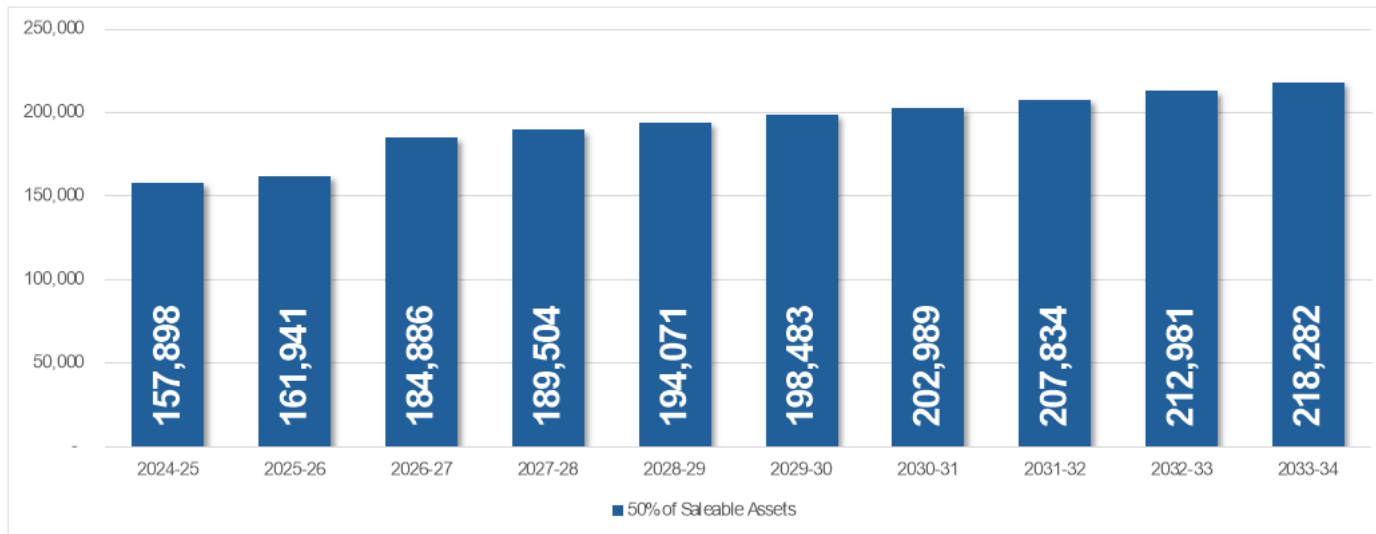
New & Upgraded Assets

FEEDBACK

Current State of Play	<ul style="list-style-type: none"> • \$67.4m for existing commitments • \$62.62m committed investment for Mainstreets, for next 4 years • Assumes \$24.3m for upgrades to Park Lands buildings (1.5% rates) • Assumes \$90m (\$15m pa) investment for balance of LTFP
Options	<ol style="list-style-type: none"> 1. Maintain current approach 2. Prioritise current commitments 3. Adjust program in outer years to manage level of borrowings 4. Increase operating revenue to offset need for borrowings 5. Revise Prudential Borrowing Limits
Preferred Assumption for LTFP	<ol style="list-style-type: none"> 1. Maintain current commitments (including Mainstreets & Park Lands buildings) 2. Adjust program in outer years to fit within current Prudential Borrowings Limits (after considering all other LTFP components) 3. Assumed allowance subject to Business Cases
Why	<ul style="list-style-type: none"> • Delivers on Council’s commitments to community • Park Lands buildings are funded from Rates & do not impact borrowings • Outer years program has no formal commitments in place & can be adjusted
Implications	<ul style="list-style-type: none"> • Unfunded requirements from adopted strategies

Prudential Borrowing Limits

- The Prudential Borrowing Limit adjusts on an annual basis through the calculation of 3 indicators as per the current Treasury Policy:
 - Asset Test Ratio
 - Interest Expense Ratio
 - Leverage Test Ratio
- The limit is set based on the lowest figure derived from the above calculations
- Currently, the Asset Test Ratio is the calculation setting the upper limit



FEEDBACK

Questions on Notice

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<p>1.Per asset class what is the current maintenance levels against our AMPs;</p>	<ul style="list-style-type: none"> • Slide 5 presents the Renewal funding per Asset Class within the AMPs over the 10 year period. • If the question about “maintenance” is beyond Renewals, then a further response will be provided subject to clarification of the question.
<p>2.Which major assets are being brought forward for renewal before they reach their end of their life as per the AMPs;</p>	<ul style="list-style-type: none"> • Overall impact of the bring forward of Mainstreets-related renewal funding is included in slide 5. • The individual Streets and asset classes will be provided as Mainstreet projects progress.
<p>3.What is the loss per asset to bring these renewals forward?</p>	<ul style="list-style-type: none"> • Question noted. Work with the Councillor to understand “loss”, in order to provide a response.

Next Steps

- Seek ARC feedback on Key Assumptions
- Further workshop on lever settings and revenue assumptions
- Develop LTFP based on feedback from Council Members
- Present preliminary LTFP to CFG (17 September 2024)

Operating Budget 2024/25 LTFP Roadmap



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Key Discussion Points

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regarding the transition of the Asset Renewal Funding Ratio from 92.5% to 100%?

What are Council Members' views...

on the recommended assumptions in relation to Significant Renewals?

What are Council Members' views...

on the level of investment in New and Upgraded Assets?

Financial Principles

PRE-READING

Council endorsed the following Financial Principles to guide financial strategy and decision-making, and ensure long term financial sustainability:

- **Capitalise on external funding**, fast-tracking projects that attract such funding, recognising the potential need for increased borrowings to respond to external funding opportunities
- **Capital renewal expenditure will be based on asset management plans**
- **Borrowings will be used to fund new and upgrade capital projects** and not used to fund operations, expenses or capital renewal projects

Infrastructure Asset Management Plans (IAMP)

PRE-READING

- The table provides a 10-year average forecast expenditure based on revised AMPs prepared in 2024, compared to the previous AMPs, both of which are in current day dollars (that is, no inflation has been applied)
- The average annual increase is \$14.9m (or 23%)

The AMPs are funded through operating revenue. The levers available to fund the increase in renewals are:

- **Rate revenue**
- **Fees and Charges**
- **Service level settings**
- **ARFR targets**

10-Year Average \$000's	Revised IAMPs ^	Previous IAMPs ^	Movement	%
Transportation *	27,621	19,284	8,337	43%
Buildings *	11,051	10,409	641	6%
Water Infrastructure *	8,597	5,540	3,057	55%
Urban Elements	4,882	4,020	862	21%
Lighting & Electrical	4,876	1,826	3,050	167%
Park Lands & Open Space	2,848	4,351	(1,503)	(35%)
Total Infrastructure & Asset Management Plans	59,875	45,431	14,444	32%
Delivery Resources	6,124	5,665	459	8%
Plant, Fleet & Equipment Replacement	3,469	3,460	8	0%
Total	69,467	54,556	14,911	23%

^ 100% Asset Renewal Funding Ratio (ARFR)

* Excludes Significant Renewals

Significant Renewals

- There are significant renewals identified within the life of the current AMPs

Significant Renewals	Financial Year	\$'000s
Adelaide Bridge	2027/28 - 2028/29	60,000
Torrens Weir Structure	2028/29 – 2029/30	40,000
Rundle UPark	2030/31 – 2031/32	60,000

- Rundle UPark, in line with its most recent useful life assessment (June 2030) is assumed to cease operations in 2029/30 - a like-for-like Renewal, incorporated within the AMP, is expected to cost \$60m from 2030/31
- These renewals are effectively “once in a generation” projects, and funding levers beyond operating revenue alone should be considered:

- Advocacy and external grant funding**
- Asset ownership**
- Borrowings (fixed principal and interest structure)**

New and Upgraded Assets

PRE-READING

A **New Asset** is additional to Council's previous asset complement. An **Upgraded Asset** replaces a previously existing asset with enhanced capability or functionality.

- Council has committed funding to Mainstreet Revitalisation Upgrades and CMAR
- Capital and operational expenditure, and income is incorporated into the LTFP
- Current LTFP assumes forward commitment of \$15m per year, beyond 2027/28
- Adoption of the 2024-2028 Strategic Plan, and the Integrated Climate Strategy, may require additional funding for New and Upgraded Assets
- 1.5% Rates revenue to upgrade buildings in the Park Lands

The levers available to Council to deliver New and Upgraded Assets are:

- **Surplus cash from operating and renewal activities**
- **External grant funding**
- **Borrowings**
- **Prioritise commitment**

Levers and Level of Influence

- Full discretion on all levers in the long term
- Renewal program based on evidence – difficult to change in short term but can change service levels in longer term
- Asset upgrades can be deferred (subject to need)
- Borrowings result from decisions relating to new capital spend

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	Lever
Short Term	<ul style="list-style-type: none"> • Asset Renewal Funding Ratio Different ARFRs by Asset Class • Alter rate revenue • Borrowing settings
Medium Term	<ul style="list-style-type: none"> • Renewal service level settings • Review asset upgrades • Borrowing settings
Long Term	<ul style="list-style-type: none"> • Review new assets investment • Review major projects • Borrowing settings