

LTFP Assumptions

Friday, 4 August 2023

Audit and Risk Committee

Strategic Alignment - Enabling Priorities

Program Contact:

Manager Finance & Procurement

Public

Approving Officer:

Michael Sedgman - Chief

Operating Officer

EXECUTIVE SUMMARY

The Local Government Act 1999 (SA) requires Council to adopt a Long Term Financial Plan (LTFP) within two years of being elected. In addition, an annual review of the LTFP is undertaken, which will also include a Chief Executive Officer (CEO) Statement of Financial Sustainability.

Council resolved, on the back of setting the CEO's key performance indicators (KPIs), to be presented the LTFP by the end of October 2023.

The development of the LTFP builds upon the work undertaken for the annual Business Plan and Budget. This report, and the associated presentation, represent the beginning of the process to confirm the assumptions to be applied to the LTFP.

Reviewing and providing advice on the LTFP falls within the Terms of Reference of the Audit and Risk Committee ([Link 1](#)).

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE

1. Receives and notes the 2023/24 to 2032/33 Long term Financial Plan presentation as set out in **Attachment A** to Item 8.1 on the Agenda for the Audit and Risk Committee meeting held 4 August 2023, with feedback to be determined by the Audit and Risk Committee.
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IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<p>Strategic Alignment – Enabling Priorities</p> <ul style="list-style-type: none"> • Transparent decision-making based on data and evidence • Robust financial management
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	<i>Local Government Act 1999 (SA)</i>
Opportunities	To consider feedback from the Committee for the build of the LTFFP
22/23 Budget Allocation	Not as a result of this report
Proposed 23/24 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not applicable
22/23 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

DISCUSSION

1. The *Local Government Act 1999 (SA)* states that a council must develop and adopt a long term financial plan, for a period of at least 10 years (s122 (1a) (a)), within 2 years after each general election of the council (s122 (4) (b)).
2. City of Adelaide reviews the LTFP annually and updates it, and reports revised projections, based on each quarterly budget review.
3. Further, s122 (4a) (a) requires an annual report from the chief executive officer on the sustainability of the council's long-term financial performance and position.
4. At the Council meeting dated 27 June 2023, Council resolved, as part of the CEO's KPIs, that the LTFP needs to be presented to Council by the end of October 2023.
5. At the Council meeting dated 27 June 2023, Council adopted the 2023/24 annual Business Plan and Budget.
6. The development of the LTFP builds upon the work undertaken for the annual Business Plan and Budget.
7. Reviewing and providing advice on the LTFP falls within the Terms of Reference of the Audit and Risk Committee ([Link 1](#)).
8. This report, and the associated 2023/24 to 2032/33 Long Term Financial Plan presentation (**Attachment A**), represent the beginning of the process to develop and adopt the LTFP by confirming the assumptions to be applied to the LTFP.
9. Of particular note:
 - 9.1. The LTFP assumes rate revenue increases in line with CPI, and when combined with growth associated with new rateable properties, the rate revenue percentage increase is in excess of the percentage increase in key operational costs.
 - 9.2. CPI, which is forecast by various bodies, is the preferred escalator over LGPI, which is a lag indicator.
 - 9.3. Enterprise Agreements are used as the basis for salaries and wages increases, noting the differing timeframes associated with each agreement, with the Wages Price Index (WPI) used beyond agreement expiries.
 - 9.4. Interest rates sourced from Deloitte Access Economics 10 year Government Bond data – updated quarterly.
 - 9.5. Capital renewal expenditure reflects Infrastructure and Asset Management Plans:
 - 9.5.1. Significant asset renewals contemplated within the LTFP include the Adelaide Bridge, and Torrens Weir structure.
 - 9.6. Capital enhancements (new and upgrade) reflect Council's decision to fund \$15 million per annum over the current term (which is assumed to continue beyond the current term for the life of the LTFP).
 - 9.7. The assumption for the Adelaide Aquatic Centre is worst case and assumes a \$20 million dollar contribution, which is all treated as operational.
10. Current assumptions for CPI, interest rates and WPI are based on Deloitte Access Economics March 2023 forecasts (these will be updated to reflect the June 2023 forecasts once received).

Next Steps

11. The process to develop and adopt the LTFP include:
 - 11.1. Present assumptions to City Finance & Governance Committee meeting 15 August 2023
 - 11.2. Update the LTFP and assumptions based on June 2023 Deloitte Access Economics forecast indices
 - 11.3. Update the LTFP for the accounting treatment of the Adelaide Aquatic Centre
 - 11.4. Present the LTFP and CEO Statement of Sustainability to the City Finance & Governance Committee meeting 19 September 2023

DATA AND SUPPORTING INFORMATION

Link 1 – Audit & Risk Committee Terms of Reference

ATTACHMENTS

The following attachment is for pre-reading and will be presented to seek feedback at the meeting.

Attachment A - 2023/24 to 2032/33 Long Term Financial Plan presentation

- END OF REPORT -