

# Long Term Financial Plan Assumptions

Strategic Alignment - Enabling Priorities

Public

**Friday, 15 August 2023**

Finance and Governance  
Committee

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

The development of the LTFP builds upon the work undertaken for the 2023/24 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.

This report and the associated presentation have considered feedback received during the Audit and Risk Committee meeting held 4 August 2023.

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## RECOMMENDATION

### THAT THE FINANCE AND GOVERNANCE COMMITTEE

1. Receives and notes the 2023/24 to 2032/33 Long Term Financial Plan presentation as set out in Attachment A to Item 8.2 on the Agenda for the Finance and Governance Committee meeting held 15 August 2023, with feedback to be determined by the Finance and Governance Committee.
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## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<p><b>Strategic Alignment – Enabling Priorities</b></p> <ul style="list-style-type: none"> <li>• Transparent decision-making based on data and evidence</li> <li>• Robust financial management</li> </ul>
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. This report and the associated presentation have considered feedback received during the Audit and Risk Committee meeting held 4 August 2023.
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.
    - 9.5.2. Assumes the 90% Asset Renewal Funding Ratio (ARFR), based on the decision from the previous term of Council, transitions to 100% over the next 4 years.
  - 9.6. Capital enhancements (new and upgrade) reflect Council's decision to fund \$15 million per annum over the current term (which is escalated and 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 June 2023 forecasts.

## Next Steps

11. The process to develop and adopt the LTFP include:
  - 11.1. Update the LTFP and assumptions based on feedback from the Finance and Governance Committee
  - 11.2. Update the LTFP for the accounting treatment of the Adelaide Aquatic Centre

11.3. Present the LTFP and CEO Statement of Sustainability to the City Finance & Governance Committee meeting 19 September 2023

11.4. Council Adoption of LTFP at the Council meeting 26 September 2023

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## 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

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- END OF REPORT -