

LONG TERM FINANCIAL PLAN

2023-2024 TO 2032-2033

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EXECUTIVE SUMMARY

The City of Adelaide's Long Term Financial Plan (LTFP) is a 10 year forecast of Council's financial performance and position. The plan is based on Council's current 2020-2024 Strategic Plan, particularly in relation to anticipated service levels and social, economic and political indicators. The LTFP forms part of Council's Strategic Management Plans and is integral to Council's Strategic Framework and financial planning.

The LTFP assists Council in monitoring the City of Adelaide's financial sustainability - Council's ability to deliver services and maintain/upgrade the City's infrastructure in a manner that is fair and equitable across generations.

This document outlines the context of the LTFP and importance of Council's financial sustainability. It explains the approach to preparing and reviewing the LTFP, key assumptions and risks, and the measures used to manage and monitor the Council's longer term financial sustainability.

Council has recently reviewed the LTFP as part of the 2023/24 Business Plan and Budget (BP&B) process with consideration to a number of factors identified during the budget development process.

Of particular note is this Council's recognition of our financial position and acknowledgment of the need for budget repair and investment in the City post the COVID-19 pandemic. This is reflected in a projected operating surplus of \$1.92 million (following a surplus of \$1.27 million in 2022/23) and capital investment in excess of \$100 million.

The decline in city visitation and the weakened economic environment that impacted the City are beginning to

reverse and previously reduced income from commercial activities has improved in 2022/23. In addition, the real estate and rental market has experienced significant growth during recent years, fuelled by the pandemic.

Property values and rents from the tight rental market have increased significantly, with a commensurate increase in Council's rates revenue for the 2023/24 financial year. Council also undertook city-wide valuations, the first time since 2019, which also positively impacted revenue for the 2023/24 period. Given that the 2023/24 BP&B forms the basis for projecting the LTFP, the increase in base revenue has positively impacted future revenue expectations.

Council was proactive in responding to the challenges presented by COVID-19, and has transformed the Recovery Principles developed into broader financial management principles as a part of an overall strategic direction towards long term financial sustainability. Initiatives under this strategy, such as the Strategic Property Review and Future Fund and Investment Policy, have continued to be applied during 2022/23. Further initiatives such as a Rating Methodology review and exploration of new revenue streams to ensure the delivery of financial sustainability continue to be explored.

The key financial ratios indicate Council forecasts a stable financial position over the term of the LTFP however, they do point to a number of key decisions Council will need to make in relation to future major projects and significant renewal projects, such as the Adelaide Bridge, the Torrens Weir and Rundle UPark.

STRATEGIC CONTEXT

Under the *Local Government Act (SA) 1999* Council must develop and adopt Strategic Management Plans which identify the Council’s objectives, how Council intends to achieve its objectives, how they fit with the objectives of other levels of government, performance measures and estimates of revenue and expense.

The City of Adelaide’s Strategic Management Plans comprise:

- Strategic Plan
- Long Term Financial Plan
- Strategic Asset Management Plan

The Long Term Financial Plan is a 10 year forecast of Council’s financial performance and position based on its strategic plans, anticipated service levels and social, economic and political indicators. It provides guidance to support Council decision making and confirm Council’s financial capacity to deliver services, maintain assets and achieve its strategic objectives in a financially sustainable manner.

The LTFP is an integral part of Council’s Strategic Framework. It is built upon the 2023/24 Business Plan and Budget and will align to, and inform, the City of Adelaide’s 2023-2027 Strategic Plan and Infrastructure and Asset Management Plans.

The LTFP is updated annually and reviewed quarterly to reflect the latest available information. Key outputs include a comprehensive set of financial indicators and forecast financial statements in accordance with legislative requirements.



STATEMENT ON FINANCIAL SUSTAINABILITY

Financial Sustainability

The Australian Local Government Association's adopted definition of financial sustainability is as follows:

"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."

It 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.

Financial Sustainability is monitored with reference to three key ratios:

- **Operating Surplus Ratio** which monitors the affordability of Council's services relative to its operational income
- **Net Financial Liabilities Ratio** which monitors the affordability of Council's borrowings relative to its operational income
- **Asset Renewal Funding Ratio** (similar to the previous Asset Sustainability Ratio) which monitors the rate at which Council is renewing its assets relative to its use of the assets.

In addition to these core ratios, Council has a suite of other ratios it uses to monitor its performance and sustainability.

The role and purpose of each ratio is discussed in further detail in a later section.

Post-COVID-19 Budget Repair

Throughout the last few years, we faced the biggest global disruption to our community in one hundred years, dramatically changing our city. Like all city businesses, Council operations were not immune - the absence of people from mid-March 2020 saw Council income significantly impacted.

In order to support our city through the impacts of these events, Council adopted a set of principles designed to provide support to our community, bring people back to the city and minimise the impacts of businesses. For the 2023-24 budget, Council expanded on these principles with a view to long term financial sustainability.

Whilst COVID-19 had a significant impact on Council's financial performance, post-recovery from the pandemic, it is important that the focus on financial sustainability is retained. Sustainable decision making is necessary to ensure the long term capacity of our community to not only recover from the pandemic and its impacts but to also capitalise on the opportunities presented to ensure the future of our community for generations to come.

Initiatives to Support Financial sustainability

To build a strong foundation for long term financial sustainability, Council has recently:

1. Broadened the Recovery Principles into over-arching financial principles to guide financial strategy to ensure long term financial sustainability can be achieved
2. Realised \$4.75m in budget repair items in 2021/22 and \$4.8m budget offset in 2022/23, laying the foundation to produce operating surpluses into the future.
3. Delivered a \$1.54m operating surplus in 2022/23 and targeting a \$1.92m operating surplus through the 2023/24 budget.
4. Implemented a Future Fund and Investment Policy to ensure sound decision-making regarding divestment and investment for income producing assets.
5. Implemented the Strategic Property Review with the realisation of the sale of underperforming assets.

Financial Principles and Finance Strategy

As part of the 2023/24 budget process, Council adopted a set of financial principles to assist with future decision making to support our long term financial sustainability. These principles seek to ensure an equitable approach to rating, increase existing fees and charges and reinstate those previously waived to match the cost of related services that Council delivers, a prudent approach to the utilisation of borrowings and proceeds from the sale of assets, and sustainable investment in our infrastructure and delivery of services.

The financial principles previously adopted by Council include:

- Our approach to rates, fees and charges is fair and equitable
- Financial borrowings are adjusted to stimulate growth
- Proceeds from divesting underperforming assets will build a future fund
- Asset renewals are prioritised based on audit condition and risk
- Asset enhancements are delivered through partnerships
- We will seek Government funding for new infrastructure
- Our service delivery reflects the needs of the community
- Investment is prioritised to support recovery.

Enhancing these, Council adopted the following specific financial principles:

- Transparency in decision making
- Continue to deliver a minimum of the current suite of services and asset maintenance, indexed in line with Consumer Price Index (CPI)
- Fees and charges reflect cost of services provided
- Maintain the current rating system
- Maintain an operating surplus

- Capitalise on external funding, fast-tracking projects that attract such funding, recognising the potential need for increased borrowings in order to respond to external funding opportunities
- Consider new and different revenue streams and the approach to commercial businesses to reduce reliance on existing revenue sources
- Adjust rate revenue after consideration of all other budget components and use growth in rate revenue to partly fund servicing new rateable properties and to service new borrowings
- New or enhanced services, assets or maintenance requiring an increase in operating costs are to be funded from the adjustment of priorities, rate revenue or other revenue increases and/or through savings
- Capital renewal expenditure will be based on asset management plans
- Consider the disposal, purchase and /or repurposing of property assets to unlock the potential and future prosperity of the City, without incurring a financial loss

Borrowings will be used to fund new and upgrade projects (which include major projects) and not used to fund operations, expenses or renewal project. These principles are foundational to a financial management approach that supports the achievement of long term financial sustainability.

Budget Repair and Budget Offset

During 2020/21, Council realised \$20m in savings via an organisational reshape as a response to the impacts of COVID and to improve service efficiency.

The 2021/22 budget was adopted on the basis that Council would achieve a break even operating position through delivering a budget repair target in the base budget of \$4.75m. During 2021/22, this target was achieved in the third budget review of the year, delivering an actual operating surplus. Realisation of this target came from key items such as:

- Utilities agreement savings
- Ongoing capitalisation of corporate overheads
- Realisation of increases in existing revenue streams

The 2022/23 budget similarly included a budget offset target in the base budget of \$4.8m, and delivered an actual operating surplus of \$1.27m. This target was determined from assumptions for the following items:

- Verification of depreciation to Asset Management Plans
- Recovering revenue from existing commercial activities impacted by COVID

From the work undertaken to produce a sustainable base budget in the previous two years, the 2023/24 budget is expected to deliver a \$1.92m operating surplus, without the need for a budget repair or budget offset target. The \$1.92m target surplus is predicated on servicing the interest and repayment of borrowings necessary to deliver the new and upgrade capital program.

Context for Budget Repair post-COVID

It is important to note that since 2019, Council has held both the Rate in the Dollar and Property Valuations constant (the two components that determine rates and associated revenue), relying wholly on new development for rate revenue growth. This is in addition to a significant drop in revenue from commercial activities, user charges and supporting initiatives implemented by Council, resulting from low visitation to the City during COVID.

And Council, like other entities and households, has experienced significant increases in expenses and expenditure associated with increased inflation and the highest levels of CPI experienced in recent times.

The combination of lower revenue and higher costs is not sustainable without some intervention.

Approach to rating for the 2023/24 period

Council continued to hold the Rate in the Dollar constant, the 10th year in a row of doing so. However, in recognition of the need for increased rate revenue from the existing rating base (in addition to rates from growth in new development), Council revalued all properties across the city, the first time since 2019. This resulted in an 8.6% increase in rate revenue, including growth.

Approach to Fees and Charges for the 2023/24 period

Similar to rates, Council held increases to fees and charges and in some instances waived fees altogether in support of businesses and visitors to the City during COVID. Coming out of COVID, Council decided to reinstate some fees and increase others, to match the expected increase in costs Council will incur to deliver associated services and assist with budget repair without fully relying on rate revenue increases to do so.

Strategic Property Review

A future fund was established to enable Council to fund the purchase of future income generating assets and to invest in strategic capital projects using the sale proceeds of assets identified through the Strategic Property Review.

This review included a detailed assessment outlining a forward approach for identified property assets. These approaches are grouped into the following categories:

- Redevelopment or re-purposing of assets to improve public value and to support income generating and City shaping initiatives.
- Sale of non-performing assets comprising those assets which provide limited strategic, community and commercial value.
- Retention of property assets where no action is currently required.

Some of the assets identified through the Strategy Property Review that are at various stages include:

- James Place Toilet Block (realised 2021/22)
- 211 Pirie St (Beach Volleyball site) (realised 2021/22)

- 88 O'Connell Street (Under contract)
- Bus Station site (Under Contract)
- Whitmore Apartments (EOI Approved)

Future Fund and Investment Policy

In 2021-2022, Council endorsed the Future Fund and Investment Policy and removed the Fund from the Treasury Policy. This clarified the policy intent for operation of the Future Fund, as well as how it will be utilised for investment, and the factors that need to be considered in order to make sound decisions.

Requests to utilise funds from the reserve fund will require a business case clearly demonstrating that the financial return to Council outweighs the present value of future financing costs. Council approval will be required for all requests to utilise these funds.

The balance of the Future Fund, as a result of the accumulation of funds from proceeds of non-performing assets in line with the Strategic Property Review and Future Fund and Investment Policy, is expected to be approximately \$34 million at the end of the 2024/25 financial year, subject to any transactions yet to be identified and subsequently approved by Council.

BASIS OF PREPARATION

This document presents the Long Term Financial Plan (LTFP) for the years 2023-2024 to 2032-2033. The basis of the LTFP is the 2023/24 Business Plan and Budget adopted by Council. The LTFP has been formed based on the 2020-2024 Strategic Plan and the Strategic Infrastructure and Asset Management Plan projections for new, upgraded and renewal of assets for 2023 to 2033. Both Plans are in the process of being updated. Once updated, the revised projections will be incorporated into the LTFP following the next budget review after adoption of the Strategic Plan.

The LTFP is a projective report based on information known at the time. As such the review process of the LTFP is iterative and will change as new or updated information is presented.

The LTFP is developed and adopted in consultation with Council each year. The impacts of quarterly revisions to the budget are noted through the quarterly reporting process to both Council and Audit Committee, and formally adopted with the following year's business plan and budget.

In projecting forward performance, the LTFP considers the following:

- Council's Strategic Plan and Strategic Infrastructure and Asset Management Plans, including planned investment in new projects and infrastructure
- The social, economic and political environment including indicators such as population growth, inflationary growth and interest rates
- Anticipated changes in future service levels that reflect the needs and expectations of the community in accordance with service delivery plans
- Funding and expenditure levers available to Council, including revenue and financing guidelines, such as Council's Rating Policy and Treasury Policy
- Revenue opportunities and cost drivers, including the impact of climate change and other factors on the city
- A rigorous assessment of Council's current financial position and financial sustainability.

KEY ASSUMPTIONS

Assumptions underpinning this LTFP are:

- Rate revenue growth is in line with forecast inflation, in addition to growth from new developments and, significant alterations and additions
- Increases in fees and charges are in line with forecast inflation
- Salaries and wages forecasts are based on current enterprise agreements and, upon expiry, the Wage Price Index (WPI) will apply as the assumed increase
- Other revenue and expenditure increases are assumed in line with forecast inflation
- Interest rates reflect market expectations
- Capital expenditure is in line with the Infrastructure and Asset Management Plans. Further detail regarding these and other assumptions is outlined below.

Price Indexation

Deloitte's Access Economics is utilised as the source data for the projected Consumer Price Index (CPI) for Adelaide (refer Table 2: CPI and Wages Price Index projections). This reputable data source ensures consistency of assumptions across the life of the plan, and a state-based projection increases the relevance to the LTFP.

Rates

Rates income is primarily dependent upon three key variables:

- The rate in the dollar for residential and non-residential property
- The increase/(decline) in property values, based on annual assessed value
- Growth from new developments and capital improvements.

Council has frozen the rate in the dollar for the past ten consecutive years, and therefore rates growth has been dependent on valuation increases and growth from new developments and capital improvements.

The 2023/24 annual budget saw valuations across the City undertaken for the first time in four years, increasing rate revenue (including growth) by 8.6%. The LTFP assumes that rate revenue increases, excluding growth, is in line with CPI and can be achieved through a combination of valuations and rate in the dollar adjustments.

Years 2-10 of the LTFP currently assume rates growth of between 3.3%-3.6% through a combination of:

- Growth from new developments and capital improvements of 1.0%
- An uplift in property valuations and/or a change in the rate in the dollar to achieve 2.3%-2.6% growth in existing rates revenue, in line with the current price index forecast

The application of CPI regarding valuation uplifts is relevant given the annual assessed value is based on income derived from a property and, generally, most incomes are at least indexed each year if not increased by a fixed percentage.

Valuations are heavily reliant on the receipt of information from ratepayers and as such valuations are generally conservative.

These assumptions are monitored as further information on the consumer price index and property valuations becomes available.

Fees and Charges

There are three principal types of fees charged by Council:

- General fees and charges set by statute (via the State Government)
- General fees and charges set by Council (or under delegation)
- Commercial fees and charges set under delegation.

Statutory charges, such as fees associated with services regulated under the Road Traffic Act, the Planning, Development and Infrastructure Act, the South Australian Public Health Act, the Food Act and the Dog & Cat Management Act reflect dollar increments or percentage increases as specified by the respective authority or body.

Fees and charges set by Council or under delegation are reviewed each year in conjunction with the development of the Business Plan and Budget. The review ensures that the fees:

- Reflect (or move progressively toward) the cost of the services delivered
- Are comparable with market rates, where appropriate
- Take into account benefit derived by users of community facilities
- Are consistent with directions articulated through our existing policies or plans
- Are consistent with our Strategic Financial Parameters

For the purposes of the LTFP, it is assumed that fees and charges will increase, on average, in line with CPI unless there are specific circumstances that will have a material impact on the value of the fees and charges, such as changes in property tenancies associated with the Adelaide Central Market Arcade redevelopment.

For 2023/24, in line with budget repair, Council resolved to increase most Fees and Charges by 5%. In addition, some fees and charges that have previously been waived, as part of support packages during COVID, have been reinstated. These are outdoor dining and events held in Park Lands.

Fees for Council's commercial operations, including commercial properties, the UPark car parks, Adelaide Aquatic Centre and North Adelaide Golf Course, will be subject to market conditions and commercial considerations on a year by year basis. However, in the short term, increases have been aligned to the movement in the price index.

Grants, Subsidies and Contributions

Annual grants, subsidies and contributions are assumed to continue for the duration of the LTFP at current levels, indexed in line with CPI, unless agreements are known to expire or change.

Where grants, subsidies and contributions are for specific projects or related to specific events, they will be recognised in the LTFP line with the relevant accounting standards.

Employee Costs

Salaries and wages forecasts are based on current and/or expected enterprise agreement outcomes. Increase is assumed for all enterprise agreements in line with agreed enterprise agreements. Where no agreement exists, due to expiry, the increase assumption is based on the Wage Price Index (WPI) as forecasted by Deloitte's Business Economics. Actual increases will be dependent upon future enterprise agreement negotiations, with new agreements reflected in the LTFP upon the completion of negotiations. Increases in the Superannuation Guarantee are consistent with Australian Taxation Office advice.

Contractual Expenditure and Materials (including Utilities)

Expenditure is generally increased by the price index unless there are specific costs of a material value that are known or forecast to vary significantly from the price index (e.g. electricity contract, hard waste levy).

Service Delivery Plans

City of Adelaide is responsible for the delivery of a range of service offerings to its ratepaying community and visitors alike. Council has 13 external facing services enabled by a suite of corporate services including Finance, People and Culture, Information Management and Marketing and Communications. The LTFP assumes that service delivery remains unchanged at is delivered at the same, consistent levels assumed in the 2023/24 annual budget. Any changes to service levels are required to be resolved by Council and will impact the LTFP in the future should changes to the service have financial implications.

Asset Maintenance, Renewal and Upgrade

City of Adelaide is responsible for the management, operation and maintenance of the city's infrastructure, a diverse property portfolio and plant, fleet and equipment.

Infrastructure and Asset Management Plans (IAMPs), which form part of Council's Strategic Management Plans, are reviewed in detail every four years to identify asset condition and consumption to assist in resource and maintenance planning. Detailed modelling enables Council to optimise maintenance and renewal expenditure to ensure optimal asset lifecycles and sustainability. The 10-year IAMPs will consider new infrastructure needs to meet future community service expectations in a sustainable manner.

Forecast expenditure in the LTFP is presently based on the existing Infrastructure and Asset Management Plans, overlaid with the latest modelling from condition audits. The LTFP will be updated as the detailed Infrastructure and Asset Management Plans are finalised. There are several levers detailed within the Strategic Asset Management Plan that Council can choose to apply through the Asset Management Plan revisions; this may impact the funding required per asset category.

Asset Renewal costs for the life of the LTFP are \$651 million, with the majority of spend allocated to infrastructure of \$550 million and the remainder on corporate or commercial based assets as detailed below:

10 Year Asset Renewal Program	\$'000s
Bridges	76,033
Buildings	111,218
Pathways	62,014
Kerb and Water Table	22,207
Lighting & Electrical	20,657
Park Lands & Open Space	40,063
Roads	67,011
Water Infrastructure	93,798
Traffic Signal	16,274
Urban Elements	40,540
Total Infrastructure Renewals	549,815
Plant, Fleet & Equipment Replacement	18,171
Commercial Plant, Fleet & Equipment Replacement	1,245
IT Renewals	18,295
Corporate Overheads	63,253
Total Renewal & Replacement of Assets	650,778

Significant Renewals

It is worth noting that mid-long term, the LTFP reflects significant renewals that will be required in accordance with our AMP. The current assumption within the LTFP is that Levels of Service will remain the same. Further renewal optimisation modelling is required to refine funding requirements through the development of the Asset Management Plans.

The exception to this is UPark Rundle. Council intends to review this significant asset for viability regarding operation, ownership and/or redevelopment, in order to meet community need and maximise revenue potential. For this reason, the renewal of UPark Rundle in its entirety has been removed. Consistent with this, any revenue or operating costs associated with UPark Rundle have also been removed. This is for the purpose of conservative financial projections only and the future of this asset will require a Council decision.

It is also assumed that all renewals will be funded 100% by Council. However, the risk and opportunities section of this document highlights the required actions of Council to reduce the burden of these significant renewals in future years.

Significant Renewals	Financial Year	\$'000s
Adelaide Bridge	2030/31	63,000
Torrens Weir Structure	2028/29	40,000

Adelaide Aquatic Centre

The most recent state election changed the assumption for the purposes of the LTFP with regards to the ongoing operation of the Adelaide Aquatic Centre. More recently, the State Government and Council have been working towards an agreement to deliver the new aquatic centre by late 2024.

While the Centre will continue to operate in the short term, the election promise made by the Labour Government has firmed, with the State intending to build a new \$135 million facility (previously estimated at \$82.4 million), replacing the current facility, and for the new facility to be owned and operated by the State. In line with the commitment of the State, Council will also contribute up to \$20 million towards demolishing the existing facility and reinstating parklands and community sports grounds.

The latest estimates and agreed contributions, which should be used for high level projections only and do not represent a definitive resolution of State or Council, result in an overall financial impact of:

- a reduction in the asset value for the 2022/23 year, as a result of impairing the facility, given the impending demolition and ceasing of operation of the existing facility
- reduced asset renewal expenditure based only on a level required to continue to operate the facility in a safe manner
- removal of all operating income and expenses post 2024/25

The expectation is that any transaction associated with the contribution towards demolition, rehabilitation and restatement of park lands will not have an operating position impact.

Capacity to Deliver

During the deliberations for the 2021/22 Annual Business Plan and Budget, Council considered capacity issues with regards to delivery of asset renewals in the long term. As a result of these discussions, it was resolved to hold the Asset Renewal Funding Ratio (ARFR) at 90% for the term of the LTFP.

In addition to this the 2022/23 budget preparation included not only internal capacity but capacity of the market to be able to deliver its capital works program. Significant inflation in cost inputs for materials as well as product shortages and a flooding of work in the market have all contributed to increased pressure on ability to deliver the renewal program on time and on budget.

In 2023/24, these sector dynamics are still at play and accordingly, the 2023/24 budget assumes an ARFR of 90%. However, Council has recognised that maintaining an ARFR of 90% for an extended period equates to an underinvestment in its assets and infrastructure. As such, the LTFP assumes returning to a 100% ARFR over four years, and continues this for the life of the LTFP.

As the IAMPs are reviewed, the condition information produced may indicate a need for higher investment to maintain infrastructure and assets at desired levels given the 90% ARFR target over recent years. This situation will be monitored closely and any required adjustment to spending will be reflected in future iterations of the LTFP.

New and Significant Upgrades

Major projects, including property transactions and developments such as Central Market Arcade redevelopment and 88 O'Connell Street, have been incorporated in the LTFP where a Council decision or commitment to progress the projects has been made.

Through budget deliberations, Council has committed to \$15 million per annum investment in new and upgraded projects over this Council's term. This will be confirmed through the adoption of the Strategic Plan.

The total spend on identified new and significant upgrades for the life of the LTFP is \$79.9 million, as detailed below.

Projects	Financial Year	\$'000s
Central Market Arcade Redevelopment	2024/25	15,917
Hindley Street Upgrade	2024/25 - 2025/26	12,600
Gouger Street Upgrade	2024/25 - 2026/27	14,500
O'Connell Street Upgrade	2024/25 - 2027/28	15,000
Melbourne Street Upgrade	2025/26 - 2027/28	6,500
Hutt Street Upgrade	2024/25 - 2026/27	12,500
Brown Hill Keswick Creek	2024/25 - 2032/33	2,880

The LTFP assumes continuation of this approach and has allowed \$15 million per annum for the entire life of the LTFP. This has ramifications for the level of borrowings and associated costs which is discussed in more detail below.

Where capital expenditure is in excess of \$4 million (escalated in line with the Prudential Management Policy), prior to commencement, approval is subject to a prudential report being presented and considered by Council to understand the impact on the LTFP.

Depreciation, Amortisation and Impairment

Depreciation is informed by Infrastructure and Asset Management Plans and reflects increases in valuations and new asset additions.

Previous Asset Management Plans and revaluations resulted in significant depreciation impacting the 2021/22 budget with a trailing impact into future years. As a result of the significant movements in depreciation and revaluations, a review of the asset management registers for depreciation and renewal value was initiated. This provided a level of assurance regarding the impact of depreciation on Council operating budgets. It was found that depreciation was too high and in the 2022/23 financial year, commensurate downward adjustments were applied to depreciation.

Amortisation and impairments are determined by condition audits and revaluations. This has not been factored into the LTFP but will be incorporated into the base budget and LTFP each year, if and when adjustments are necessary.

Interest and Borrowings

Council's services, projects and infrastructure works are predominantly funded through rates, fees and charges, grants and subsidies. Borrowings are principally utilised for new and upgrade infrastructure projects, including city shaping projects such as the development of Central Market Arcade, significant community infrastructure and commercially focused projects with a financial return on investment.

For significant renewals, such as Adelaide Bridge and the Torrens Weir, debt may have to be utilised to deliver these projects. The LTFP conservatively assumes that Council funds these projects 100% and will draw on debt to do so. As such, Council's debt is set to increase significantly in the years in which this expenditure is forecast to occur. To mitigate the significant financial impact of these two projects, Council will need to actively seek funding assistance with these projects.

City of Adelaide has utilised the Deloitte Business Economics data as a source for projecting interest rates for the purposes of the LTFP. The rates are reviewed quarterly and are based on the latest information and indicators.

Table 2: CPI and Wages Price Index projections shows the projected rates utilised in the LTFP.

Other

Other revenue and expenditure growth, in general, is assumed in line with forecast inflation.

Council's Subsidiaries

City of Adelaide has three subsidiaries: Adelaide Central Market Authority; Adelaide Economic Development Agency; and Kadaltilla/Adelaide Park Lands Authority. It is assumed that the operations of each subsidiary will be funding neutral (ie break even) from 2023/2024 onwards.

Capital funding requirements for the Adelaide Central Market Authority have been assessed for amounts and timing from 2022/23 onwards and have been incorporated into the LTFP.

Major Contract disclosure and Implications

Note that from time to time Council may undertake transactions and enter contracts for major projects. As and when the impacts can be reliably determined, and confidentiality and disclosure requirements permit, any financial impacts stemming from such transactions will be incorporated into the LTFP.

City of Adelaide has entered into two contracts with regards to sale and development - 88 O'Connell Street and the Central Market Arcade Redevelopment (Market Square). Due to the confidential nature of the contracts, specific disclosure is limited, however the financial implications of the contracts are included in the LTFP and detailed below.

Both contracts initiate a recognition of a delay in the receipt of funds, otherwise known as Present Value Entitlements under Accounting Standards (AASB9), which are triggered due to the settlement of funds being after control of the assets have passed from the City of Adelaide.

For 88 O'Connell Street, the nature of these entitlements is reflected as an interest cost in the Income Statement and therefore impact the operating result. For 2022/23, the impact of this is approximately \$1m and the impact in 2023/24 is a reversal \$1.1m. Given settlement will occur in 2024/25, the interest will be returned as revenue in the 2023/24 year. Overall, the net impact on the income statement is nil over the life of the contract.

88 O'Connell St \$000's	2021/22	2022/23	2023/24	2024/25
Interest Expense	96	1,054	-	-
Interest Revenue			1,150	-

For Central Market Arcade Redevelopment, the nature of these entitlements is reflected as a capitalisable interest cost in the Balance Sheet and therefore the impact on the operating result is nil. Instead, it increases the capital expenditure during construction. Overall, the net impact on the financial statements is nil over the life of the contract.

Recognition of these entitlements reflect the accounting treatment for the timing associated with the contracts and they do not impact Council's financial sustainability once the contracts are delivered and complete.

Central Market \$000's	2021/22	2022/23	2023/24	2024/25
Interest Expense	5	1,780	-1,785	-

The Audit and Risk Committee sought independent advice regarding the financial and accounting implications of the contracts associated with these major projects.

Stemming from this, the Audit and Risk Committee:

- does not have a role to comment on the merit of the project, only to assess the implications on the financial sustainability of Council
- has reviewed the independent advice and discussed the details with the City of Adelaide CEO, management and the External Auditors
- acknowledges that recognition of interest during development, as required under Australian Accounting Standards, is a timing issue only, which will be resolved once the developments are complete, when the interest is returned to Council
- are not aware of any adverse, long term financial implications for Council associated with these contracts
- is satisfied that the successful delivery of these contracts should improve Council's financial sustainability, consistent with the objectives of the Strategic Property Review, endorsed by Council.

RISKS AND OPPORTUNITIES

Although the Long Term Financial Plan is based upon the latest available information, it is a future projection and is therefore subject to risk. It cannot anticipate inherent risks such as unforeseen economic, political, environmental and market changes and so on this basis should be considered as a guide to future actions and opportunities, a tool for Council to assess the long-term financial sustainability of its decisions.

Issue 1: Council Rate Growth

Forecast growth in rate revenue has a material impact on the LTFP, as the growth factor is incorporated into the base for property valuations in the following year. Any changes to the growth forecast will impact on the outer financial years.

In 2023/24 Council sought valuations across the entire city. As such, valuations (and rate revenue) increased by 8.6%. This has elevated the base rate revenue and had a commensurate impact on revenue over the life of the LTFP.

Notwithstanding this, it is crucial that revenue keeps pace with increases in costs to ensure that Council can continue to deliver services at current levels.

Council Action:

Market indicators, combined with analysis from the Council rates and valuations team, will be closely monitored and assumptions for rates growth will be updated with the latest available data.

Issue 2: Government Legislation

The LG reform has introduced a Rates Oversight scheme to be monitored by the Essential Services Commission (ESCOSA). The potential impact of such legislation is still to be gauged, however it could impact Council's capacity to increase rates in response to emerging financial challenges.

Council Action

To continue to work with the LGA and SA Government working groups to ensure a fair and equitable rating system is maintained to enable sustained delivery of community services.

Issue 3: Fees and Charges

In the 2023/24 annual budget, approximately 38% of Council's income is derived from fees and charges, including on-street parking, parking expiations and off street parking. Prior to 2022/23, Council experienced a loss in this revenue stream due to the impacts of COVID-19. 2022/23 saw a partial return to pre-COVID-19 levels and 2023/24 builds upon this by increasing fees and charges in general by 5% and reinstating some fees waived during COVID that was designed to form part of a support package for the City.

Council Action:

The ongoing recovery of fees and charges will be monitored on a quarterly basis, with the LTFP updated as required.

Issue 4: Interest rates

Interest rates are currently at levels significantly above the historical low experienced over the last few years as the RBA sought to stimulate the economy to ward of the negative effects of the global pandemic.

There has been much speculation on whether interest rates will be held at current levels for some time or start to decline in 2024. With CPI at its current highs, and should this be sustained for some time to come, interest rates may need to increase in order for the Reserve Bank to reach its target for inflation of between 2-3%.

With the investment mindset of the current Council, debt levels are expected to increase and as such, changes in interest rates could have either a beneficial or negative impact on the LTFP.

Council Action:

Council's current interest rate is 5.35%. Deloitte Access Economics interest rate projects can be seen in Table 3: Interest Rate Projections, which is a significant increase over the last iteration of the approved LTFP. Notwithstanding this, the risk of potential increases in interest rates will be monitored and minimised where possible in accordance with Council's Treasury Policy.

Issue 5: External Funding

The LTFP has been prepared on the basis that Council's operating income is expected to fully fund all service delivery and asset renewals. However, it is common for other levels of Government to offer various grant programs which provide assistance to Council to fund larger projects. Where there is certainty in those funding sources, they have been included in the LTFP; if uncertain then the assumption is that Council will provide 100% funding. This is a conservative position for Council and leaves opportunity to ensure the burden of funding these projects is transparent to the community and allows for discussion with other levels of Government to fairly consider.

Council Action:

Strategic items that will require significant funding over the next 10 years are characterised as significant renewal projects. Council will look to open discussions with all levels of government to ensure significant city assets are funded appropriately without placing the sole burden on ratepayers only and seek contributions from all those who experience the City and its surrounds.

Issue 6: Delivery of Strategic Property Review and Action Plan

The LTFP includes the delivery of the strategic property review and action plan endorsed by Council. This action plan is based around divesting non-performing assets and allocating the proceeds to the Future Fund.

The delivery of this plan is subject to variables, and in particular market conditions. The sale of substantial assets must be timed and managed to ensure maximum value is achieved and is strategically aligned.

Council Action:

Identified assets will be reviewed on a regular basis and forward actions will continue to be updated as property asset performance changes over time. This will ensure the optimum use of the property portfolio.

Each identified property asset will be the subject of further detailed analysis with the results of such further investigations to be the subject of Council Member consideration and decision making.

Issue 7: Wages and Materials inflationary pressures

The impacts of COVID-19 on the global supply market have been significant and continue to be problematical. This has also been exacerbated by the war in the Ukraine with the flow-on effects being felt globally, particularly with regard to energy-reliant commodities and products.

The cost of materials hit 20 year highs, with some material costs presenting between 20%-40% greater than in recent years. These material costs are most significant in the infrastructure markets and have created not only cost pressures but also delivery issues in the market. The market is heavily weighted in favour of the vendors. Demand continued to increase due to the financial stimulus on offer from the Federal and State Governments however this is expected to subside in the medium to long term.

Further, while costs increased significantly, wages did not immediately follow suit. However, the pressure on governments to manage these two significant factors in the economy have been increasing and are a risk to sustainability. There is an expectation that wages will start to trend upwards however this is yet to be confirmed from the data currently available. The ability for Council to influence these is minimal and as a result City of Adelaide will be a price taker which could result in increased costs for some time to come, particularly in the short to medium term of the LTFFP.

KEY FINANCIAL INDICATORS

A suite of financial indicators (KFIs) is used to measure Council's financial performance, to guide decision making on major projects and significant components within the LTFP, and to secure its continued financial sustainability.

Three nationally recognised financial sustainability indicators have been adopted in principle by Local Government in Australia and are utilised by City of Adelaide. These are:

- The Operating Surplus Ratio
- The Net Financial Liabilities Ratio
- The Asset Renewal Funding Ratio.

Council also considers an additional four indicators to review the ability to borrow in line with its Prudential Borrowing Limit:

- Asset Test Ratio
- Interest Expense Ratio
- Leverage Test Ratio
- Cashflow from Operations Ratio.

For each indicator a description of exactly what is being measured, an explanation of the target, the projected results (shaded in green when the result is within target, orange when nearing being outside of the target range and red when the result is outside the target range) and a summary of the explanation of LTFP projected results from the analysis is provided.

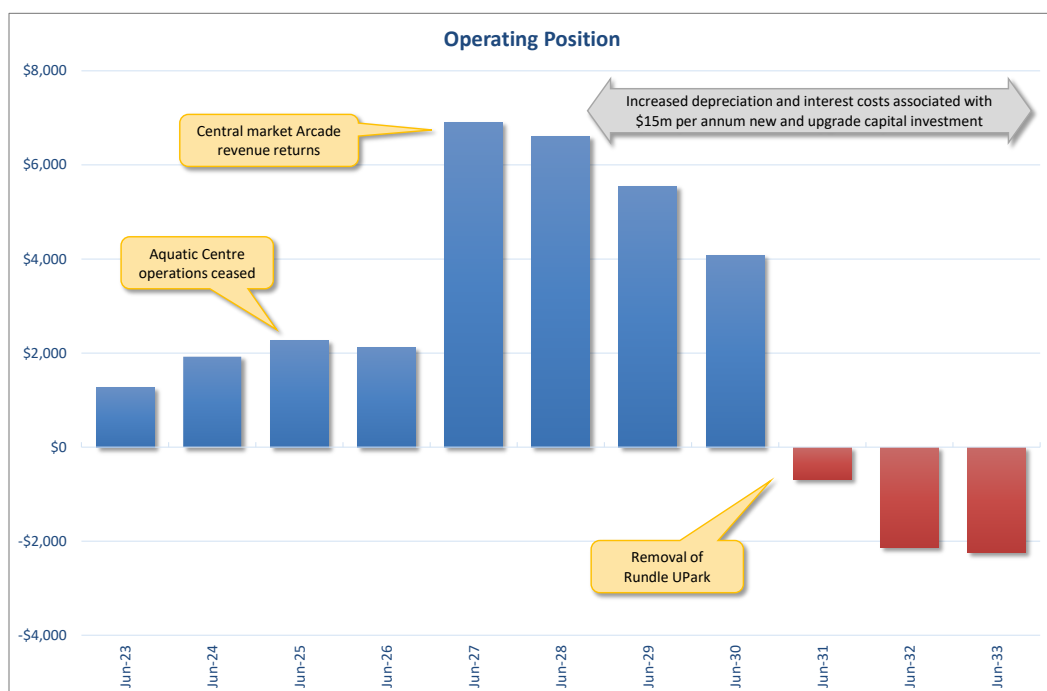
It is important to understand that any one year stand alone does not define Council's financial sustainability. Sustainability refers to the achievement of the ratio targets in more years than less in a long term period. For example, significant one-off items can have an impact in a given year without affecting the ongoing sustainability of Council. The effects of the Torrens Weir and Adelaide Bridge are good examples of this.

Operating Surplus

This indicator represents the difference between day-to-day income and expenses for a period.

A council's long-term financial sustainability is dependent upon ensuring that, on average over time, its expenses are less than associated revenues. If a council is not generating an operating surplus in most periods then it is unlikely to be operating sustainably. The target is to achieve between \$2m and \$10m in any given year.

The chart below shows the impacts of key assumptions assumed in the LTFP. In particular, the assumption to continue to invest \$15m per annum in new and upgraded projects (to meet the emerging needs of the community) results in a higher level of assets, and related borrowings. As such, increased depreciation (from a higher asset base) and interest costs (from higher borrowings) see expenses growing at a faster rate than revenue (which is largely based on CPI increases). In addition, the assumption to remove the capital requirement, and the associated positive operating position, for Rundle UPark sees a further deterioration in the operating surplus from the 2030/31 financial year.



Operating Surplus Ratio

Definition: Operating surplus as a percentage of operating revenue

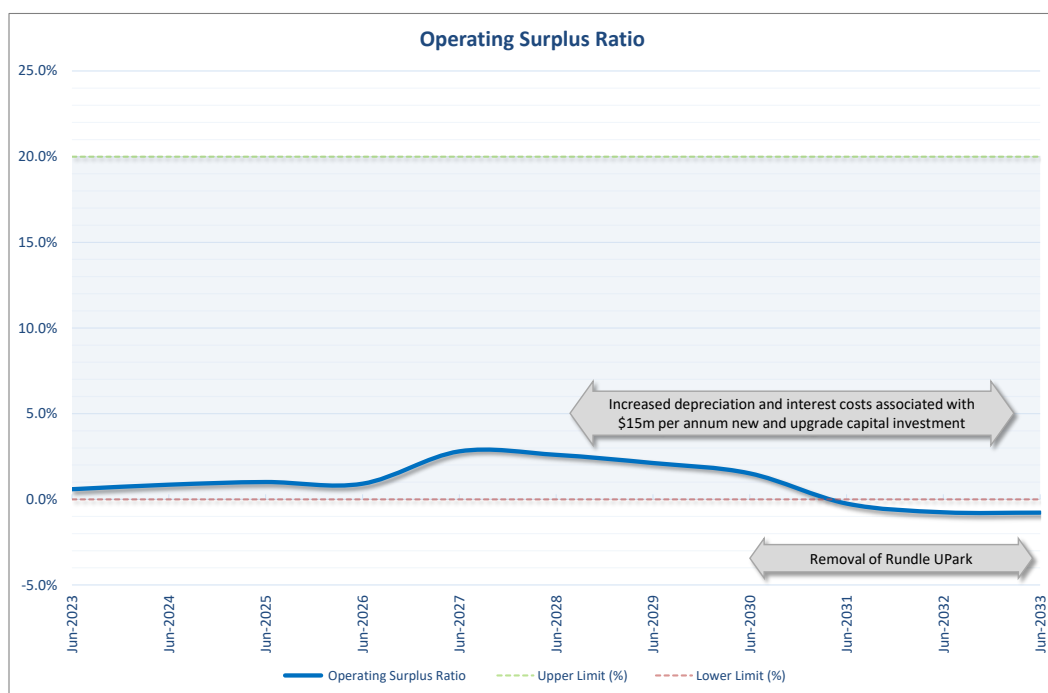
What is being measured: This indicator represents the percentage by which the major controllable revenue source varies from day to day operating expenses. Financial sustainability is indicated where a council consistently achieves operating surpluses and has soundly based projections showing it can continue to do so in the future, having regard to asset management and the service level needs of its community.

Target: The *Local Government Act (SA) 1999* target is to achieve an average operating surplus ratio between 0% and 10% over any five-year period. However, as a Capital City Council, the City of Adelaide has significant responsibilities in improving its public realm and considers that an average operating surplus ratio between 0% and 20%, over any five-year period, is a more appropriate target. A result in excess of this may indicate that council is setting rates and/or other fees and charges at levels well in excess of expenses and this has negative intergenerational equity implications.

In addition, operating deficits are not sustainable or equitable in the long term as they result in services consumed by current ratepayers being paid for by future ratepayers. A fair and equitable tax system is one in which taxes paid by each generation is in proportion to the benefits each generation receives.

Explanation of LTFP Projected Results: The ratio reflects the comments above made in respect of the operating surplus and highlights the need for decisions around revenue growth (from future rate increases and other revenue generating sources at Council’s disposal), capital investment and a solution for Rundle UPark. As stated above, the deterioration from 2030/31 onwards is indicative of the removal of all components associated with UPark Rundle, in particular its positive contribution to surplus, highlighting the need for a Council decision on its future, with a view to returning to operating surpluses.

The underlying structural budget is sustainable in the short to medium term and, subject to Council’s eventual position on the matters discussed above, has the ability to remain sustainable in the longer term.



Net Financial Liabilities

This indicator represents the money owed to others less money held, invested or owed to Council.

A council's indebtedness should be managed to ensure its liabilities and associated costs can be met without the prospect of disruptive service cuts and/or excessive rate increases (ie without impinging on financial sustainability). There is in essence no right or wrong target level for net financial liabilities (defined as total liabilities less financial assets) as this depends on infrastructure plans. The ideal target is that net financial liabilities are no greater than annual operating revenue and not less than zero.

Net Financial Liabilities Ratio

Definition: Financial liabilities as a percentage of operating income

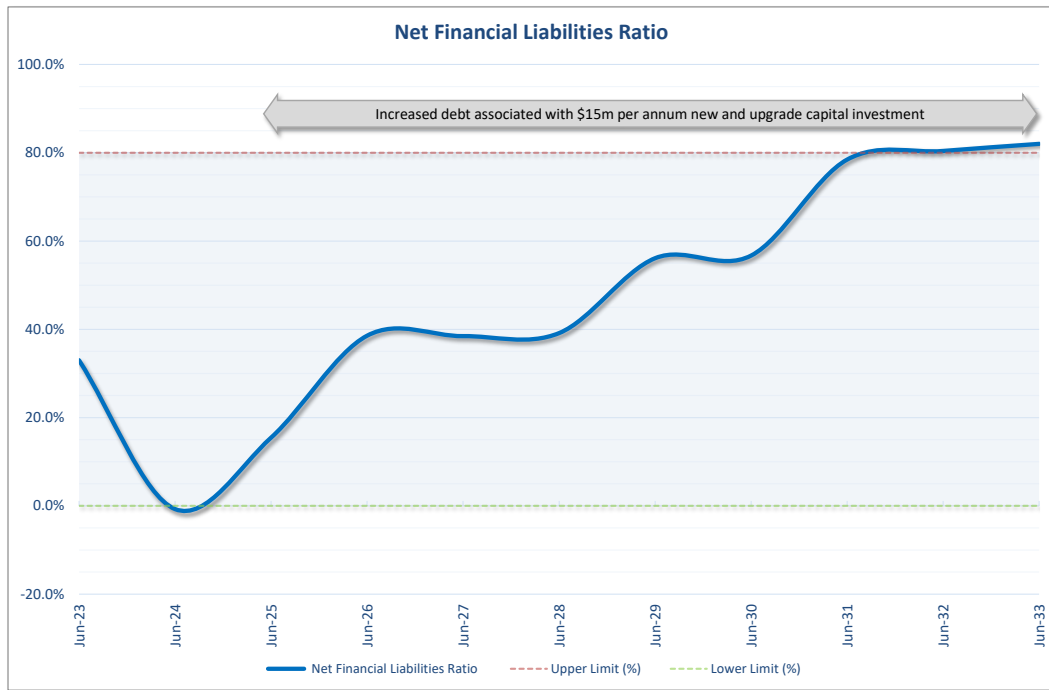
What is being measured: This indicator represents the significance of the net amount owed compared with operating revenue. It measures the extent to which Council is managing its debt and highlights that borrowings are often an effective means of financial sustainability, rather than trying to fund all assets and services from operating income. A steady ratio means Council is balancing the need to borrow against their affordability of debt. An excessive ratio means Council is borrowing beyond their means and cannot generate the income required to service assets and operations.

Target: The LGA recommends that the target for Net Financial Liabilities should be greater than zero (and less than 100%, that is, the amount owed is equal to or less than total annual income). A target below zero indicates that Council places a higher priority on accumulated financial assets than applying funds generated from ratepayers to the provision of services and/or infrastructure renewal. This could leave a council open to accusations that it is overcharging ratepayers relative to its funding needs.

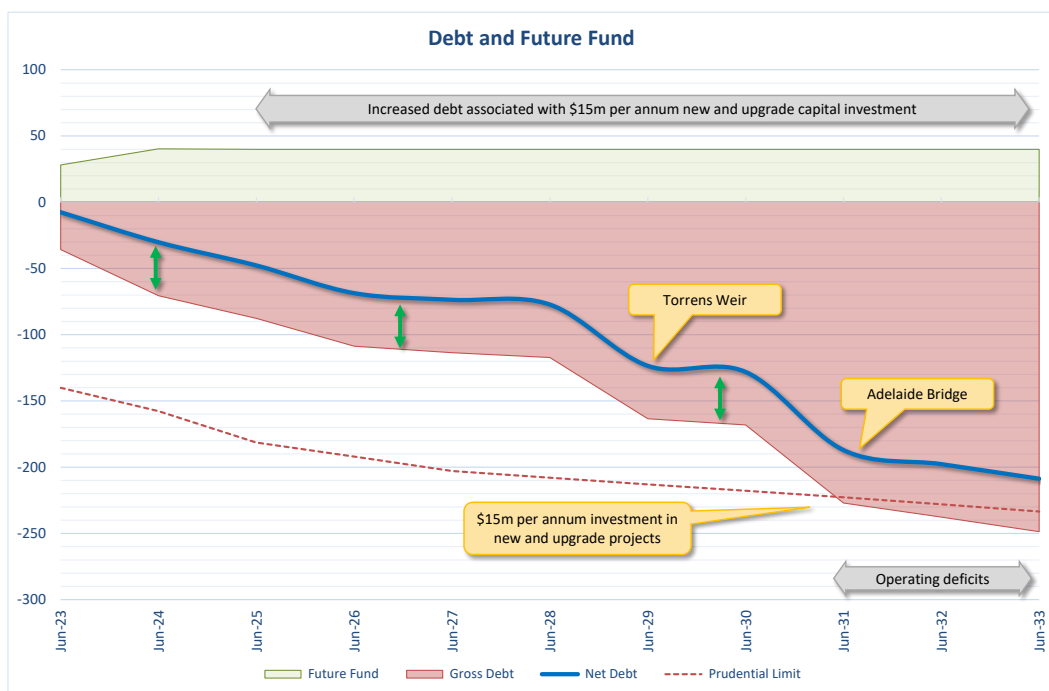
The more conservative target set by City of Adelaide is that liabilities as a percentage of total operating revenue will not exceed 80%.

Explanation of LTFP Projected Results: City of Adelaide's net financial liabilities are, until 2030/31, within the prescribed target for the life of the plan. Lower ratios in the short term highlight low levels of debt, steadily increasing over the life of the LTFP reflecting increased borrowings to deliver on Council's commitment to invest in new and upgraded assets. The negative ratio from 2030/31 onwards reflects a combination of Council continuing to invest in assets, matched to a decrease in operating revenue from the removal of UPark Rundle.

Averages demonstrate a positive position over the life of the LTFP however, borrowings and/or operating revenue needs to be addressed to bring the ratio back within target and remains so beyond the life of the LTFP.



The level of borrowings is projected to be within acceptable prudential limits, assisting Council to maintain long-term sustainability. Typical prudential limits set by financial institutions as part of covenants associated with loans are around 80% of asset values. Council has therefore set a conservative limit at 50% of saleable property assets (see below), providing additional comfort in excess of generally accepted banking norms.



It should be noted that the Council has created a Future Fund that ring fences proceeds from the sale of surplus or underperforming assets, to reinvest into revenue generating assets. The

balance of funds in the Future Fund effectively offsets the level of borrowings Council would otherwise incur had the assets not been disposed. Accordingly, Council pays less interest over time, incurring interest on a lower 'offset' balance of borrowings.

Asset Renewal Funding Ratio

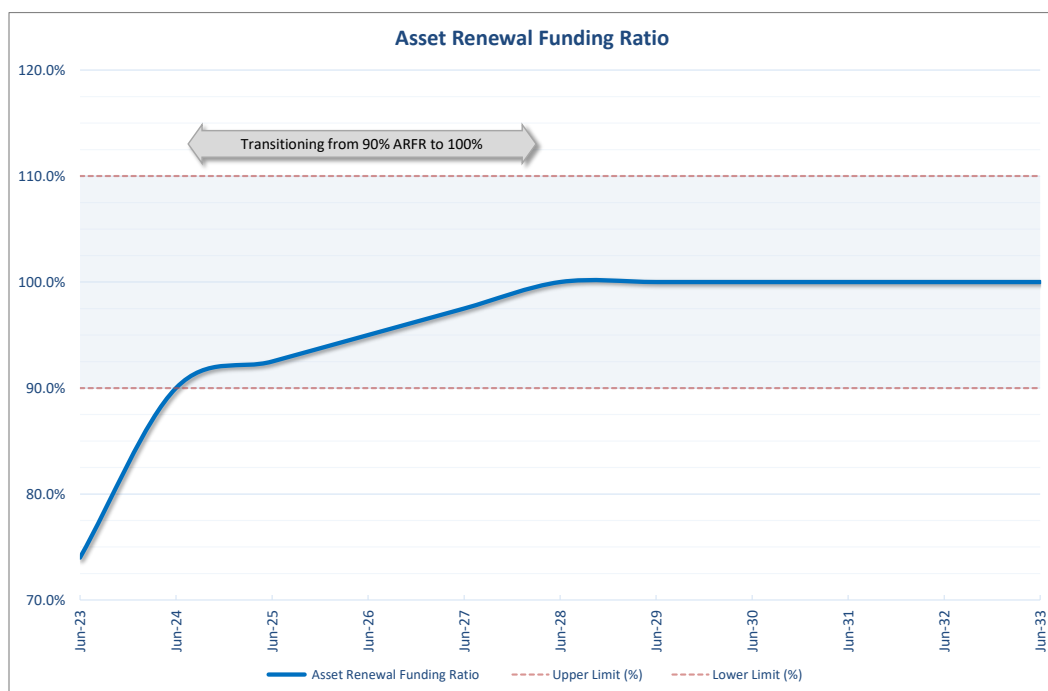
Definition: Expenditure on asset renewals as a percentage of forecast expenditure required as per the asset management plans.

What is being measured: This indicator expresses expenditure on asset renewals as a percentage of the projected funding required. It illustrates whether existing assets are being replaced or renewed at the rate they are being consumed and ensures consistent service delivery as determined by the Infrastructure and Asset Management Plans.

Target: A ratio lower than 100% suggests that Council is not maintaining assets and infrastructure in order to optimise asset lives. A ratio higher than 100% suggests that Council is replacing assets earlier than needed or at a level in excess of that set in the asset management plans. Adoption of a target ratio between 90% and 110%, is in line with the *Local Government Act (SA) 1999*.

Explanation of LTFP Projected Results: It is assumed that over the long term financial plan, asset renewals will be funded in line with the Strategic Asset Management Plans. In the previous term, Council resolved to set the ARFR (previously the Asset Sustainability Ratio) at 90%. This term of Council recognises the potential impact of this decision and the possible under-investment in assets and infrastructure and, as such, the LTFP assumes transitioning the ARFR from 90% to 100% over the next four years.

Averages for asset renewal reflect an even performance over the life of the plan. The ratio from 2027/28 onwards is directly representative of the transition from 90% to 100%. This ratio should be continually monitored as asset management plans are reviewed and updated.



Prudential Limits (Borrowings)

Definition

- Asset Test Ratio: Borrowings as a percentage of total saleable property assets
- Interest Expense Ratio: Annual interest expense relative to General Rates Revenue (less Landscape Levy)
- Leverage Test Ratio: Total borrowings relative to General Rates Revenue (less Landscape Levy) expressed as the number of years of General Rates Revenue required to repay borrowings

What is being measured: 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. When borrowing, Council will consider these indicators in terms of total borrowings, and the ability to service the interest incurred and debt repayments.

Target: The Treasury Policy reviewed in 2022 ensures Council's ability to manage cash and borrowings in accordance with prescribed limits.

The Prudential limits set within the Treasury Policy are:

- Asset Test Ratio: Maximum of 50%
- Interest Expense Ratio: Maximum of 10%
- Leverage Test Ratio: Maximum 1.5 Years

Prudential limits are breached when one of the ratios fall outside the targets stipulated in the policy. The breach must be reported with remediation actions to the CEO immediately.

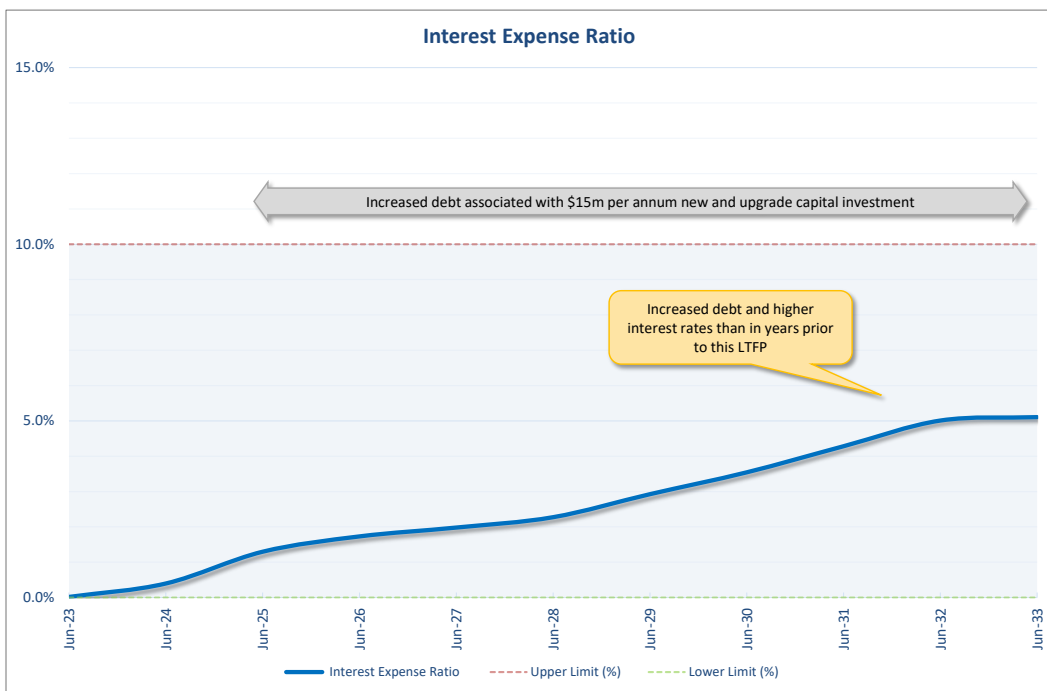
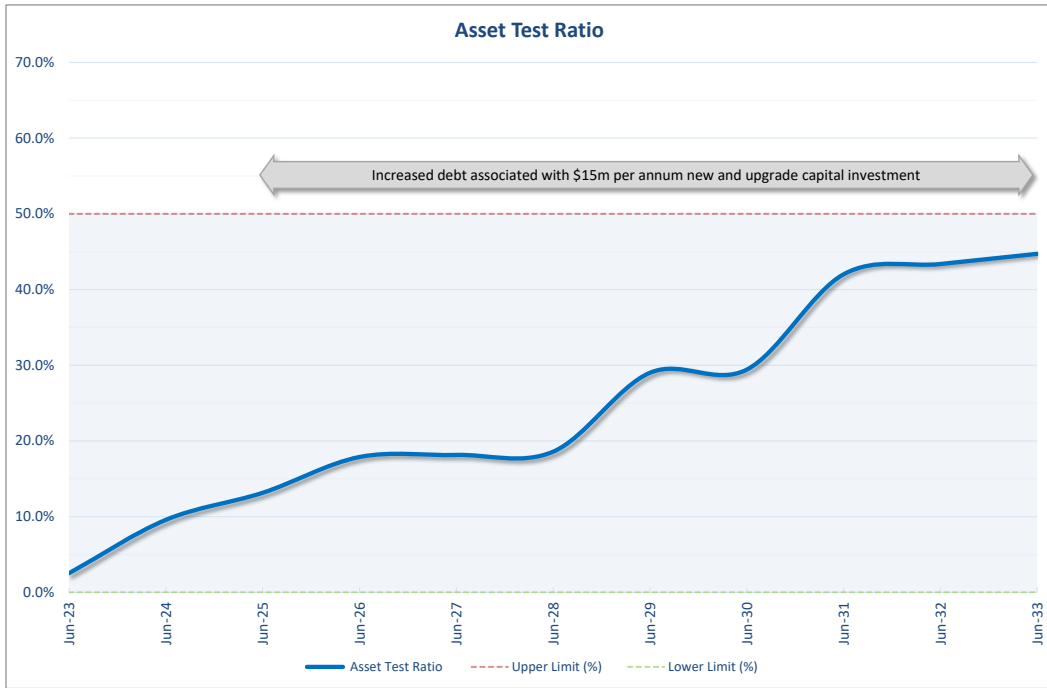
Explanation of LTFP Projected Results: City of Adelaide's borrowings are within the prescribed targets across the Long Term Financial Plan.

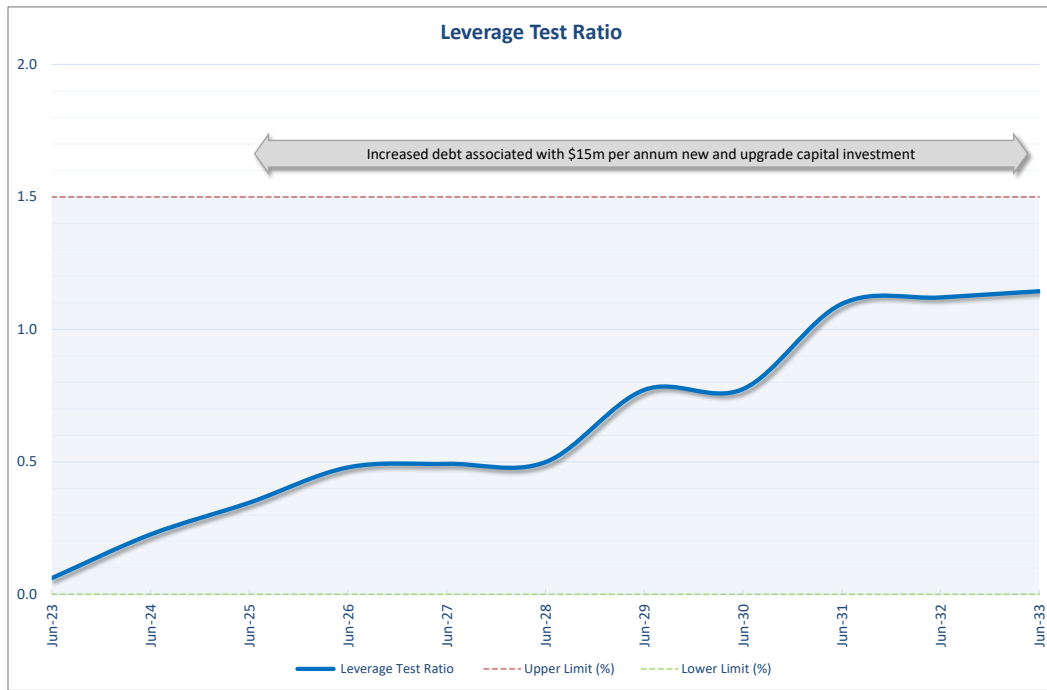
The Asset Test Ratio shows that Council has capacity in its total saleable assets to be able to comfortably meet the repayment of borrowings should the assets need to be sold in order to repay debt. 2030/32 onwards reflects the cumulative impact of utilising debt to deliver on Council's commitment to invest in the City, in addition to debt required to fund significant renewals (that is, the Torrens Weir and Adelaide Bridge). The sale and development of property assets will impact prudential limits, and hence the Asset Test Ratio, in periods where transactions occur.

Similarly, the steady increase in borrowings, matched with higher interest rates than those previously assumed, sees the Interest Expense Ratio for the life of the plan increasing, albeit sitting comfortably within the target range.

The Leverage Test Ratio indicates the time it would take to repay borrowings from general rates revenue. The plan supports Council's ability to repay the debt if called upon from less than 1½ year's rates revenue in any year of the plan.

Averages over the life of the LTFP show Council's ability to keep borrowing within prudential limits. The averages are reflective of plans for sustained borrowings for capital delivery over the life of the LTFP.





Cashflow from Operations Ratio

Definition: Operating income as a percentage of Operating Expenditure plus expenditure on renewal/replacement of assets.

What is being measured: This ratio measures Cash Flow from Operations as a percentage of forecast expenditure in the asset management plans.

This indicator shows whether Council is generating adequate cash from its operations to cover the replacement of assets over time.

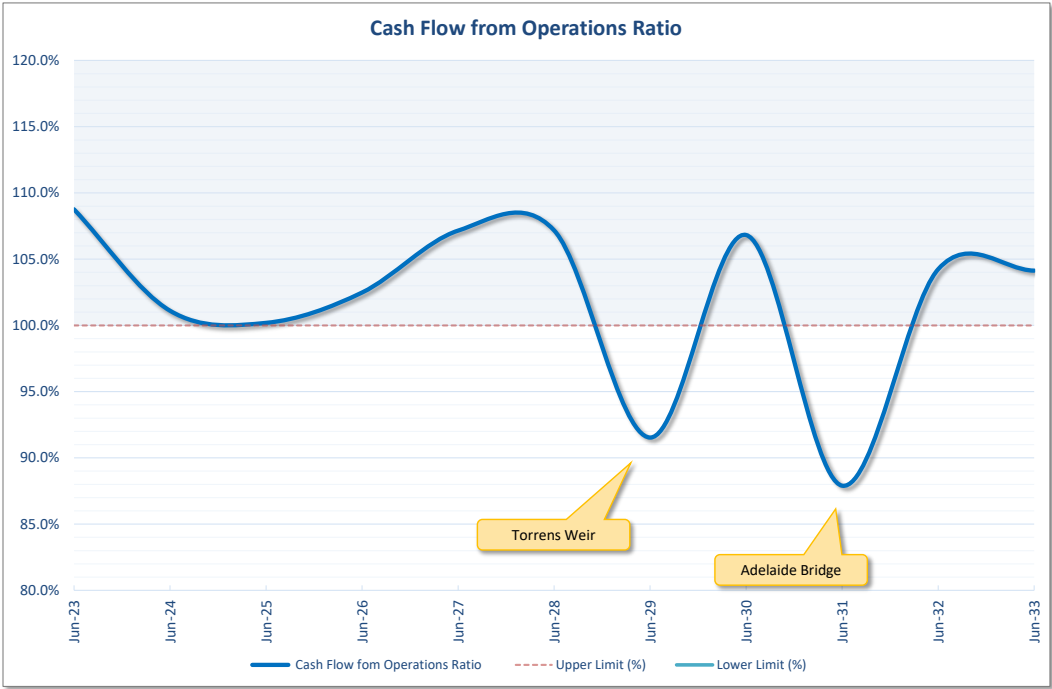
A lower ratio indicates that Council is not generating enough cash from operations to cover asset replacement (less than 100%). As a result, Council will need to fund the replacement of assets from unsustainable sources of income resulting in increased levels of borrowings over time.

Target: A result greater than 100% suggests Councils operations will generate enough cashflow to support the funding of asset replacement over time.

Explanation of LTFP Projected Results: Most years of the LTFP project a positive result. The marginally lower than target result in year 3 of the plan (2025/26) is reflective of the proposed second \$10m contribution to the Adelaide Aquatic Centre. Years 6 and 8 of the plan reflect the significant renewals required in these years.

This ratio highlights the risk in Council’s ability to fully fund the larger renewals that are identified in the LTFP in the later years. This is not to suggest deficiency in renewal, but rather highlight the opportunity in advance to seek alternative funding sources such as State or Federal grants to assist with the funding of significant asset renewal projects for the benefit of the wider SA metropolitan area.

Averages for 5 and 10 years of the plan suggest Council will generate enough cashflow from operations to sustain asset renewal without having to borrow.



FINANCIAL STATEMENTS

Explanation of the Financial Statements

The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity and are used by wide range of stakeholders in making economic decisions. To meet this objective, financial statements provide information about an entity's:

- Assets
- Liabilities
- Equity
- Income and expenses, including gains and losses
- Cash flows.

Statement of Comprehensive Income

The Statement of Comprehensive Income provides information about the financial performance of Council. It provides a summary of all the sources of operating revenue and expenditure; the difference is known as the operating surplus / (deficit).

The Net Surplus / (Deficit) represents the operating position with the inclusion of asset disposal and fair value adjustments, being the gain or loss on the sale of replaced assets, assets surplus to requirement, and fair value adjustments for investment property. Any amounts received for new and upgraded assets are also included in the Net Surplus.

Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss, and include items such as changes in the valuation of infrastructure, property, plant &

equipment, and any actuarial gains on the defined benefit plan.

Statement of Financial Position

The Statement of Financial Position presents the financial position of Council at a given date. It comprises three main components: assets, liabilities and equity.

The difference between the assets and liabilities is known as the net assets or equity of Council.

Current Assets and Liabilities are short-term and due within one year. Non-Current Assets and Liabilities represent longer term amounts that are due beyond 12 months.

Statement of Changes in Equity

The Statement of Changes in Equity reflects the movement in equity reserves during the period, being the financial performance of the year plus any other comprehensive income gains.

Statement of Cash Flows

The Statement of Cash Flows represents the amount of cash and cash equivalents entering and leaving the Council. It measures how well Council manages its cash position, meaning how well it generates cash to pay its debt obligations and fund its operating expenses and capital investments.

The main components of the cash flow statement are:

- Cash from operating activities, being the sources and uses of cash to fund Council operations and deliver services
- Cash from investing activities, being the capital investment on the renewal / replacement of existing assets and new / upgraded assets, as well as any sale proceeds and amounts received for the new / upgraded assets

- Cash from financing activities, which includes the proceeds and repayment of borrowings.

Uniform Presentation of Finances

The primary objective of the Uniform Presentation of Finances is to ensure that all councils provide a consistent set of core financial information in their financial statements, enabling meaningful comparisons of each council's position.

The statement highlights:

- The Operating Surplus / (Deficit) measure which is considered a critical indicator of a Council's financial performance
- The Net Outlays on Existing Assets represents the capital investment on the renewal and replacement of existing assets adjusted for all depreciation, amortisation and impairment from the operating surplus / (deficit), given its non-cash nature. Depreciation is defined as the cost of an asset spread over the useful life of the asset, and is an indication of what Council should be spending on renewing or replacing assets annually. If depreciation is higher than capital investment, it suggests that our assets are not being replaced at the same level that they are being utilised, and could indicate that a higher investment may be required in future years.

Note that significant renewals are allowed for in the annual depreciation however the expenditure made in the periods required will see a significant mismatch between depreciation and annual expenditure in that period.

Net Outlays on Existing Assets also includes proceeds from the sale of replaced assets (e.g. plant and fleet).

- The Net Outlays on New and Upgraded Assets represents the capital investment on new and upgraded assets (including investment property) and amounts received specifically for new and upgraded assets (e.g. Grant funding).

It also includes proceeds from the sale of surplus assets. This includes investment property and non-current assets held for sale.

- The Net Lending / (Borrowing) for Financial Year result is a measure that takes account both operating and capital activities for the financial year.

A Net Lending position indicates that Council has repaid debt or increased reserves from activities.

A Net (Borrowing) position indicates that Council has required additional debt to fund its activities.

A zero result in any one year means that Council has covered all its expenditure (both operating and capital) from the current year's income.

Statement of Comprehensive Income

Statement of Comprehensive Income											
\$'000s	22-23 Prelim	2023-24 Budget	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan	2032-33 Plan
Income											
Rates Revenues	124,917	135,395	139,809	145,177	151,533	156,845	162,207	167,534	172,918	178,756	184,830
Statutory Charges	12,160	14,683	14,990	15,356	15,739	16,132	16,521	16,896	17,280	17,689	18,112
User Charges	66,934	70,002	64,926	66,509	74,101	75,951	77,782	79,551	75,639	77,430	79,279
Grants, Subsidies and Contributions	7,696	4,449	4,547	4,318	4,426	4,536	4,646	4,751	4,859	4,974	5,093
Investment Income	1,136	150	154	157	161	165	169	173	177	181	186
Reimbursements	1,164	338	346	355	364	373	382	390	399	409	419
Other Income	1,436	465	477	488	500	513	525	537	549	562	576
Net gain - Equity Accounted Council Businesses	10										
Total Income	215,454	225,481	225,249	232,361	246,825	254,516	262,232	269,833	271,822	280,003	288,495
Expenses											
Employee Costs	72,478	85,013	83,050	85,581	88,215	90,929	93,764	96,680	99,689	102,859	106,231
Materials, Contracts & Other Expenses	88,135	81,672	80,569	82,199	86,191	88,343	90,472	92,530	93,544	95,758	98,046
Depreciation, Amortisation & Impairment	52,622	56,040	56,835	59,353	62,012	64,675	67,403	70,406	71,744	74,510	76,991
Finance Costs	952	835	2,525	3,117	3,502	3,970	5,044	6,138	7,526	9,000	9,477
Total Expenses	214,187	223,561	222,980	230,250	239,920	247,917	256,684	265,755	272,503	282,128	290,744
Operating Surplus / (Deficit)	1,267	1,920	2,268	2,111	6,905	6,598	5,548	4,079	(681)	(2,125)	(2,250)
Physical Resources Received Free of Charge	2,280	-	-	-	-	-	-	-	-	-	-
Asset Disposal & Fair Value Adjustments	(14,648)	1,125	-	-	-	-	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	6,655	14,075	-	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	(4,446)	17,120	2,268	2,111	6,905	6,598	5,548	4,079	(681)	(2,125)	(2,250)
Changes in Revaluation Surplus - I,PP&E	(19,220)	-	(27,069)	8,070	-	-	-	-	-	-	-
Total Other Comprehensive Income	(19,220)	-	(27,069)	8,070	-	-	-	-	-	-	-
Total Comprehensive Income	(23,666)	17,120	(24,801)	10,181	6,905	6,598	5,548	4,079	(681)	(2,125)	(2,250)

Statement of Financial Position

Statement of Financial Position											
\$'000s	22-23 Prelim	2023-24 Budget	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan	2032-33 Plan
ASSETS											
Current Assets											
Cash and Cash Equivalents	871	800	800	800	800	800	800	800	800	800	800
Trade & Other Receivables	22,958	35,560	43,990	11,875	12,614	13,006	13,400	13,788	13,889	14,307	14,741
Inventories	741	541	541	541	541	541	541	541	541	541	541
Non-Current Assets Held for Sale	26,000	-	-	-	-	-	-	-	-	-	-
Total Current Assets	61,203	36,901	45,331	13,216	13,955	14,347	14,741	15,129	15,230	15,648	16,082
Non-Current Assets											
Financial Assets	364	377	340	306	275	248	223	201	181	162	146
Equity Accounted Investments in Council Businesses	1,618	1,928	2,248	2,568	2,888	3,208	3,528	3,848	4,168	4,488	4,808
Investment Property	2,910	2,928	2,957	2,987	3,016	3,047	3,077	3,108	3,139	3,170	3,202
Infrastructure, Property, Plant & Equipment	1,852,529	1,942,188	1,948,402	2,007,871	2,014,518	2,040,937	2,088,590	2,093,129	2,147,282	2,151,620	2,155,415
Other Non-Current Assets	1,306	129	129	129	129	129	129	129	129	129	129
Non-Current Receivable	43,145	26,027	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	1,901,873	1,973,576	1,954,076	2,013,860	2,020,826	2,047,568	2,095,547	2,100,415	2,154,899	2,159,569	2,163,700
TOTAL ASSETS	1,963,076	2,010,477	1,999,407	2,027,077	2,034,781	2,061,915	2,110,288	2,115,543	2,170,129	2,175,218	2,179,782
LIABILITIES											
Current Liabilities											
Trade & Other Payables	33,648	14,316	15,107	16,311	16,836	17,722	18,775	19,808	20,537	21,553	21,745
Provisions	13,636	14,574	15,011	15,460	15,936	16,427	16,940	17,467	18,011	18,584	19,194
Borrowings (Lease Liability)	5,277	5,066	5,142	5,264	4,649	5,066	5,066	5,066	5,066	5,066	5,066
Total Current Liabilities	52,562	33,956	35,259	37,036	37,422	39,215	40,780	42,340	43,614	45,203	46,006
Non-Current Liabilities											
Trade & Other Payables	293	293	293	293	293	293	293	293	293	293	293
Borrowings	7,519	30,184	47,699	68,620	73,625	77,252	123,515	128,133	187,126	197,747	208,751
Provisions	1,977	1,773	1,826	1,881	1,939	1,998	2,061	2,125	2,191	2,261	2,335
Borrowings (Lease Liability)	43,912	36,064	30,922	25,658	21,009	36,064	30,998	25,932	20,867	15,801	10,735
Total Non-Current Liabilities	53,702	68,313	80,740	96,452	96,866	115,607	156,866	156,483	210,476	216,101	222,114
TOTAL LIABILITIES	106,263	102,269	116,000	133,488	134,287	154,822	197,647	198,824	254,090	261,304	268,119
Net Assets	1,856,813	1,908,208	1,883,408	1,893,589	1,900,494	1,907,092	1,912,641	1,916,720	1,916,039	1,913,913	1,911,663
EQUITY											
Accumulated Surplus	781,341	801,303	803,989	806,100	813,005	819,603	825,152	829,230	828,549	826,424	824,174
Asset Revaluation Reserves	1,047,301	1,066,521	1,039,452	1,047,522	1,047,522	1,047,522	1,047,522	1,047,522	1,047,522	1,047,522	1,047,522
Other Reserves	-	-	-	-	-	-	-	-	-	-	-
Future Reserve Fund	28,171	40,384	39,967	39,967	39,967	39,967	39,967	39,967	39,967	39,967	39,967
Total Council Equity	1,856,813	1,908,208	1,883,408	1,893,589	1,900,494	1,907,092	1,912,641	1,916,720	1,916,039	1,913,913	1,911,663

Statement of Changes in Equity

Statement of Changes in Equity											
\$'000s	22-23 Prelim	2023-24 Budget	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan	2032-33 Plan
Balance at the end of previous reporting period	1,880,479	1,891,088	1,908,208	1,883,408	1,893,589	1,900,494	1,907,092	1,912,641	1,916,720	1,916,039	1,913,913
a. Net Surplus / (Deficit) for Year	(4,446)	17,120	2,268	2,111	6,905	6,598	5,548	4,079	(681)	(2,125)	(2,250)
b. Other Comprehensive Income	(19,220)	-	(27,069)	8,070	-	-	-	-	-	-	-
Total Comprehensive Income		17,120	(24,801)	10,181	6,905	6,598	5,548	4,079	(681)	(2,125)	(2,250)
Balance at the end of period	1,856,813	1,908,208	1,883,408	1,893,589	1,900,494	1,907,092	1,912,641	1,916,720	1,916,039	1,913,913	1,911,663

Statement of Uniform Presentation of Finances

Uniform Presentation of Finances											
\$'000s	22-23 Prelim	2023-24 Budget	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan	2032-33 Plan
Income	215,454	225,481	225,249	232,361	246,825	254,516	262,232	269,833	271,822	280,003	288,495
less Expenses	(214,187)	(223,561)	(222,980)	(230,250)	(239,920)	(247,917)	(256,684)	(265,755)	(272,503)	(282,128)	(290,744)
Operating Surplus / (Deficit) before Capital Amounts	1,267	1,920	2,268	2,111	6,905	6,598	5,548	4,079	(681)	(2,125)	(2,250)
Net Outlays on Existing Assets											
CapEx on Renewal & Replacement of Existing Assets	(38,167)	(50,416)	(48,682)	(51,932)	(52,739)	(54,922)	(97,894)	(57,400)	(107,961)	(60,494)	(62,001)
add back Depreciation, Amortisation and Impairment	52,622	56,040	56,835	59,353	62,012	64,675	67,403	70,406	71,744	74,510	76,991
add back Amounts received specifically for Existing Assets		-	-	-	-	-	-	-	-	-	-
add back Proceeds from Sale of Replaced Assets	971	630	500	500	500	500	500	500	500	500	500
Net Outlays on Existing Assets	15,426	5,624	8,154	7,421	9,273	9,753	(30,491)	13,006	(36,216)	14,017	14,989
Net Outlays on New and Upgraded Assets											
Capital Expenditure on New and Upgraded Assets	(27,148)	(50,318)	(31,437)	(21,420)	(15,920)	(15,820)	(17,162)	(17,546)	(17,937)	(18,354)	(18,785)
add back Amounts received specifically for New and Upgraded Assets	6,655	5,295	-	-	-	-	-	-	-	-	-
add back Proceeds from Sale of Surplus Assets	6,685	27,100	18,500	-	-	-	-	-	-	-	-
Net Outlays on New and Upgraded Assets		(17,923)	(12,937)	(21,420)	(15,920)	(15,820)	(17,162)	(17,546)	(17,937)	(18,354)	(18,785)
Net Lending / (Borrowing) for Financial Year	16,693	(10,379)	(2,515)	(11,887)	258	531	(42,105)	(461)	(54,834)	(6,463)	(6,045)

KEY FINANCIAL INDICATORS

Financial Indicator	Explanation	Target	2022-23 Prelim	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Operating Surplus Ratio	Operating surplus as a percentage of operating revenue	0%-20%	0.6%	0.9%	1.0%	0.9%	2.8%	2.6%	2.1%	1.5%	-0.3%	-0.8%	-0.8%
Net Financial Liabilities	Financial liabilities and a percentage of operating income	Less than 80%	33%	-1%	15%	39%	38%	39%	56%	57%	78%	80%	82%
Asset Renewal Funding Ratio	Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans	90%-110%	74%	90%	93%	95%	98%	100%	100%	100%	100%	100%	100%
Asset Test Ratio	Borrowings as a percentage of total saleable property assets	Maximum 50%	3%	10%	13%	18%	18%	19%	29%	29%	42%	43%	45%
Interest Expense Ratio	Annual interest expense relative to General Rates Revenue (less Landscape Levy)	Maximum 10%	0.0%	0.4%	1.3%	1.7%	2.0%	2.3%	2.9%	3.5%	4.3%	5.0%	5.1%
Leverage Test Ratio	Total borrowings relative to General Rates Revenue (Less Landscape Levy)	Maximum 1.5 years	0.1	0.2	0.3	0.5	0.5	0.5	0.8	0.8	1.1	1.1	1.1
Cash Flow fom Operations Ratio	Operating income as a percentage of Operating Expenditure plus expenditure on renewal/replacement of assets	Greater than 100%	109%	101%	100%	102%	107%	107%	92%	107%	88%	104%	104%
Borrowings	Borrowings as a percentage of the Prudential Borrowing Limit	Within Prudential Limits (\$147m in 2023-24)	7.5	30.2	47.7	68.6	73.6	77.3	123.5	128.1	187.1	197.7	208.8
			5%	20%	26%	36%	36%	37%	58%	59%	84%	87%	89%

Table 1: Key Financial Indicators

KEY ASSUMPTIONS (INDICES)

Consumer Price Index and Wages Price Index (SA)

Rate %	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan	2032-33 Plan
CPI (SA)	4.1%	2.6%	2.5%	2.5%	2.5%	2.4%	2.3%	2.3%	2.4%	2.4%
WPI - SA*	3.6%	3.3%	2.9%	3.0%	3.1%	3.1%	3.1%	3.2%	3.3%	3.3%

Table 2: CPI and Wages Price Index projections

Interest Rates

Rate %	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan	2032-33 Plan
Interest Rate	3.5%	3.0%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%

Table 3: Interest Rate Projections

SUPPLEMENTARY FINANCIAL INFORMATION

Cash Proceeds from the Sale of Surplus Assets

\$'000s	22-23 Prelim	2023-24 Budget	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan	2032-33 Plan
Proceeds from Surplus Assets	6,685	27,125	18,500	-	-	-	-	-	-	-	-

Table 4: Proceeds from Sale of Surplus Assets

Expenditure on New and Upgraded Assets

\$'000s	22-23 Prelim	2023-24 Budget	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan	2032-33 Plan
New and Upgraded Assets	-27,148	-49,998	-31,117	-21,100	-15,920	-15,820	-17,162	-17,546	-17,937	-18,354	-18,785

Table 5: Expenditure on New and Upgraded Assets

88 O'Connell Transaction

88 O'Connell St \$000's	2021/22	2022/23	2023/24	2024/25
Interest Expense	96	1,054	-	-
Interest Revenue			1,150	-

Table 6: 88 O'Connell Street transaction amounts

Central Market Transaction

Central Market \$000's	2021/22	2022/23	2023/24	2024/25
Interest Expense	5	1,780	-1,785	-

Table 7: Central Market transaction amounts

GLOSSARY

Asset

Assets are future economic benefits controlled by the Council as a result of past transactions or other past events.

Asset Renewal Funding Ratio

(also known as the Asset Sustainability Ratio)

Expenditure on asset renewals as a percentage of forecast required expenditure in the infrastructure asset management plans.

Asset Test Ratio

Borrowings as a percentage of total saleable property assets.

Consumer Price Index (CPI)

The Consumer Price Index (CPI) is a measure of changes, over time, in retail prices of a constant basket of goods and services representative of consumption expenditure by resident households in Australian metropolitan areas. The simplest way of thinking about the CPI is to imagine a basket of goods and services comprising items typically acquired by Australian households. As prices vary, the total price of this basket will also vary. The CPI is simply a measure of the changes in the price of this basket as the prices of items in it change.

Equity

Equity is the residual interest in the assets of the Council after deduction of its liabilities.

Leverage Test Ratio

Total borrowings relative to rates revenue (less landscape levy)

Liability

Liabilities are the future sacrifices of economic benefits that the Council is presently obliged to make to other entities or organisations as a result of past transactions or other past events

Interest Expense Ratio

Proportion of Council's general rate income that is being used to service debt (interest).

Liquidity

Measure of the Council's ability to cover its immediate and short-term debts and obligations.

Net Financial Liabilities

Financial liabilities as a percentage of operating surplus.

Operating Surplus Ratio

Operating surplus as a percentage of operating revenue

