

City of Adelaide

2024/25 Business Plan and Budget

What underpins the
2024/25 BP&B -
Parameters, Assumptions
and Principles

16 February 2024 – Audit and Risk Committee
Acting Chief Operating Officer

Updated 2024/25 BP&B Timeline

Date	Forum	Role	Theme	Topic	
5 December	CFG (Workshop)	Noting	Introduction	Introduction and foundation to building a BP&B (Roadmap)	<input checked="" type="checkbox"/>
12 December	Special CEO Briefing	Noting	Rates	Rate Review Discussion	<input checked="" type="checkbox"/>
6 February	Special CEO Briefing	Noting	Budget	What underpins the build of the 2024/25 BP&B (Parameters, Assumptions and Principles)	<input checked="" type="checkbox"/>
13 February	Special CEO Briefing	Noting	Plan and Budget	Financial Sustainability and Priorities – Strategic Plan, LTFP, AMPs (including presentation from Adam Wilson – CEO of ESCOSA)	<input checked="" type="checkbox"/>
16 February	Audit and Risk Committee	Noting	Budget	What underpins the build of the 2024/25 BP&B (Parameters, Assumptions and Principles)	
20 February	CFG (Workshop)	Discuss	Plan and Budget	Financial Levers	
7 March	Special CFG (Workshop)	Discuss	Plan and Budget	Operating Budget: Strategic Projects, Service Changes, Priorities and Budget Levers	
19 March	CFG (Workshop)	Discuss	Plan and Budget	Capital Budget: Capital Projects, Priorities and Budget Levers	
9 April	Council	Endorse	Key Projects	Final list of Strategic and Capital projects	
12 April	Audit and Risk Committee	Endorse	Draft	Draft 2024/25 BP&B for community consultation purposes	
16 April	CFG	Endorse	Draft	Draft 2024/25 BP&B for community consultation purposes	
23 April	Council				
26 April – 19 May	-	Participate	Consultation	Community Consultation (including presentation of Draft 2024/25 BP&B to Subsidiary boards)	
21 May	Special Council	Participate	Consultation	Special hearing for public consultation	
11 June	Council	Receive	Draft	Receipt of submissions	
18 June 25 June	CFG Council	Adopt	Final	Final 2024/25 BP&B	

LTFP Principles and Assumptions

LTFP Principles

Adopted by Council

As part of the adopted Long Term Financial Plan, Council adopted the following principles:

- Our approach to rates, fees and charges is fair and equitable
- 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
- Capital renewal expenditure will be based on asset management plans
- 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
- 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

These Principles will guide the development of the 2024/25 Business Plan and Budget

LTFP Principles and Assumptions

Key Assumptions

Underpinning the LTFP

- Continue Budget Repair
- Rates Revenue in line with forecast inflation (excludes growth from new developments)
- Fees and charges in line with forecast inflation
- Salaries and wages forecasts based on enterprise agreements; once expired, Wage Price Index (WPI) for SA applied
- Other revenue and expenditure growth, in general, in line with forecast inflation
- Interest rates relative to market expectations
- Capital renewal expenditure in line with Infrastructure and Asset Management Plans (IAMPs)
- Capital enhancements (new and upgrade) in line with Council Decision to fund Central Market Arcade Redevelopment, Mainstreets (\$15m per year) and then \$15m over assumed continuation.

LTFP Principles and Assumptions

LTFP Assumptions for 2024/25 Operating Budget

- Inflation Forecasts (CPI)
2.9% (Deloitte Access Economics Dec 2023), Adopted LTFP based on 2.4%
- Revenue increases linked to CPI (Rates and Fees and Charges)
- Rates growth of 1% (from new properties)
- Interest Rates for new borrowings currently forecast at 4.9% (Deloitte Access Economics Dec 2023), Adopted LTFP based on 4.5%
- Depreciation impacts from Valuations performed in 2022/23 year and Capital Program
- Incorporate cost pressures in Materials and Consumables (utilities etc) that have increased in 2023/24 at a greater percentage than budget assumptions
- Removal of Aquatic Centre following negotiations with State Government
- Strategic Project allocation of \$5.671m

\$'000s	2023-24	2024-25
	Budget	LTFP
Income		
Rates Revenues	135,281	139,809
Fees and Charges	84,598	79,916
Grants, Subsidies and Contributions	8,562	4,547
Other Income	953	977
Total Income	229,394	225,249

Expenses		
Employee Costs	82,435	83,050
Materials, Contracts & Other Expenses	88,132	80,569
Depreciation, Amortisation & Impairment	56,040	56,835
Finance Costs	835	2,525
Total Expenses	227,442	222,980

Operating Surplus / (Deficit)	1,952	2,268
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Base Budget

Consolidated Base Budget Income and Expenditure

- The 2024/25 base budget has been built based on the assumptions of the Long Term Financial Plan
- Incorporate cost pressures in Materials and Consumables (utilities etc) that have increased in 2023/24 at a greater percentage than budget assumptions
- Council's 2020-2024 Strategic Plan and Infrastructure and Asset Management Plans, including planned investment in new projects and infrastructure
- Strategic Project allocation of \$6.000m
- **Does not include any Service Change requests** - These will be considered at a workshop proposed for Thursday 7 March.
- Target Surplus of \$2.268m

\$'000s	2023-24	2024-25		
	Budget	LTFP	Base	Variance
Income				
Rates Revenues	135,281	139,809	140,555	746
Fees and Charges	84,598	79,916	82,330	2,414
Grants, Subsidies and Contributions	8,562	4,547	4,335	(212)
Other Income	953	977	1,176	199
Total Income	229,394	225,249	228,396	3,147
Expenses				
Employee Costs	82,435	83,050	87,326	(4,276)
Materials, Contracts & Other Expenses	88,132	80,569	81,604	(1,035)
Depreciation, Amortisation & Impairment	56,040	56,835	56,438	397
Finance Costs	835	2,525	786	1,739
Total Expenses	227,442	222,980	226,154	(3,174)
Operating Surplus / (Deficit)	1,952	2,268	2,242	(27)

Revenue

Rating Principles and Assumptions – built into the LTFP

- Maintain current rating system and structure
- Maintain an operating surplus – requires a certain level of revenue
- Services and asset maintenance, indexed in line with Consumer Price Index (Deloitte Access Economics Forecast) – funded by operating revenue
- Consider new and different revenue streams 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
- Rate income increases in line with endorsed revenue forecasts and growth from new developments in accordance with LTFP

Existing Rating Structure

- Property Valuation x Rate in Dollar (RID) = individual rates payable
- Valuations based on AAV (annual assessed value, based on potential rent)
- Differential rates – residential, non-residential, vacant land
- Separate rate – Rundle Mall Levy only



For example:

\$18,000 × 0.1149 = \$2,068

Annual Assessed Value

×

Rate in the dollar

=

Your General Rates

based on the property land use

as set by Council

excluding any levies

Revenue

Opportunities

Rating short stay accommodation

- Currently approx. 600 within Council boundary
 - Commercial rate = no consultation; Differential rate = consultation as per Act
 - Considered approach in the context of Housing Policy
 - 5 options identified 4 Council, 1 State (rate as commercial, separate rate, rate by zone, by-law, state regulation)
 - Separate rate + zone not viable because of broader rate payer implications
 - 2 step approach – short term rate as commercial then longer-term work with State to regulate for all councils (as per WA/NSW)
 - As a fall back, by-law (also requires parliamentary endorsement)
- Comm = +22.5% ÷ 600 x average rates x 22.5% = ↑ revenue ($\$1,865 \times 0.225 \times 600 = \$252k$)

Minimum rate

- s158 (1)(a) fix a minimum amount payable - everyone as a minimum contributes no less than the minimum amount set
- s158 (2)(d) may not apply if affects > 35 per cent of total number of properties in the area
- Small assessments caught up – eg individual car parks with a range of properties under \$500

Revenue

Fees and Charges

Opportunities for fees and charges revenue increase

- The principles and assumptions of the LTFP states that Fees and charges in line with forecast inflation (assumption) and that there is a consideration of new and different revenue streams and the approach to commercial businesses to reduce reliance on existing revenue sources (principle).
- Benchmarking has been undertaken with other Councils, both local and interstate, on fees and charges
- The following fees and charges were identified as opportunities for consideration as part of the 2024/25 BP&B:

Activity Category	Description	Potential Additional Annual Revenue
E-Scooters (if continued)	Change fee model to potentially reduce e-Scooter clutter and increase revenue	\$80k
City Works Daily Cap	Raise daily fee cap introduced in 2021	\$156k
Food Inspections	Reinstate charging fees for first inspections	\$75k
Local Nuisance Exemptions	Introduce new fee for exemption applications due to their complexity, resource impacts, and as a deterrent	\$8k
City Works Minimum Fee	Introduce new fee to cover resource costs	\$3k
		\$322k per annum

Council Member's Ideas

Opportunity for Council Member Ideas

For Consideration in the 2024/25 BP&B

- At the City Finance and Governance workshop on 5 December 2023, Council Members expressed an interest in providing ideas to be considered as part of the 2024/25 BP&B process.
- To support the delivery of the new Strategic Plan, a form has been created to provide Council Members the ability to submit ideas for projects or services changes
- The form is in line with the aspirations and outcomes of the new Strategic Plan.
- Process for consideration as part of 2024/25 BP&B:
 - The form will be available after tonight's presentation, and members will have until 20 February to submit ideas for consideration.
 - Ideas will be provided to the corresponding Associate Director to include as part of considerations for planning and prioritisation.
 - Strategic Projects and Service Changes are proposed to be discussed on **Thursday 7 March 2024**.
 - Capital Projects are to be discussed on **Tuesday 19 March 2024**.

Next Steps

Developing the 2024/25 BP&B Council Timelines

The 2024/25 BP&B timeline seek to manage the process in an efficient and transparent manner.

Since initial BP&B session in December 2023, some changes are proposed and are outlined in the timeline on the right. This includes:

- A presentation from Adam Wilson, CEO of ESCOSA, regarding financial sustainability (occurred on 13 February 2023)
- Inclusion of a Special City Finance and Governance Committee Workshop on **Thursday 7 March 2024** for a workshop on Operating Budgets and Strategic Projects

Date	Topic
20 Feb – CFG	Workshop – Financial Levers
7 Mar – Special CFG	Workshop – Operating Budget: Strategic Projects, Service Changes, Priorities and Budget Levers
19 Mar – CFG	Workshop – Capital Budget: Capital Projects, Priorities and Budget Levers
9 Apr – Council	Report – Final list of Strategic and Capital projects
12 Apr - ARC	Report - Draft 2024/25 BP&B for community consultation purposes
16 Apr - CFG 23 Apr – Council	Report – Draft 2024/25 BP&B for community consultation purposes
26 Apr – 19 May	Community Consultation (including presentation of Draft 2024/25 BP&B to Subsidiary boards)
21 May – Special Council	Report – Special hearing for public consultation
11 Jun – Council	Report – Receipt of submissions
18 Jun – CFG 25 Jun – Council	Report – Final 2024/25 BP&B