

Draft 2024/25 Business Plan & Budget for Community Consultation purposes

Tuesday, 16 April 2024

City Finance and Governance
Committee

Strategic Alignment - Our Corporation

Program Contact:

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EXECUTIVE SUMMARY

This report seeks Council endorsement of the Draft 2024/25 Business Plan and Budget (BP&B) to take to public consultation in accordance with the provision of the *Local Government Act 1999* (SA). Community engagement will be undertaken for the required three week period, seeking input on the proposed priorities and projects and to ensure our community understands the proposed expenditure and services to be delivered in 2024/25. This feedback will then be used to inform the final BP&B, due to Council for consideration and adoption in June.

The BP&B outlines the priorities, programs, services and projects that we plan to deliver, our sources of revenue, financial levers, long term sustainability targets and how we propose to allocate our budget. It is the second BP&B for this term of Council and the first to deliver on the new Strategic Plan 2024-2028 and our new vision for the future, "Our Adelaide. Bold. Aspirational. Innovative.

Highlights of the Draft BP&B include:

- Investing over \$114m into our Capital Works Program including over \$56m for asset maintenance and renewal for the \$2 billion plus owned Council assets (roads, footpaths, parks, buildings etc)
- Committing 1.5% of our rates revenue to upgrading Park Lands Buildings, ensuring that sporting clubs and our community have the facilities they need now and for future generations
- Implementing the Mainstreet Revitalisation Program, starting upgrades in Hindley Street and designing with community input upgrades for Gouger, O'Connell and Hutt Streets
- Creating partnerships to drive affordable, safe and quality housing outcomes that attract and retain residents
- Stimulating growth in the City's economy through major investments such as 88 O'Connell, Market Square and the Council-led development at 218-232 Flinders Street
- Focusing on core community services including investing \$22.889m on Park Lands and open space maintenance, \$8.325m on Road renewals, \$5.377m into Libraries and \$5.832m on waste management
- Leading Adelaide into a Climate Resilient future with \$3.531m spent on implementing initiatives from our Integrated Climate Strategy

To drive the delivery of our new Strategic Plan, Council will continue to focus on repairing our budget after historical financial pressures associated with growth in rate revenue from new properties only and the COVID-19 pandemic impacted our ability to renew assets, upgrade infrastructure and provide core community services. For 2024/25 Council is proposing to do this through:

- A focus on delivery of the new Strategic Plan with key projects and infrastructure upgrades
- Understanding what our community expects and delivering core council services
- Delivery of a financially sustainable budget with an equitable approach to income generation, in line with our Long Term Financial Plan
- Delivery of an operating position to meet the ongoing cost requirements of our Asset Management Plans, working towards a target of 100% Asset Renewal Funding Ratio
- An increase to rate revenue comparable to the sector, while re-introducing a rate rebate to support pensioners in our community
- Prioritising our operational budget, grants and sponsorships and seek co-funding where there are opportunities to partner with other levels of Government.

The Draft budget delivers a surplus budget position of \$9.367m, made possible through reviewing ongoing operating activities to identify \$4.558m in savings and opportunities. Total borrowings are projected to be \$70.283m at the end of the financial year, however Council's financially sustainable decisions provide a structured pathway to repaying the debt required to deliver the new and upgraded capital program.

RECOMMENDATION

The following recommendation will be presented to Council on 23 April 2024 for consideration

THAT THE CITY FINANCE AND GOVERNANCE COMMITTEE RECOMMENDS TO COUNCIL

THAT COUNCIL

1. Approves the Draft 2024/25 Business Plan and Budget document set out in Attachment A to Item 7.1 on the Agenda for the meeting of the City Finance and Governance Committee held 16 April 2024 for the purpose of public consultation commencing at 9.00am on Friday 26 April 2024 and concluding at midnight Sunday 19 May 2024.
 2. Approves the continuation of the Special Discretionary Rebate of 10% to cap annual rate increases, as incorporated in Council's Rating Policy.
 3. Approves the change of land use from residential to commercial-other for short stay accommodation, to be incorporated in Council's Rating Policy.
 4. Approves the reinstatement of the Pensioner Rate Rebate of \$100 per household for eligible concession card holders, accessed by application only, to be incorporated into Council's Rate Rebate Policy.
 5. Notes the Asset Renewal Repair Fund of \$4.582m resourced through a temporary increase in rates revenue for 2024/25 to ensure that adequate cash flow is generated from operations to fund the renewal program.
 6. Notes an allocation of 1.5% of rates revenue to upgrade Park Lands Buildings. This amount of \$2.027m for 2024/25 is to be funded through a minor increase in rates revenue of \$0.164m and operating savings of \$1.863m to be identified during the consultation period.
 7. Notes the 2024/25 Budget delivers an Operating Surplus of \$9.367m and projects borrowings of \$70.283m at the end of 2024/25.
 8. Notes the 2024/25 Business Plan & Budget for Council's Subsidiary Adelaide Central Market Authority provided as Attachment B to Item 7.1 on the Agenda for the meeting of the City Finance and Governance Committee held 16 April 2024, which will be available as a reference document for the public consultation period commencing at 9.00am on Friday 26 April 2024 and concluding at midnight Sunday 19 May 2024.
 9. Notes the 2024/25 Business Plan & Budget for Council's Subsidiary Adelaide Economic Development Agency provided as Attachment C to Item 7.1 on the Agenda for the meeting of the City Finance and Governance Committee held 16 April 2024, which will be available as a reference document for the public consultation period commencing 9.00am on Friday 26 April 2024 and concluding at midnight Sunday 19 May 2024.
 10. Notes the 2024/25 Business Plan & Budget for Council's Subsidiary Kadaltilla / Park Lands Authority provided as Attachment D to Item 7.1 on the Agenda for the meeting of the City Finance and Governance Committee held 16 April 2024, which will be available as a reference document for the public consultation period commencing at 9.00am on Friday 26 April 2024 and concluding at midnight Sunday 19 May 2024.
 11. Authorises the Chief Executive Officer to make any necessary changes to the draft 2024/25 Business Plan & Budget document arising from this meeting, together with any editorial amendments and finalisation of the document's formatting and graphic design.
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IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	Strategic Alignment – Our Corporation Focus on budget repair and ensure responsible financial management through the principle of intergenerational equity while delivering quality services.
Policy	The Draft 2024/25 BP&B has been prepared in accordance with Council's current Long Term Financial Plan (LTFP) assumptions and endorsed Financial Policies. The approved public consultation will be undertaken in accordance with Council's Public Communication and Consultation Policy.
Consultation	A public consultation process on the Draft 2024/25 BP&B will commence at 9.00am on Friday 26 April 2024 and conclude at midnight Sunday 19 May 2024.
Resource	The Draft 2024/25 BP&B identifies how Council's resources will be allocated in meeting the 2024/25 deliverables and objectives of the Strategic Plan and other related plans and strategies.
Risk / Legal / Legislative	Council's Draft 2024/25 BP&B is developed in accordance with section 123 of <i>the Local Government Act 1999</i> (SA) (the Act), and sections 6 and 7 of <i>the Local Government (Financial Management) Regulations 2011</i> (the Regulations).
Opportunities	Public consultation is a key part of the BP&B providing the community with an opportunity to provide feedback on the draft. Community members can provide feedback on issues that affect them with the commitment of Council to provide pathways for their input.
23/24 Budget Allocation	Not as a result of this report
Proposed 24/25 Budget Allocation	The Draft 2024/25 BP&B provides the proposed budget for 2024/25 financial year.
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
23/24 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

DISCUSSION

Context

1. As the Capital City Council for all South Australians, we play a key role in ensuring that Adelaide continues to be a cultural, civic and economic hub where our residents, students, visitors, workers and businesses can thrive. To shape this future requires bold thinking, long-term planning and a vision and in December 2023, Council adopted the Strategic Plan 2024-2028 with a long-term vision of: “Our Adelaide. Bold. Aspirational. Innovative.”
2. The Draft 2024/25 Business Plan & Budget (BP&B) (**Attachment A**) has been developed to ensure that Council can deliver on this vision and the key actions outlined in the Strategic Plan 2024-2028.
3. Council’s suite of Strategic Management Plans – the Long Term Financial Plan, Asset Management Plans and City Plan, as well as recent Council decisions, newly developed Strategies and recent community engagements, have also been taken into consideration in developing this plan and budget.
4. This is the second BP&B for this term of Council and continues the work done in 2023/24 to reinvest in City streets, through such as initiatives as Mainstreet revitalisation, greening and tree planting, and footpath and street maintenance.
5. Council Members participated in a series of briefings and workshops to further develop the projects, priorities and budget for 2024/25.

Consultation

6. In accordance with *section 123(3)(b) of the Local Government Act 1999 (SA)* (the Act), Council will follow the relevant steps in our public consultation policy to facilitate community feedback on the Draft 2024/25 BP&B.
7. The consultation process will seek feedback from the community including our residents, ratepayers, businesses and other key stakeholders.
8. Consultation will open at 9am Friday 26 April 2024 and close at midnight Sunday 19 May 2024.
9. Notification of public consultation will be provided through channels including but not limited to a public notice in the Government Gazette and Advertiser newspaper, advertisements through Social Media and in our Libraries, Community Centres and Customer Centre, and direct emails to key stakeholders and residents.
10. Feedback will be received through Council’s YourSay online engagement platform, email, post and facilitated by a range of in person (face-to-face) opportunities.
11. Whilst ideally the Audit and Risk Committee feedback would occur prior to Council adopting the Draft BP&B, due to the timing and cycles of meetings, the feedback from the Audit and Risk Committee will be incorporated into the report to Council in June 2024 presenting the draft document at the end of the consultation period.

Priorities for 2024/25

12. *The Act* requires council to articulate priorities for the financial year within an Annual Business Plan and Budget. The Draft BP&B proposes the following priorities for 2024/25:
 - 12.1. Implement the Housing Strategy, by actively seeking partnership opportunities with private, public and community developers to increase supply of affordable housing.
 - 12.2. Establish a new Stretch Reconciliation Action Plan, a Disability, Access and Inclusion Plan and a Cultural Policy.
 - 12.3. Deliver the Sustainability Incentive Scheme, which supports our partners and community to implement changes to enable a reduction in community carbon emissions.
 - 12.4. In partnership with the State Government undertake a Master Plan for Helen Mayo Park, to improve community access.
 - 12.5. Delivery of an investment attraction program as per the AEDA Business Plan
 - 12.6. Deliver the Adaptive Reuse City Housing Initiative, which will identify building stock suitable for adaptive reuse.
 - 12.7. Commence construction of the Hindley Street Revitalisation project and progress designs for Gouger Street, O’Connell Street and Hutt Street Revitalisation projects.
 - 12.8. Deliver the 2024/25 BP&B within Council adopted parameters and within the parameters of the long term financial plan, and associated asset management plans.

Financial principles

13. Throughout this process, it was clear that a need to undertake budget repair is required – supporting Council’s drive to re-invest appropriately in public realm infrastructure, asset renewals and core community services.
14. As a result this Draft BP&B was built on an agreed set of financial principles to ensure that the projects, services and budget repair are accomplished in a financially sustainable, fair and equitable manner:
 - 14.1. Our approach to rates, fees and charges is fair and equitable
 - 14.2. Transparency in decision making
 - 14.3. Continue to deliver a minimum of the current suite of services and asset maintenance, indexed in line with Consumer Price Index (CPI)
 - 14.4. Fees and charges reflect cost of services provided
 - 14.5. Maintain the current rating system
 - 14.6. Maintain an operating surplus
 - 14.7. 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
 - 14.8. Consider new and different revenue streams and the approach to commercial businesses to reduce reliance on existing revenue sources
 - 14.9. 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
 - 14.10. Capital renewal expenditure will be based on asset management plans
 - 14.11. 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
 - 14.12. 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

Proposed Budget Position

15. Consistent with these principles of responsible financial management, the Draft 2024/25 BP&B delivers an operating surplus position of \$9.367m from our core operating budget, enabling the generation of sufficient cash flow from operations to fund our Asset Renewal Program at 92.5% of our Asset Management Plans, as well as 1.5% rates revenue allocated to upgrade Park Lands Buildings, ensuring that sporting clubs and our community have the facilities they need now and for future generations.
16. A proposed capital program of \$114.474 million is outlined within the plan, inclusive of a \$56.022m asset renewal program, and \$58.452m on New and Upgraded Assets which will deliver on the priorities set by Council.
17. In order to fund the New and Upgraded assets, additional borrowings of \$28.177m is required. The total projected borrowings to 30 June 2025 is \$70.283m.

Operational Budget 2024/25

18. The operating surplus of \$9.367m is a \$7.364m improvement from quarter 2 2023/24. This is representative of the need to generate adequate cash flow from operations to fund the Asset Renewal Program, as well as the upgrade of Park Lands Buildings.
19. The draft budget included in Attachment A includes a savings target of \$1.863m. The savings will be identified during the consultation period. Council at its meeting on 9 April 2024 directed Administration to look into the various grant programs provided to the Community, among other savings opportunities. The final budget for adoption will provide details of these savings.

Statement of Comprehensive Income (\$'000s)	2023/24 Q2	2024/25
Income		
Rates Revenues	135,131	146,204
Statutory Charges	14,613	15,088

User Charges	70,365	69,204
Grants, Subsidies and Contributions	8,891	4,842
Investment Income	734	166
Reimbursements	338	450
Other Income	465	566
Total Income	230,537	236,520
Expenses		
Employee Costs	82,443	86,492
Materials, Contracts and Other Expenses	88,731	82,997
Depreciation, Amortisation and Impairment	56,473	56,857
Finance Costs	887	808
Total Expenses	228,534	227,153
Operating Surplus / (Deficit)	2,003	9,367

20. Borrowings are projected to cap at \$70.283m for 2024/25 as a result of the capital program delivery. This remains within prudential limits articulated through the suite of ratios Council uses to attest prudential borrowings being:

- 20.1. Net Financial Liabilities below 80% (2024/25 budget 26%)
- 20.2. Asset Test ratio below 50% (2024/25 budget 22%)
- 20.3. Interest Expense ratio below 10% (2024/25 budget 1.9%)
- 20.4. Leverage Test ratio below 1.5 years (2024/25 budget 0.5 years)

Rates Revenue

21. Income from rates is forecast to increase by \$11.073m which equates to a 6.9% increase plus 1% in addition to growth from new developments. This rate revenue will be generated through the revaluation of properties, combined with amendment to the Rate in the Dollar. External valuations are currently well underway and are expected to be received ahead of the adoption of the final budget in June.

Short Stay Accommodation update

- 22. Legal advice obtained in relation to addressing short-stay accommodation identified that changing the land use from residential to commercial-other is the most appropriate option, whereby a higher rate in the dollar would be applied.
- 23. Administration is liaising with a third party organisation to obtain data on short-stay properties and their current availability i.e. number of nights advertised as short-stay.
- 24. Anticipated additional income associated with a higher rate in the dollar has been factored into the opportunities identified and a net increase in revenue of \$0.172m has been incorporated into the Draft 2024/25 BP&B.
- 25. Should Council support the change of land use from residential to Commercial-other, the Rating Policy will be updated to reflect this.

Pension Rebate

- 26. At its meeting on 9 April 2024, Council resolved to reintroduce the Pensioner Rates Rebate at \$100 per household for eligible concession card holders, accessed by application only, up to a total value of \$50,000.
- 27. The most recent Bureau of Statistics data (2023) suggest there are 1,174 recipients of the Aged Pension within the City of Adelaide area, implying total rebates of \$117,400 if all eligible applications are received.
- 28. Anticipated additional rates rebates of \$0.050m have been incorporated into the Draft 2024/25 BP&B.

Fees and charges

29. Council has experienced a significant increase in costs in recent years and Council has reviewed its fees and charges consistent with increased costs to deliver services and meet inflation. As a base position, Council is increasing fees by 3.25% in 2024/25 to meet rising costs and inflation.
30. Total proposed fees and charges increases are expected to be around \$323k.
31. Fees reviewed include:
 - 31.1. A change to the fee model to public realm e-Scooters, aiming to reduce e-Scooter clutter and increase revenue (\$80k).
 - 31.2. An increase the City Works permit daily fee cap, initially introduced in 2021 (\$156k).
 - 31.3. Reinstatement of fees for initial inspections for food premises, to cover costs of the service (\$75k).
 - 31.4. Introduction of a fee for Local Nuisance Exemptions applications, to cover costs of the service (\$8k).
 - 31.5. Introduction of a minimum fee City Works permit, to cover costs of the service (\$3k).
 - 31.6. An increase in encroachment fee (\$1k).

Capital Budget 2024/25

32. The draft budget includes a capital budget of \$114.474m, including:
 - 32.1. \$56.022m for asset renewal for the \$2 billion plus owned Council assets (roads, footpaths, parks, buildings etc).
 - 32.2. \$58.452 of New and Upgrade capital projects, including proposed Quarter 3 carry forwards of \$5.509m.
 - 32.3. Grant funding confirmed to be received specifically for New and Upgrade capital projects is \$9.576m.

\$'000s	Proposed Draft Position
Capital Expenditure	
1 Capital Expenditure on Renewal & Replacement of Existing Assets	(56,022)
2 Capital Expenditure on New and Upgraded Assets	(58,452)
Total Capital Expenditure	(114,474)
3 Amounts received specifically for New and Upgraded Assets	9,576
Net Capital Expenditure	(104,898)

Key Financial Indicators 2024/25

33. A suite of financial sustainability indicators (KFIs) is used to measure Council's financial performance, to guide decision-making on major projects and significant components in the LTFP, and to secure its continued financial sustainability. The Financial Indicators for 2024/25 expressed in the table below are within target ranges, indicating the council is financially sustainable for 2024/25.

	Target	2023/24 Q2 budget	2024/25
OPERATING SURPLUS RATIO The Operating Surplus as a percentage of Total Operating Revenue.	0%-20%	0.9%	4.0%
NET FINANCIAL LIABILITIES RATIO This ratio expresses the Financial Liabilities as a percentage of Operating Income.	Less than 80%	7.6%	26%
ASSET SUSTAINABILITY RATIO This ratio expresses the expenditure on Asset Renewals as a percentage of forecast required expenditure according to the Asset Management Plans.	90%-110%	97%	92.5%

ASSET TEST RATIO Borrowings as a percentage of Saleable Property Assets.	Maximum 50%	14%	22%
INTEREST EXPENSE RATIO Interest expense as a percentage of General Rates Revenue (less Landscape Levy)	Maximum 10%	1.4%	1.9%
LEVERAGE TEST RATIO Total Borrowings relative to General Rates Revenue (less the Landscape Levy).	Maximum 1.5 years	0.3	0.5
CASH FLOW FROM OPERATIONS RATIO Operating Income as a percentage of Operating Expenditure plus expenditure on Renewal/Replacement of assets.	Greater than 100%	99%	103%
BORROWINGS Borrowings as a percentage of the Prudential Borrowing Limit (50% of Saleable Property Assets).	Within Prudential Limits	28%	45%
BORROWINGS The ratio expresses Borrowings (Gross of Future Fund) as a percentage of the Prudential Borrowing Limit (50% of Saleable Property Assets).	Within Prudential Limits	48%	66%

Opportunities and Risks

34. The Draft 2024/25 BP&B presents an investment program to deliver for our city and community. Appropriate consideration has been given to a range of delivery risks. A non-exhaustive list of risks includes:
 - 34.1. Challenging procurement market
 - 34.2. Challenging recruitment market
 - 34.3. Materials and contractor availability
 - 34.4. Capacity of existing resources to address an infrastructure focus
35. It is also important to note the Draft 2024/25 BP&B does not list every item Council will focus on in the coming year. To ensure effective delivery and community value, Council will continue to focus on:
 - 35.1. Building strategic relationships and partnerships to improve access to funding opportunities that support community outcomes.
 - 35.2. Investing in community engagement to build trusting relationships.
 - 35.3. Continuous improvement and efficiencies in the planning and delivery of services, programs and assets and improve our procurement lifecycle.
 - 35.4. Service reviews to identify service changes based on community need and meeting Council's strategic intent.
 - 35.5. Pursuing revenue opportunities and grants which reduce the reliance on rates.
 - 35.6. Attracting businesses, workers and visitors to the city through economic opportunities, arts, culture and events.
 - 35.7. Encouraging investment and development through partnerships.

Subsidiaries

36. Council owns and operates three subsidiaries as a part of its operations. They are included in the draft business plan and budget as follows:
 - 36.1. Adelaide Central Market Authority (ACMA) has prepared a budget with an overall operating deficit of \$0.738m. Further detail on the activities and detailed budget can be found in ACMA's Draft 2024/25 Business Plan and Budget (**Attachment B**).
 - 36.2. Adelaide Economic Development Agency (AEDA) has prepared a budget to deliver a range of programs designed to stimulate the city's economic growth. The income generated from Rundle Mall will be utilised specifically to support and promote the Rundle Mall Precinct. The remaining services delivered by AEDA are funded through the City of Adelaide through an appropriation of funds. Further detail on the activities and detailed budget can be found in AEDA's Draft 2024/25 Business Plan and Budget (**Attachment C**).
 - 36.3. At the meeting of the City Finance and Governance Committee on 19 March 2024, feedback was sought from Council Members on planned actions that the Adelaide Central Market Authority (ACMA) and Adelaide Economic Development Agency (AEDA) had included in their respective Draft 2024/25

Business Plans and Budgets. Following that meeting, there have been some minor refinements to the budgets, including the revision of CPI to 3.25%.

36.4. Kadaltilla / Adelaide Park Lands Authority has prepared a break-even budget, largely funded through an external grant. Further detail on the activities and detailed budget can be found in Kadaltilla's Draft 2024/25 Business Plan and Budget (**Attachment D**).

36.5. In addition to the owned and operated subsidiaries, contributions to the Brown Hill Keswick Creek Stormwater Board include minor operational \$0.162m and capital \$0.320m budgets.

Next Steps

37. Council will receive copies of the community feedback on the Draft 2024/25 BP&B at its meeting scheduled for 11 June 2024.

38. At a Council meeting proposed for 25 June 2024 (and presented to the City Finance and Governance Committee 18 June 2024), Council will be asked to adopt:

38.1. The City of Adelaide 2024/25 BP&B

38.2. Adelaide Central Market Authority 2024/25 BP&B.

38.3. Adelaide Economic Development Agency 2024/25 BP&B

38.4. Kadaltilla 2024/25 BP&B

38.5. Rating Policy, Valuations, Declaration of Rates and Rundle Mall Special Rate

38.6. Fees and Charges Schedule (including Statutory Fees as set by the State Government, subject to these being gazetted)

DATA AND SUPPORTING INFORMATION

[Public Consultation Policy](#)

ATTACHMENTS

Attachment A – Draft 2024/25 Business Plan & Budget

Attachment B – Draft 2024/25 ACMA Business Plan & Budget

Attachment C – Draft 2024/25 AEDA Business Plan & Budget

Attachment D – Draft 2024/25 Kadaltilla / Park Lands Authority Business Plan & Budget

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