

# 2024/25 LTFP update - draft for public consultation

Tuesday, 17 September 2024  
City Finance and Governance  
Committee

Strategic Alignment - Our Corporation

**Program Contact:**

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Public

## EXECUTIVE SUMMARY

The *Local Government Act 1999 (SA)* requires that a council must develop and adopt a Long Term Financial Plan (LTFP), for a period of at least 10 years (s122 (1a) (a)) which is reviewed annually (S122 (4) (a)).

This LTFP takes account of the 2024/25 adopted BP&B as the base for its projections, building upon the work undertaken for the annual Business Plan and Budget, Infrastructure Asset Management Plans, and 2024-28 Strategic Plan and has been developed with regard to Council's adopted financial principles, Council decisions and the best available economic information. It is therefore a tool to guide decision-making in relation to future financial sustainability.

Following the Local Government Reform, the LTFP must be provided to the designated authority on or before 30 September in the relevant financial year. In 2024/25, Council is being reviewed by the Essential Services Commission of SA (ESCOSA), which for the purposes of the LTFP is the designated authority.

Further, s122 (4a) (a) requires an annual report from the Chief Executive Officer on the sustainability of the council's long-term financial performance and position.

Council resolved, in setting the Chief Executive Officer's Key Performance Indicators (KPIs), that an update of the LTFP for 2024/25 be presented to Council by the end of October 2024.

Key outcomes include:

- A base operating surplus position over the life of the plan
- All Key Financial Indicators (KFIs) are within target ranges except for cashflows from operations between 2027/28 – 2030/31 due to an outlay on significant renewals
- A gradual return of the Asset Renewal Funding Ratio (ARFR) over 8 years to achieve 100% from 2031/32 onwards (previously 4 years to 2027/28).
- Introduction of an Asset Renewal Repair Fund to fund the annual increase of \$14.9 million associated with the recently adopted AMPs..
- AMPs are funded through operating revenue but in recognition of the need to balance the community's capacity to pay while ensuring community expectations are met, this LTFP assumes the use of short term borrowings to fund the ARRF.
- Significant renewals are required in the mid-long term of the LTFP in accordance with our AMPs. These assets by nature are intergenerational, and as such it is intended to fund them through external contributions, in addition to borrowings. As the external funding is not yet secured, there is a risk that Council will need to pay \$115 million for the entire renewal of the assets (\$42 million in excess of the current assumption).

# RECOMMENDATION

The following recommendation will be presented to Council on 24 September 2024 for consideration

## THAT THE CITY FINANCE AND GOVERNANCE COMMITTEE RECOMMENDS TO COUNCIL

### THAT COUNCIL

1. Approves the Draft 2024/2025 – 2033/34 Long Term Financial Plan document set out in Attachment A to Item 7.1 on the Agenda for the meeting of the City Finance and Governance Committee on 17 September 2024 for the purpose of public consultation commencing at 9.00am on Monday 30 September 2024 and concluding at 11.59pm on Sunday 20 October 2024.
  2. Notes the long term financial sustainability of the Long Term Financial Plan 2024/25 to 2033/34 based on the adopted assumptions.
  3. Notes the Long-Term Financial Plan incorporates borrowings of \$220.6 million as at the end of 2033/34, which is the forecast prudential borrowing limit.
  4. Notes the Draft 2024/25 CEO Sustainability Report set out in Attachment B to Item 7.1 on the Agenda for the meeting of the City Finance and Governance Committee on 17 September 2024.
  5. Authorises the Chief Executive Officer to make any necessary changes to the draft 2024/25 Long Term Financial Plan 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	<a href="#">Strategic Alignment – Our Corporation</a>
Policy	The Draft 2024/25 to 2033/34 Long Term Financial Plan has been prepared in accordance with the 2024/25 Business Plan and Budget and endorsed Financial Policies.
Consultation	<p>21 days consultation is recommended, rather than the six weeks for Strategic Management Plan documents outlined in the CoA Community Consultation Policy. The shorter consultation period is recommended as the community have been recently and extensively consulted on the 2024/25 Business Plan and Budget, and critical long-horizon documents underpinning the LTFP – specifically six Infrastructure and Asset Management Plans during late 2023 and early 2024, and the 2024-28 Strategic Plan.</p> <p>A targeted 21-day period of consultation would allow substantive feedback but avoid the risk of engagement exhaustion with little further additional input. It also enables the LTFP to be finalised in line with Council's expectation related to the related CEO KPI.</p> <p>A public consultation on the Draft Long Term Financial Plan 2024/25 is proposed to open at 9.00am on Monday 30 September and close 11.59pm Sunday 20 October 2024.</p>
Resource	The 2024/25 BP&B and Draft 2024/25 to 2033/34 Long Term Financial Plan identifies how Council's resources will be allocated in meeting the 2024/25 deliverables and objectives of the Strategic Plan.
Risk / Legal / Legislative	Development of a Long Term Financial Plan is a requirement of the <i>Local Government Act 1999 (SA)</i> .
Opportunities	Public consultation is a key part of the LTFP 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	Not as a result of this report
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

## Background

1. The *Local Government Act 1999 (SA)* (Act) requires that a council must develop and adopt a Long Term Financial Plan (LTFP), for a period of at least 10 years (s122 (1a) (a)) which is reviewed on an annual basis (S122 (4) (a)).
2. Following the Local Government Reform the LTFP must be provided to the designated authority on or before 30 September in the relevant financial year. In 2024/25, Council is being reviewed by the Essential Services Commission of SA (ESCOSA), which for the purposes of the LTFP is the designated authority.
3. The LTFP forms part of Council's suite of Strategic Management Plans (SMPs), along with its Asset Management Plans and Strategic Plan, which must be adopted within 2 years of being elected.
4. The *Local Government Act 1999 (SA)* requires a Council's SMPs to address:
  - 4.1. the sustainability of the Council's financial performance and position
  - 4.2. the maintenance, replacement or development needs for infrastructure within its area, and
  - 4.3. identification of any anticipated or predicted changes that will have a significant effect upon the costs of the Council's activities/operations.
5. s122 (4a) (a) also requires an annual report from the Chief Executive Officer on the sustainability of the council's long-term financial performance and position.
6. At its 11 June 2024 meeting, Council resolved that the LTFP be presented to Council by the end of October 2024 as part of the approval of the Chief Executive Officer's Interim KPIs.
7. At the Council meeting dated 25 June 2024, Council adopted the 2024/25 annual Business Plan and Budget.
8. This LTFP takes account of the 2024/25 adopted BP&B as the base for its projections and builds upon the work undertaken for the annual Business Plan and Budget, Infrastructure Asset Management Plans, and 2024-28 Strategic Plan. It has been developed with regard to Council's adopted financial principles, Council decisions and the best available economic information and is a tool to guide decision-making in relation to future financial sustainability.
9. The 2024/25 to 2033/34 LTFP is modelled on certain trends and assumptions, particularly:
  - 9.1. The LTFP assumes rate revenue increases in line with the Consumer Price Index (CPI), combined with growth of 1% associated with new rateable properties.
  - 9.2. Most expenses are escalated by CPI
  - 9.3. CPI, which is forecast by various bodies, is the preferred escalator over Local Government Pricing Index (LGPI), which is a lag indicator.
  - 9.4. Current assumptions for CPI are based on SA Centre for Economic Studies forecasts, June 2024.
  - 9.5. Enterprise Agreements are used as the basis for salaries and wages increases, noting the differing timeframes associated with each agreement, with CPI used beyond agreement expiries.
  - 9.6. Interest rates are sourced from Deloitte Access Economics 10-year Government Bond data – updated quarterly.
  - 9.7. Capital renewal expenditure reflects activity programmed within the AMPs, with a transition to 100% Asset Renewal Funding Ratio over an 8 year period.
  - 9.8. Capital enhancements (new and upgrade) reflect Council's current commitment to deliver on Mainstreet Upgrades over the current term. The remaining funding outside of existing council decisions are balanced in line with prudential borrowing limits.
  - 9.9. Significant asset renewals contemplated in the LTFP include the Adelaide Bridge, and Torrens Weir structure and Rundle UPark (noting the intention to extend its life versus full replacement).

## Statement of Comprehensive Income

10. The current and following ten years Statement of Comprehensive Income is included in **Attachment A**. The next four years are summarised below:

Statement of Comprehensive Income				
\$'000s	2024-25 Budget	2025-26 Plan	2026-27 Plan	2027-28 Plan
<b>Income</b>				
Rates Revenues	144,908	154,896	163,902	171,850
Statutory Charges	16,893	17,400	17,835	18,281
User Charges	67,399	68,941	76,600	78,515
Grants, Subsidies and Contributions	4,842	4,646	4,762	4,881
Grants, Subsidies and Contributions - Capital	-	-	-	7,500
Investment Income	166	171	176	180
Reimbursements	150	155	159	163
Other Income	866	892	915	937
<b>Total Income</b>	<b>235,225</b>	<b>247,101</b>	<b>264,348</b>	<b>282,308</b>
<b>Expenses</b>				
Employee Costs	86,220	88,853	91,074	93,351
Materials, Contracts & Other Expenses	81,973	84,091	88,500	90,712
Depreciation, Amortisation & Impairment	56,857	64,462	66,471	68,287
Finance Costs	808	3,626	5,122	6,508
<b>Total Expenses</b>	<b>225,858</b>	<b>241,031</b>	<b>251,167</b>	<b>258,858</b>
<b>Operating Surplus / (Deficit)</b>	<b>9,367</b>	<b>6,070</b>	<b>13,181</b>	<b>23,450</b>

Table 1: Statement of Comprehensive Income for the next 4 years

11. The projected operating result for 2024/25 is a surplus of \$9.367 million, an increase of \$7.099 million compared to the 2023/24 adopted LTFP projections.

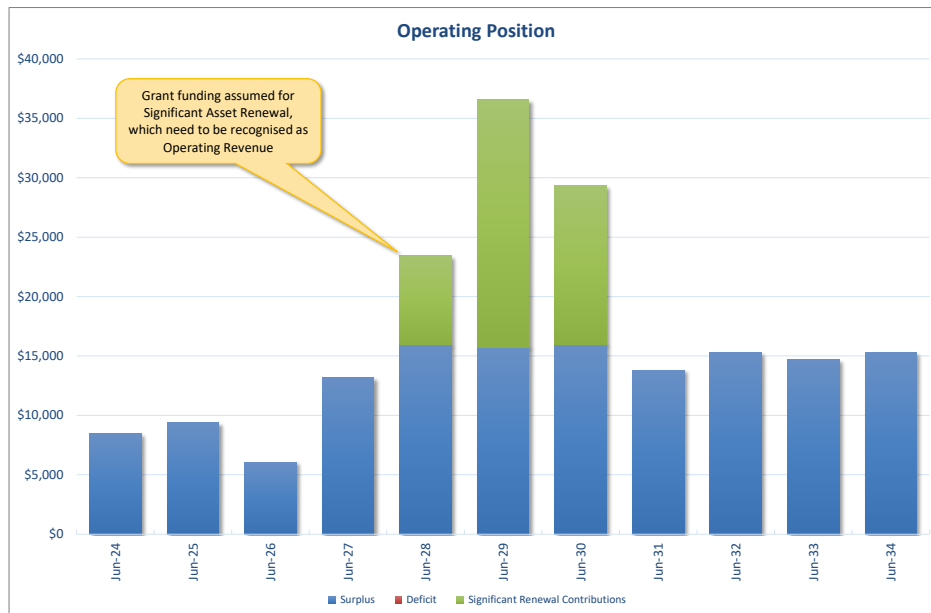


Chart 1: Operating Surplus

12. The underlying increases in rates and fee revenue are above the percentage increase in key operational costs, contributing to growth in surpluses in the short term.
13. The surpluses across the LTFP reflect a robust statement of financial sustainability derived from a positive underlying structural budget, which has been achieved through sound financial management and improved efficiency and performance in the provision of all services and asset management plans.
14. Two key operational impacts affect the operating position throughout the life of the LTFP, namely:
- 14.1. Returning revenue from the re-opening of the redeveloped Central Market Arcade in 2026/27, and

14.2. Grant funding assumed for Significant Asset Renewals, which needs to be recognised as Operating Revenue.

### Statement of Financial Position

15. The Statement of Financial Position is shown in **Attachment A**.

16. Net Council assets are forecast to increase from \$1.846 billion at June 2025 to \$2.032 billion in June 2034.

### Statement of Cash Flows

17. The Statement of Cash Flows is shown in **Attachment A**. The next four years are summarised below:

<b>Statement of Cash flows</b>				
<b>\$'000s</b>	<b>2024-25 Plan</b>	<b>2025-26 Plan</b>	<b>2026-27 Plan</b>	<b>2027-28 Plan</b>
<b>Cash Flows from Operating Activities</b>				
<u>Receipts</u>				
Operating Receipts	232,801	245,087	263,397	281,318
<u>Payments</u>				
Finance Payments	(2,800)	(2,986)	(4,582)	(5,672)
Operating Payments to Suppliers and Employees	(167,291)	(171,601)	(178,883)	(183,225)
<b>Net Cash provided by (or used in) Operating Activities</b>	<b>62,710</b>	<b>70,500</b>	<b>79,932</b>	<b>92,420</b>
<b>Cash Flows from Investing Activities</b>				
<u>Receipts</u>				
Amounts Received Specifically for New/Upgraded Assets	6,026	-	-	-
Proceeds from Surplus Assets	18,500	-	-	-
Sale of Replaced Assets	500	500	500	500
Repayments of Loans by Community Groups				
Distributions Received from Equity Accounted Council Businesses				
<u>Payments</u>				
Expenditure on Renewal/Replacement of Assets	(56,022)	(67,936)	(70,198)	(105,007)
Expenditure on New/Upgraded Assets	(56,489)	(38,799)	(20,627)	(18,244)
Net Purchase of Investment Securities	-	-	-	-
Capital Contributed to Equity Accounted Council Businesses	(320)	(320)	(320)	(320)
<b>Net Cash provided by (or used in) Investing Activities</b>	<b>(87,805)</b>	<b>(106,555)</b>	<b>(90,645)</b>	<b>(123,071)</b>
<b>Cash Flows from Financing Activities</b>				
<u>Receipts</u>				
Proceeds from Borrowings	30,084	41,157	15,937	35,172
<u>Payments</u>				
Repayment from Borrowings	-	-	-	-
Repayment of Lease Liabilities	(4,989)	(5,102)	(5,224)	(4,521)
<b>Net Cash provided by (or used in) Financing Activities</b>	<b>25,095</b>	<b>36,056</b>	<b>10,713</b>	<b>30,651</b>
<b>Net Increase (Decrease) in Cash Held</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>
plus: Cash & Cash Equivalents at beginning of period	800	800	800	800
<b>Cash &amp; Cash Equivalents at end of period</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>

Table 2: Statement of Cashflows for the next 4 years

18. Of note are the Proceeds from Sale of Surplus Assets, allocated to the Future Fund and offsetting the need to draw the full debt required to fund new and upgraded projects.

18.1. Note however that when funds in the Future Fund are required to invest in future projects, borrowing levels will reflect the level of debt that would have been carried by Council had it not been offset by the Future Fund.

19. The cash flow from operations is positive over the life of the LTFP, indicating that Council operations will generate enough cashflow to cover ongoing expenses and support the funding of asset replacement over time, noting however that borrowings may be required to fund significant renewal projects in the Torrens Weir, Adelaide Bridge and Rundle UPark.
20. Given the investment preferences of the Council and the commitment to Mainstreet Upgrades over the next four years (new and upgraded projects), it is appropriate to focus on the balance of borrowings rather than the cash balance.
21. The net funding position at the end of 2024/25 is forecast to require borrowings of \$53.677 million.
22. This steadily increases in subsequent years principally due to utilising borrowings to fund the new and upgraded capital program (noting that Council uses operating revenue to fund the renewal capital program).
23. Also note the increase in borrowings in years 3 to 6 where it is assumed that Council will fund the net renewal costs associated with the Adelaide Bridge, Torrens Weir and Rundle UPark. Given the size of these significant renewals, the LTFP proposes funding them using borrowings to avoid large rate or other revenue increases to fund the works.
24. The LTFP also assumes transitioning from a 92.5% Asset Renewal Funding Ratio (ARFR) to 100% over eight years. This results in less operating revenue required to offset debt payments, contributing to an overall increase in the net funding position.
25. A chart of the net funding position showing the gross debt, future fund and net debt (“offset balance”) is shown below.

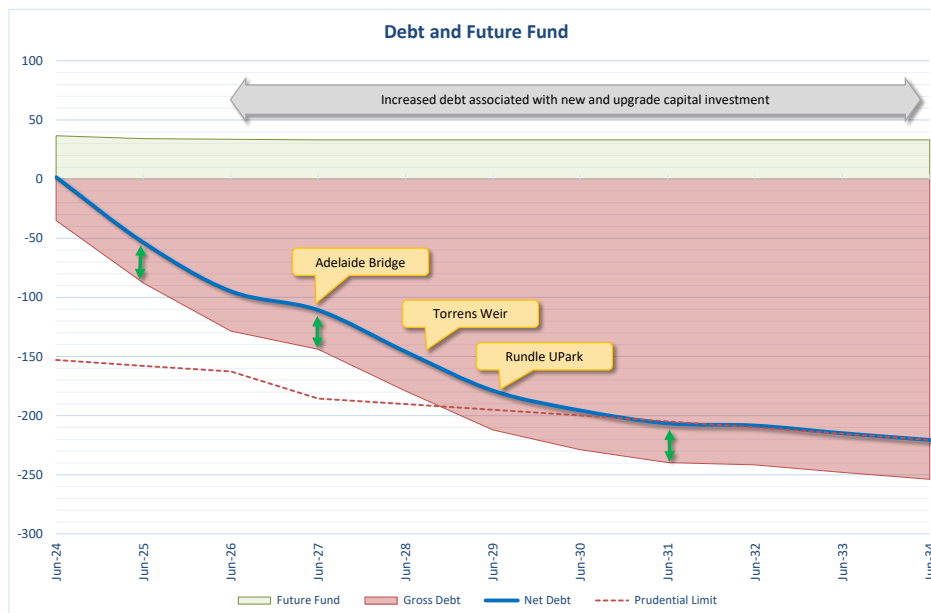


Chart 2: Projected Debt and the Future Fund

## Capital Investment

26. The Asset Renewal Funding Ratio is shown in **Attachment A**. An ARFR of 100% is forecast to be achieved from 2031/32 onwards, ensuring that assets are being replaced at the same rate as they are wearing out, supporting Council's long term financial sustainability.
27. The adopted 2023/24 – 2032/33 LTFP assumed an ongoing commitment of \$15 million per annum for new and upgrades as a continuation of the same investment impetus which delivered Mainstreet Upgrades. However in recognising the funding requirements identified in the recently adopted Asset Management Plans, the assumed forward commitment on new and upgraded assets has been reduced to balance the delivery of infrastructure within prudential borrowing limits.

## Sensitivity Analysis

28. In order to test the LTFP assumptions, sensitivity analyses have been undertaken. Only those with material impacts have been included, noting the sensitivities related to CPI and interest rate variations are immaterial in relative terms.

29. Asset Renewal Funding Ratio

29.1. The adopted 2023/24 – 2032/33 LTFP assumed a transition to 100% ARFR over 4 years from 2023/24 to 2027/28. The draft 2024/25 LTFP has extended that transition to 8 years, primarily to reduce the short term impact on rate payers of the increased funding required through the recently adopted AMPs. The following analysis compares the ARFR transition over 4 and 8 years showing the relative impact on rates revenue.

Renewal Impact on Rate Revenue	2025-26		2026-27		2027-28		2028-29		2029-30		2030-31		2031-32		Total Increase	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
ARFR Transition over 4 years	1,514	1.1%	1,764	1.2%	1,760	1.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	5,038	3.38%
ARFR Transition over 8 years	606	0.4%	705	0.5%	704	0.5%	704	0.4%	705	0.4%	704	0.4%	1,058	0.6%	5,187	3.24%
<b>Variance</b>	<b>908</b>	<b>0.7%</b>	<b>1,058</b>	<b>0.7%</b>	<b>1,056</b>	<b>0.7%</b>	<b>(704)</b>	<b>(0.4%)</b>	<b>(705)</b>	<b>(0.4%)</b>	<b>(704)</b>	<b>(0.4%)</b>	<b>(1,058)</b>	<b>(0.6%)</b>	<b>(149)</b>	<b>0.14%</b>

Table 3: Impact of ARFR Transition over 8 years versus 4 years

30. Asset Renewal Repair Fund (ARRF)

30.1. Council recently adopted its AMPs which identified increased funding requirements of \$14.9m per annum over the life of the LTFP, compared to the previous AMP. AMPs are funded through operating revenue but in recognition of the need to balance the community’s capacity to pay while ensuring community expectations are met, this LTFP assumes the use of short term borrowings to fund the ARRF. The following table compares the impact on rates revenue if the increase in funding requirement was not smoothed over a 3 year period.

Renewal Impact on Rate Revenue	2025-26		2026-27		2027-28		2028-29		2029-30		2030-31		2031-32		Total Increase	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Asset Renewal Repair Fund (exc ARFR Increase) over 1 year	9,330	6.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	9,330	6.74%
Asset Renewal Repair Fund (exc ARFR Increase) over 3 years	3,110	2.2%	3,110	2.0%	3,110	2.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	9,330	6.27%
<b>Variance</b>	<b>6,220</b>	<b>4.5%</b>	<b>(3,110)</b>	<b>(2.0%)</b>	<b>(3,110)</b>	<b>(2.0%)</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>0</b>	<b>(0.46%)</b>

Table 4: Impact of Spreading the Asset Renewal Repair Fund over 3 years

31. Significant Renewals

31.1. The LTFP reflects significant renewals required in accordance with our AMPs in the mid-long term. These assets by nature are intergenerational, and as such, it is intended to fund them through external contributions, in addition to borrowings. This will reduce the burden on existing rate payers, and share the cost to future rate payers who will benefit from the assets.

31.2. As external funding is not yet secured, there is a risk that Council will need to pay for the entire renewal of the assets of \$115 million (\$42 million more than the current assumption). In this event, Council will exceed its Prudential Borrowing Limit, or reduce the ability to deliver on new and upgraded assets assumed in the LTFP.

31.3. If additional funding is secured, either a reduction in borrowings is possible, and / or additional funding will be available for new and upgraded assets.

32. Mainstreet Upgrades

32.1. In the 2023/24 Budget, Council committed to funding the delivery of five Mainstreet upgrades in the current term of Council. The LTFP allocation is \$62.6 million for new and upgraded assets, limiting the funding available to deliver on other new and upgraded non-Mainstreets projects.

32.2. The option to defer the delivery of these upgrades to one Mainstreet at a time is available, while planning and designing the next upgrade as the current upgrade is delivered. This will provide capacity to deliver other priorities in Council's adopted strategies, including the Strategic Plan and Integrated Climate Strategy.



\$'000's	2024-25 Budget	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan	2032-33 Plan	2033-34 Plan	Total 10 years
<b>Current Mainstreet Allocation</b>											
Hindley Street Upgrade	4,980	9,240	-	-	-	-	-	-	-	-	14,220
Gouger Street Upgrade	1,250	4,000	9,250	-	-	-	-	-	-	-	14,500
O'Connell Street Upgrade	1,000	1,500	1,000	11,450	-	-	-	-	-	-	14,950
Melbourne Street Upgrade	100	1,400	1,000	4,000	-	-	-	-	-	-	6,500
Hutt Street Upgrade	1,250	5,000	6,200	-	-	-	-	-	-	-	12,450
<b>Total Current Mainstreet Allocation</b>	<b>8,580</b>	<b>21,140</b>	<b>17,450</b>	<b>15,450</b>	-	-	-	-	-	-	<b>62,620</b>
<b>Deferral Option</b>											
Hindley Street Upgrade	4,980	9,240	-	-	-	-	-	-	-	-	14,220
Gouger Street Upgrade	-	-	-	1,250	4,000	9,250	-	-	-	-	14,500
O'Connell Street Upgrade	-	-	-	-	1,000	1,500	1,000	11,450	-	-	14,950
Melbourne Street Upgrade	-	-	-	-	-	100	1,400	1,000	4,000	-	6,500
Hutt Street Upgrade	-	1,250	5,000	6,200	-	-	-	-	-	-	12,450
<b>Total Deferral Option</b>	<b>4,980</b>	<b>10,490</b>	<b>5,000</b>	<b>7,450</b>	<b>5,000</b>	<b>10,850</b>	<b>2,400</b>	<b>12,450</b>	<b>4,000</b>	-	<b>62,620</b>
<b>Variance</b>	<b>3,600</b>	<b>10,650</b>	<b>12,450</b>	<b>8,000</b>	<b>(5,000)</b>	<b>(10,850)</b>	<b>(2,400)</b>	<b>(12,450)</b>	<b>(4,000)</b>	-	-

Table 5: Impact of Spreading the Mainstreets Upgrades

## Financial Indicators

33. The key financial indicators (KFIs) required to be reported by Councils are the:

- 33.1. Operating Surplus Ratio
- 33.2. Net Financial Liabilities Ratio
- 33.3. Asset Renewal Funding Ratio (ARFR)

34. In addition to the required KFIs, Council has adopted additional KFIs to measure its long term sustainability. These are the:

- 34.1. Asset Test Ratio
- 34.2. Interest Expense Ratio
- 34.3. Leverage Test Ratio
- 34.4. Cashflow from Operations Ratio

35. The KFIs shown in **Attachment A** demonstrate an improving financial position in the short term and maintaining a sustainable financial position in key components throughout the 10 year period of the plan. However, the following should be noted:

- 35.1. The Operating Surplus Ratio decreases from 2031/32 onwards due to increased depreciation and interest expenses from higher levels of assets and borrowings associated with continued investment in new and upgraded projects for the City
- 35.2. Increased borrowings from continued investment in the City reaches maximum targets for the Net Financial Liabilities and Asset Test Ratio indicators from 2030/31, and reaching our Prudential Borrowing Limit in the same year. This suggests that the investment in new and upgraded capital cannot be sustained without changes in other parts of the LTFP (for example, additional assistance to fund the significant renewal projects)
- 35.3. Cash Flow from Operations are negatively impacted by the funding of significant renewal projects – the Adelaide Bridge, Torrens Wier and Rundle UPark
- 35.4. The ARFR is transitioning to 100% over 8 years, achieving 100% from 2031/32 onwards

36. The next four years are summarised below:

Financial Indicator	Explanation	Target	2024-25	2025-26	2026-27	2027-28
<b>Operating Surplus Ratio</b>	Operating surplus as a percentage of operating revenue	0%-20%	4.0%	2.5%	5.0%	8.3%
<b>Net Financial Liabilities</b>	Financial liabilities and a percentage of operating income	Less than 80%	21%	48%	51%	61%
<b>Asset Renewal Funding Ratio</b>	Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans	90%-110%	93%	94%	95%	96%
<b>Asset Test Ratio</b>	Borrowings as a percentage of total saleable property assets	Maximum 50%	17%	29%	30%	38%
<b>Interest Expense Ratio</b>	Annual interest expense relative to General Rates Revenue (less Landscape Levy)	Maximum 10%	2.0%	2.0%	2.8%	3.6%
<b>Leverage Test Ratio</b>	Total borrowings relative to General Rates Revenue (Less Landscape Levy)	Maximum 1.5 years	0.4	0.6	0.7	0.9
<b>Cash Flow fom Operations Ratio</b>	Operating income as a percentage of Operating Expenditure plus expenditure on renewal/replacement of assets	Greater than 100%	103%	101%	104%	96%
<b>Borrowings</b>	Borrowings as a percentage of the Prudential Borrowing Limit	Within Prudential Limits	157.9	162.6	185.6	190.2
			53.7	94.8	110.8	145.9
			34%	58%	60%	77%
<b>Operating Position</b>	Operating Income less Expenditure	\$2m - \$10m	9.4	6.1	13.2	23.5
<b>Future Fund</b>	Proceeds from the sale of Council assets to fund new income generating assets or new strategic capital projects	N/A	34.2	33.7	33.2	33.2

Table 6: Key Financial Indicators

## CEO Sustainability Report

37. In addition to the Long Term Financial Plan, the CEO Financial Sustainability Report is also attached (**Attachment B**).
38. The CEO Financial Sustainability Report is a summary of the Council's financial sustainability position. It sets out each of the seven Long-Term Financial Sustainability indicators, along with the Council's performance against each.
39. For each of the indicators there is brief description, the Council target, and the Council's result.
40. A graph shows the previous year's actual figure, the current year's budget figure and the projected Long Term Financial Plan's figures for the next nine years.
41. Importantly as part of the 2023/24 annual budget process, Council adopted a suite of financial principles to assist and guide in making informed decisions. Should Council adhere to these principles, it is likely that Council will be financially sustainable now and into the future.
42. With regard to the KFI's, in most cases Council meets the target for each relevant indicator, with outcomes (both positive and negative) either based on core assumptions reflecting Council's direction, key decisions of Council impacting results or demonstrating the need for a Council decision on some key components to ensure longer term sustainability.
43. The report concludes that, given known and impending impacts, the City of Adelaide is currently financially sustainable and has the ability to remain so, subject to future direction and decisions of Council.
44. The results highlight matters where a Council decision is required to ensure future financial sustainability. Long term financial sustainability is therefore subject to ongoing decisions and effort, in particular (but not limited to):
  - 44.1. Ensuring decisions are consistent with Council's adopted financial principles

- 44.2. Continued growth in revenue, through both rates and commercial activities, at or above the rate of growth in expenses
- 44.3. Commitment to investment in new and upgrade assets in line with prudential borrowing limits
- 44.4. Successfully securing external funding for the renewal of the Torrens Weir and Adelaide Bridge
- 44.5. Ongoing advocacy for reductions in exemptions and mandatory rebates
- 44.6. Use of the Future Fund for particular projects and initiatives.

### **Policy Review**

- 45. There has been no significant change to any policy that particularly impacts Council's financial sustainability.
- 46. However, through the 2023/24 financial year, Council endorsed a number of new strategies and plans which have not been costed. As such, they are assumed to be funded within the LTFP through a re-prioritisation of existing services. Any additional funding is to be obtained through additional rates growth.

### **Consultation Process**

- 47. Council will comply with section 122(6) of the Local Government Act 1999 (SA) to facilitate residents, ratepayers, businesses and other key stakeholders' feedback for Strategic Management Plans and "... adopt a process or processes to ensure that members of the public are given a reasonable opportunity to be involved in the development and review of its strategic management plans."
- 48. The City of Adelaide Community Consultation Policy specifies a 6 week consultation period for Strategic Management Plan documents (including the LTFP). However in this case a 21 day period is recommended by Administration because of the extensive consultation which has already occurred.
- 49. The community have been recently and extensively consulted on the 2024/25 Business Plan and Budget, and the critical long-horizon documents underpinning the LTFP – specifically six AMPs during late 2023 and early 2024, and the 2024-28 Strategic Plan.
- 50. 21 days consultation satisfies the requirements of section 50 of the Act which inter alia indicates Strategic Management Plans like the LTFP consultation do not require adherence to the Council's Community Engagement Policy. A three week consultation allows sufficient time to collate, analyse and incorporate the feedback for Council's consideration of the final LTFP as close as possible to the end of October 2024 (in line with the target outlined in the CEO KPI measure).
- 51. A targeted three week period of consultation would allow substantive feedback but avoid the risk of engagement exhaustion with little further additional input.
- 52. Consultation will focus on our proposed priorities and projects including:
  - 52.1. The rate of return to 100% ARFR
  - 52.2. Funding options for significant upgrade projects (the Adelaide Bridge, Torrens Weir and Rundle UPark)
  - 52.3. Use of short term debt to smooth an impending renewals expenditure spike necessitated by the AMPs
  - 52.4. Confirm community preferences around Mainstreets and Park Lands buildings investments.
- 53. Consultation will open at 9am Monday 30 September 2024 and close at 11.59pm Sunday 20 October 2024.
- 54. Notification of public consultation will be provided through:
  - 54.1. A Public Notice in the SA Government Gazette and an advertisement in The Advertiser
  - 54.2. 'Our Adelaide' consultation platform, which will include links to the full draft, supporting documents, and Consultation Packs (including the Submission Form and Frequently Asked Questions); and quick polls making it easy to respond to simple questions
  - 54.3. A social media campaign via City of Adelaide socials sites
  - 54.4. Promotional advertisements at all Customer Service points including the Council-operated digital screens, and our Libraries and Community Centres
  - 54.5. Email campaign to notify existing databases of ratepayers, Our Adelaide and community newsletter subscribers
  - 54.6. Draft document, supporting documents and Consultation Packs available via the Council's Customer Service Centre, libraries, and community centres.

55. People can provide feedback via email, Our Adelaide, and via written submissions. If community members seek further information, they can book an appointment to speak to a relevant staff member.
56. A report to Council on 22 October 2024 seeking approval of the final LTFP will summarise community feedback received through consultation.

**Next Steps**

57. Present the draft 2024/25 LTFP to the Audit and Risk Committee 27 September 2024 meeting for feedback.
58. Summarise interim community feedback from the community to the City Finance and Governance Committee on 15 October 2024.
59. At its meeting of 15 October 2024, seek City Finance and Governance Committee recommendation for Council approval (pending final consultation feedback) for the adoption of the LTFP and CEO Sustainability Statement at the 22 October 2024 Council meeting.

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## ATTACHMENTS

**Attachment A** – Draft 2024/25 LTFP

**Attachment B** – Draft 2024/25 CEO Sustainability Report

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- END OF REPORT -