

Our Corporation

2025/26 Business Plan and Budget

Priorities, parameters,
assumptions and current
position

21 February 2025

Michael Sedgman, Chief Executive Officer

Roadmap

Building a Business Plan and Budget



Date	Forum	Type	Theme	Topic	
3 Dec	Spec CFG	Workshop	Introduction	Introduction and process for building the 2025/26 BP&B – parameters and priorities (as per LTFP and Strategic Plan)	✓
10 Dec	CEO Briefing	Workshop	Budget	Current position (LTFP, precommitments, retimes) and Subsidiary budget allocations (also launch member bids)	✓
11 Feb	CEO Briefing	Workshop	Plan and Budget	The build of the 2025/26 BP&B – assumptions, set 25/26 priorities and revenue levers	✓
21 Feb	ARC	Presentation	Plan and Budget	The 2025/26 BP&B – priorities, parameters, assumptions and current position	
11 Mar	Spec CFG	Workshop	Budget	Operating Budget review – ESCOSA Findings, base budget, service changes, revenue mix and budget levers (including fees and charges)	
18 Mar	CFG	Workshop	Plan	Review of Strategic Projects and Subsidiary Draft BP&Bs (ACMA and AEDA)	
25 Mar	Spec CFG	Workshop	Plan	Review of Capital Projects	
1 Apr	Spec CFG	Workshop	Plan and Budget	Final review of budgets and projects	
11 Apr	ARC	Presentation	Draft BP&B	Draft 2025/26 BP&B - update	
15 Apr 22 Apr	CFG Council	Report	Draft BP&B	Draft 2025/26 BP&B for community consultation purposes	
29 Apr – 20 May	N/A	Public	Consultation	Community Consultation (including presentation of Draft 2025/26 BP&B to Subsidiary boards)	
27 May	Council	Public	Consultation	Special hearing for public consultation	
10 Jun	Council	Report	Consultation	Receipt of submissions	
17 Jun 24 Jun	CFG Council	Report	Final BP&B	Final 2025/26 BP&B	

Process to build the Annual Budget



- Maintain base budget: reflects existing services and service levels
- Identify and apply permanent changes: throughout the year - Council Decisions and on-going cost/revenue impacts (e.g. Adelaide Aquatic Centre)
- Apply escalators: Enterprise Agreement, CPI (goods and services) and Other (including some revenue items)
- Incorporate one-off differences to base budget: temporary business changes (e.g. temporary closure of Central Market Arcade)
- Consider new initiatives: \updownarrow service levels or stop/start a service or strategic projects, defined to be delivered within a scope and over a defined period of time to deliver on Council's Strategic Plan objectives
- Review consolidated position
- Set target surplus through adjusting levers: new initiatives, services provided, fees + charges, rate revenue & target savings - others?

Subsidiary Budgets



During the 2024/25 BP&B development process we heard from Elected Members the proposal of providing the subsidiaries with a budget allocation.

Current funding allocation model (Kadaltilla & ACMA)

- Operating budget allocation as per our base budget process and LTFP
- Competitive bid process for Strategic Projects, Capital Projects and Service Changes for the entire organisation

% Based funding model (AEDA)

- A percentage of rate income to manage and prioritise for the operating budget and strategic project budgets
- This would give autonomy to manage the resourcing, delivery and strategic project prioritisation
- Retain competitive bid process for Capital Projects for AEDA as part of the entire organisation

Total Op budget \$10m

Op budget \$8.0m

Additional Strat Proj budget \$0.4m

Strat Proj budget \$1.6m

		2023/24 Actual		2024/25 Q1		2025/26 - current		2025/26 - % Rates Revenue	
Rates Revenue (excl RM Levy & Landscape Levy)		129,288	Proportion of rates	138,969	Proportion of rates	143,138	Proportion of rates	143,138	Proportion of rates
AEDA	Operations	7,838	6.1%	8,103	5.8%	8,346	5.8%	8,346	5.8%
	Strategic Projects	1,053	0.8%	533	0.4%	-	0.0%	1,636	1.1%
	Total	8,891	6.9%	8,636	6.2%	8,346	5.8%	9,982	7.0%
Strategic Projects	Pool	5,787	4.48%	6,716	4.83%	6,694	4.68%	6,694	4.68%
AEDA	Share	1,053	18.20%	533	7.94%	-	0.00%	1,636	24.44%

Subsidiary Budgets



During the 2024/25 BP&B development process we heard from Elected Members the proposal of providing the subsidiaries with a budget allocation.

ACMA – Self Funding Subsidiary

- ACMA generates its revenue source through leasing activities.
- Operational expenditure is funded through its revenue i.e. will generate a break-even position or surplus
- During the One Market transition, ACMA require funding support from CoA
- Retain competitive bid process for Strategic Projects, Capital Projects (New & Upgrade) and Service Changes for ACMA as part of the entire organisation

Future funding model (ACMA)

- Stallholder renewal budget allocation to align to leasing arrangements as opposed to asset useful lives (Commercial driven Renewals)
- Renewal of the building and other aspects to align to current Asset Management Plans and agreed service levels
- New and Upgrade allocation to align to future stallholder upgrades. Council to agree to an allocation, contingent on lease agreements, budget to be recognised on a quarterly basis

		2023/24 Actual		2024/25 Q1		2025/26 - Current	
Rates Revenue (excl RM Levy & Landscape Levy)		129,288	Proportion of rates	138,969	Proportion of rates	143,138	Proportion of rates
ACMA	Operations	(88)	0.00%	138	0.10%	-	0.00%
	Strategic Projects	0	0.00%	220	0.16%	1,000	0.70%
	Market Preparadness	0		600	0.43%	618	0.43%
	Total	(88)	0.00%	958	0.69%	1,618	1.13%

25-26 Projections Based on Current Assumptions



\$'000s	2024/25	2025-26			
	Q1 Budget	LTFP	Base	Variance \$	%
Operating Position					
Income					
Rates Revenues	144,908	154,896	154,908	12	0.0%
Fees and Charges	84,460	86,341	87,368	1,027	1.2%
Grants, Subsidies and Contributions	5,057	4,646	4,454	(192)	(4.1%)
Other Income	1,283	1,218	1,047	(171)	(14.1%)
Total Income	235,708	247,101	247,777	676	0.3%
Expenses					
Employee Costs	86,489	88,853	89,394	(541)	(0.6%)
Materials, Contracts & Other Expenses	75,779	77,757	79,978	(2,221)	(2.9%)
Sponsorships, Contributions and Donations	6,408	6,334	5,600	734	11.6%
Depreciation, Amortisation & Impairment	56,857	64,462	64,506	(44)	(0.1%)
Finance Costs	808	3,626	717	2,909	80.2%
Total Expenses	226,341	241,031	240,195	836	0.3%
Operating Surplus / (Deficit)	9,367	6,070	7,582	1,512	
Capital Program					
Renewal/Replacement of Assets	56,022	67,936	67,936	0	0.0%
New and Upgraded Assets	66,890	39,119	39,119	0	0.0%
Total Gross Capital Program	122,912	107,055	107,055	0	0.00%
Borrowings	23,733	94,834	58,245	36,589	38.6%

Operating Position

- Base budget reflects existing services and service levels with a Strategic Project allocation of \$6.694m
- Rates Revenue incorporates Asset Renewal Repair Fund (equates to 2.2% rates increase) and lifting Asset Renewal Funding Ratio (equates to 0.4% rates increase)
- Does not include any new or changes to Services. These will be considered on 11th March

Capital Program

- Renewal/Replacement of Assets based on adopted Asset Management Plans / LTFP. Assumes 93.5% Asset Renewal Funding Ratio
- LTFP allocation for New and Upgraded Assets includes \$21.140m commitment for Mainstreets, \$8.778m for One Market, and \$2.225m Upgrade to Park Lands Buildings
- Timing reallocation of One Market / Mainstreets will be considered during the Q2 2024/25 Budget Update

Borrowings

- Based on the current base 2024/25 Budget, forecast borrowings will remain consistent
- Additional borrowing requirement of \$34.467m is required in 2025/26 based on the New and Upgrade Capital Program
- In order to sustain this level of borrowing and continue to repay over 20 years, an operating surplus of \$4.390m would need to be generated in 2025/26

Rates Revenue



Key Financial Principle:

- 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

		\$'000s	Rates Equivalent Revenue % Increase
1	General Rates Revenue (Less Mandatory and Discretionary Rebates)	138,663	
2	Annual Indexation	4,155	3.0%
3	Asset Renewal Repair Fund	3,110	2.2%
4	Asset Renewal Funding Ratio increase	606	0.4%
	General Rates Revenue (excluding Growth)	146,534	5.6%
5	Growth from new developments	1,926	1.4%
	Total General Rates Revenue	148,460	7.0%
6	Natural Resource Management Levy	1,932	
7	Rundle Mall Separate Rate	4,138	
8	Building Upgrade Finance	41	
9	Penalties for Late Payment	338	
	Rates Revenues	154,908	

Components of Rates Revenue

- Base General Rates Revenue net of Rebates (Mandatory & Discretionary)
- CPI assumption of 3% increase in property valuations / RID
- Asset Renewal Repair Fund to be funded by an increase in rates revenue over 3 years through the utilisation of short-term borrowings
- Increase in the Asset Renewal Funding Ratio to 93.5% as per the adopted LTFF
- Growth assumption including 88 O'Connell Street
- Regional Landscape Levy (pass through)
- Rundle Mall Separate Rate – to be utilised for advertising/promotion of Rundle Mall
- Building Upgrade Finance
- Fines and Interest on overdue rates

25-26 Projections Based on Current Assumptions



Financial Indicator	Explanation	Target	2024/25 Q1	2025/26 LTFP	2025/26 Base
Operating Surplus Ratio	Operating surplus as a percentage of operating revenue	0%-20%	4.0%	2.5%	3.1%
Net Financial Liabilities	Financial liabilities and a percentage of operating income	Less than 80%	15%	48%	48%
Asset Sustainability Ratio	Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans	90%-110%	92.50%	93.50%	93.50%
Asset Test Ratio	Borrowings as a percentage of total saleable property assets	Maximum 50%	8%	29%	19%
Interest Expense Ratio	Interest expense as a percentage of General Rates Revenue (less Landscape Levy)	Maximum 10%	2.00%	2.00%	2.25%
Leverage Test Ratio	Total borrowings relative to General Rates Revenue (Less Landscape Levy)	Maximum 1.5 years	0.2 years	0.6 years	0.4 years
Cash Flow from Operations Ratio	Operating income as a percentage of Operating Expenditure plus expenditure on renewal/replacement of assets	Greater than 100%	110%	101%	97%
Borrowings	Borrowings as a percentage of the Prudential Borrowing Limit	Within Prudential Limits	15%	58%	38%

Analysis

- Cash flow from Operations Ratio sits just within the target ratio. It illustrates that there is insufficient cash flow from the operating position to fund the renewal/replacement of assets and the servicing of borrowings
- All other ratios are within Target range.

Levers



	Operating Position	\$'000s	Rates Equivalent Revenue % Increase
1	Target Operating Position	8,541	
2	Current Base Operating Position	7,582	5.6%
3	Shortfall	959	0.7%

1. Target Operating Surplus position required to adequately service borrowings (interest and principal payments)
2. Base Operating Position incorporates 2024/25 adjustments, LTFP assumptions (CPI of 3.0% applied), ARRF and ARFR increases
3. Difference between 1 and 2, which equates to an additional 0.7% increase to Rates revenue

Key Financial Principles:

- 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
- Consider new and different revenue streams and the approach to commercial businesses to reduce reliance on existing revenue sources
- Borrowings will be used to fund new and upgrade projects (which include major projects) and not used to fund operations, expenses or renewal projects

Levers

The following Operating Position and KFI's are presented illustrating the targeting operating position and Renewals funded through an increase in Rates Revenue



\$'000s	2025/26			
Operating Position	LTFP	Revised	Variance	%
<i>Income</i>				
Rates Revenues	154,896	155,867	971	0.6%
Fees and Charges	86,341	87,368	1,027	1.2%
Grants, Subsidies and Contributions	4,646	4,454	(192)	(4.1%)
Other Income	1,218	1,047	(171)	(14.1%)
Total Income	247,101	248,736	1,635	0.7%
<i>Expenses</i>				
Employee Costs	88,853	89,394	(541)	(0.6%)
Materials, Contracts & Other Expenses	77,757	79,978	(2,221)	(2.9%)
Sponsorships, Contributions and Donations	6,334	5,600	734	11.6%
Depreciation, Amortisation & Impairment	64,462	64,462	0	0.0%
Finance Costs	3,626	717	2,909	80.2%
Total Expenses	241,031	240,151	880	0.4%
Operating Surplus / (Deficit)	6,070	8,541	2,471	

Capital Program				
Renewal/Replacement of Assets	67,936	67,936	0	0.00%
New and Upgraded Assets	39,119	39,119	0	0.00%
Total Gross Capital Program	107,055	107,055	0	

Borrowings	94,834	57,241	37,593	39.6%
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Key Financial Indicator (KFI's)	Target	2025/26
Operating Surplus Ratio	0%-20%	3.4%
Net Financial Liabilities	Less than 80%	48%
Asset Sustainability Ratio	90%-110%	93.50%
Asset Test Ratio	Maximum 50%	19%
Interest Expense Ratio	Maximum 10%	1.95%
Leverage Test Ratio	Maximum 1.5 years	0.38 years
Cash Flow from Operations Ratio	Greater than 100%	98%
Borrowings	Within Prudential Limits	37%

Next Steps

Timeline and process



The proposed timelines seek to manage the process in an efficient and transparent manner.

After this session:

- Administration will continue to refine its operating budget and review budget bids, to develop the Draft 2025/26 BP&B.
- An update on the development of the 2025/26 BP&B will be presented to ARC on 11 April 2025.

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3 Dec	Introduction and process for building the 2025/26 BP&B – parameters and priorities (as per LTFP and Strat Plan)	✓
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PRE-READING

Priorities | LTFP key financial assumptions | Types of revenue levers



What we heard – Priorities

Council is required to set Annual Priorities each financial year as per the *Local Government Act 1999*. Priority setting is an important part of Council sharing its leadership approach and vision, to drive outcomes for the city. These priorities are derived directly from the 70 Key Actions of Councils 2024-2028 Strategic Plan.

At the workshop on 3 December 2024, Council Members raised the following priorities and considerations in developing the BP&B 2025/26...

WHAT WE HEARD

BUILDING THE BP&B

Budgets

- LTFP (staying the course)
- Rates (alternate streams, rate exemptions and rebates, rate increases)
- Fee Structure
- Subsidiaries and consideration for a budget allocation

Partnerships

- Funding Opportunities Federal / State Government
- Lobbying Strategies
- Funding for key capital projects (Weir, Adelaide Bridge, Main Streets etc)

PRIORITIES FOR THE BP&B

Alignment to the delivery of the Strategic Plan 2024-28 and ensuring we are planning the delivery of Strategies and Plans:

- City Plan
- Disability Access and Inclusion Plan 2024/28
- Economic Development Strategy 2024/28
- Homelessness Strategy – Everyone’s Business
- Housing Strategy – investing in our Housing Future
- Integrate Climate Strategy
- Integrated Transport Strategy

Annual Priorities

The following priorities were discussed with Council Members on 11 February 2025, to adopt as part of 2025/26 BP&B:



Aspiration	Key Strategic Plan Action to prioritise for 2025/26	Supporting Strategies
Our Community	Support increased residential growth and housing affordability through partnerships and advocacy	Housing Strategy – investing in our Housing Future, Homelessness Strategy – Everyone’s Business, Economic Development Strategy, City Plan
	Celebrate and elevate our community culture and the profiles of multicultural communities and create welcoming programs and services	Disability Access and Inclusion Plan 2024/28, Cultural Policy (<i>in development</i>)
Our Environment	Make public electric vehicle charging infrastructure available for all users, including micro-mobility, catalysing the uptake of electric vehicles in Adelaide and improving Council and community performance on transport emissions	Integrated Climate Strategy, Integrated Transport Strategy (<i>in development</i>), Economic Development Strategy
	Work with partners to create innovative ways to create or convert underutilised areas to green space	Integrated Climate Strategy, Adelaide Park Lands Management Strategy
Our Economy	Reinforce the position of Adelaide as the State’s central business district and amplify Adelaide’s reputation as a place to learn, work and start a business	Economic Development Strategy, Integrated Climate Strategy, AEDA Strategic Plan
	Provide services and information that contribute towards a high productivity economy	Economic Development Strategy, AEDA Strategic Plan
Our Places	Work with partners to increase active and diverse transport measures to ensure drivers, cyclists and pedestrians can safely and easily move within the city with a goal to minimise road incidents and decrease fatalities	Integrated Transport Strategy (<i>in development</i>)
	Encourage repurposing, adaptive reuse and improvement of buildings and facilities	Housing Strategy – investing in our Housing Future, Economic Development Strategy, City Plan
Our Corporation	Create, maintain and integrate plans and policies that reflect and guide decision making and support our city and our community to thrive	<i>All Strategies and Plans will be supported</i>
	Attract and retain people with skills and behaviours which align with our organisational objectives and values	<i>All Strategies and Plans will be supported</i>

Key Financial Assumptions – 2033/34 LTFP



To guide financial strategy and future-decision making and ensure long term financial sustainability, Council endorsed a set of Financial Principles, which include:

- Transparency in decision making
- Approach to rates, fees and charges is fair and equitable with fees and charges reflecting cost of services provided
- Service delivery reflects the needs of the community
- Continue to deliver a minimum of the current suite of services and asset maintenance, indexed in line with Consumer Price Index (CPI)
- Maintain the current rating system and 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 which require matched funding
- 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 or other revenues, and/or through savings – not from borrowings
- Capital renewal expenditure will be based on asset management plans and prioritised based on audit condition and risk
- Proceeds from divesting under-performing assets will provision a future fund, to invest in future revenue-generating assets

Key Financial Assumptions – 2033/34 LTFP cont...

To guide financial strategy and future decision-making to ensure long term financial sustainability, Council endorsed a set of Financial Principles, which include:

- Consider the disposal, purchase and/or re purposing 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 will not used to fund operations, expenses or renewal projects
- Short-term borrowings will be used to fund the Asset Renewal Repair Fund, to ensure the increased spending required through the revised Asset Management Plans can be spread over a longer period to meet community expectation, and their capacity to pay is managed over time through sustainable rate increases
- Generate a cash-flow from operations ratio greater than 100% to generate adequate cash from operations to replace assets over time and to service new debt associated with new and upgraded assets by being able to repay the principal and interest associated with those borrowings

A council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.



Revenue Levers & Level of influence

- Full discretion on all levers in the long term
- Renewal Program based on evidence and revised AMPs
- Some services difficult to get financial improvement quickly
- Upgraded Assets can, subject to need, be deferred
- Borrowings result from decisions relating to New Capital spend

	Expenditure (cash outflows)	Funding (cash inflows)
Limited discretion In the short term	Renewal program	Grants and sponsorship
Some discretion in the short term	Business activities / services Upgraded assets Maintenance activities	Borrowings
Full discretion in the short term	Strategic projects New assets Major projects	Rates Fees and user charges Strategic Property activities