

2025/26 Business Plan & Budget - Budget Update

Tuesday, 15 April 2025

City Finance and Governance Committee

Strategic Alignment - Our Corporation

Program Contact:

Rebecca Hayes, Associate Director Governance & Strategy

Public

Approving Officer:

Anthony Spartalis, Chief Operating Officer

EXECUTIVE SUMMARY

Committee endorsement is sought on a final list of key budget inclusions (summarised in Attachment A), reflecting the changes sought by Council Members from discussions in 2025/26 Business Plan and Budget (BP&B) presentations, workshops and CEO Briefings held to date.

It includes strategic project inclusions related to AEDA, and brings the proposed 2025/26 budget allocation to AEDA to 7% of total rates revenue.

Council endorsement is also sought for the attached budget (outlined in Attachment B - the 'Our Programs and Projects' chapter) for inclusion in the draft 2025/26 BP&B for public consultation to be presented to City Finance and Governance Committee on 22 April 2025. It includes:

- Operating budgets (inclusive of service changes)
- Strategic Projects
- New and Upgrade Capital Projects
- Renewal Program.

This report and attachments reflect Council Member input to date, and delivers a balanced budget including a \$8.541m operating surplus. This operating surplus enables funding of Council's commitment of 1.5% rates revenue for upgrade of community buildings in the Park Lands, service borrowings for agreed capital projects, and accounts for future service and maintenance necessitated by growth from new developments.

RECOMMENDATION

The following recommendation will be presented to Council on 22 April 2024 for consideration

THAT THE CITY FINANCE AND GOVERNANCE COMMITTEE RECOMMENDS TO COUNCIL

THAT COUNCIL

1. Endorses the final list of Strategic Projects, Capital Projects (including Renewals), Service changes and operational savings/opportunities for inclusion in the Draft 2025/26 Business Plan and Budget for the purpose of public consultation, as outlined in Attachment A, to Item 7.3 on the Agenda for the meeting of the City Finance and Governance Committee held on 15 April 2025.
 2. Endorses the final operating budgets (inclusive of service changes) for inclusion in the Draft 2025/26 Business Plan and Budget for the purpose of public consultation, as outlined within the 'Our Programs and Projects' in Attachment B, to Item 7.3 on the Agenda for the meeting of the City Finance and Governance Committee held on 15 April 2025.
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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 2025/26 BP&B has been prepared in accordance with Council's current Long Term Financial Plan (LTFP) assumptions and endorsed Financial Policies.
Consultation	Not as a result of this report
Resource	The Draft 2025/26 BP&B identifies how Council's resources will be allocated in meeting the 2025/26 deliverables and objectives of the Strategic Plan and other related plans and strategies.
Risk / Legal / Legislative	Council's Draft 2025/26 BP&B is developed in accordance with section 123 of the Local Government Act 1999 (SA) (the Act), and sections 6 and 7 of the Local Government (Financial Management) Regulations 2011 (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.
25/26 Budget Allocation	Not as a result of this report
Proposed 25/26 Budget Allocation	The Draft 2025/26 BP&B provides the proposed budget for 2025/26 financial year.
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
25/26 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

1. Council's 2025/26 Draft Business Plan & Budget (BP&B) is guided by Council's Strategic Plan 2024-2028, Long Term Financial Plan and Asset Management Plans (AMPs), other adopted strategies and plans, community feedback, interactions with partners, and Council decisions.
2. The purpose of the BP&B is to demonstrate responsible management of public funds to support community outcomes and represents Council's commitment to the community through annual priorities and proposed deliverables for the year. It also demonstrates how we align these to our services, strategies and action plans and articulates the challenges and opportunities of the current environment.
3. Several workshops have been held with Council Members to discuss the following:
 - 3.1. Introduction to building a BP&B including the underpinning parameters and 2025/26 priorities as per the Strategic Plan.
 - 3.2. Base position based on the Long Term Financial Plan and subsidiary allocations.
 - 3.3. Assumptions in developing the 2025/26 budget and revenue levers.
 - 3.4. Review of the operating budget, including service changes and budget levers.
 - 3.5. Review of strategic projects.
 - 3.6. Review of the capital budget encompassing new and upgrade projects, and the renewal program.
4. Council will receive a presentation on the Adelaide Economic Agency (AEDA) 2025/26 budget, and a report on the proposed schedule of fees and charges, on 15 April 2025.
5. The principles and assumptions underpinning the development of the 2025/26 BP&B include:
 - 5.1. Approach to rates, fees and charges is fair and equitable with fees and charges reflecting cost of services provided.
 - 5.2. Continue to deliver a minimum of the current suite of services and asset maintenance, indexed in line with Consumer Price Index (CPI).
 - 5.3. Maintain the current rating system and operating surplus
 - 5.4. 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.
 - 5.5. 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.
 - 5.6. 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.
 - 5.7. Capital renewal expenditure will be based on asset management plans and prioritised based on audit condition and risk.
 - 5.8. Borrowings will be used to fund new and upgrade projects (which include major projects) and will not be used to fund operations, expenses or renewal projects.
 - 5.9. 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.
 - 5.10. Capital enhancements (new and upgrade) in line with Council decisions to fund Central Market Arcade redevelopment, mainstreets revitalisations, upgrades to park lands buildings, in addition to other items on the final list of New and Upgrade projects.
 - 5.11. 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.
 - 5.12. Adjust rate revenue after consideration of all other budget components and use growth in rate revenue to partly fund servicing new rateable properties, fund endorsed strategies of Council and to service new borrowings.
6. The financial assumptions underpinning the development of the 2025/26 BP&B include:

- 6.1. Inflation forecasts (CPI) of 3.0%
- 6.2. Revenue increases linked to CPI (Rates and Fees and Charges)
- 6.3. General Rates Revenue average increase of 5.6% driven by inflation of 3.0%, Asset Renewal Repair Fund of 2.2% and an increase to the Asset Renewal Funding Ratio of 0.4%
- 6.4. Rates growth of 1.4% (from new properties)
- 6.5. Interest Rates for new borrowings are currently forecast at 5.35% based on the current Local Government Finance Authority (LGFA) rate
- 6.6. Depreciation impacts from asset valuations performed in the 2023/24 year and the 2025/26 Capital Program
- 6.7. Cost pressures in Materials and Consumables (insurance etc) that have increased in 2024/25 at a greater percentage than CPI have been incorporated
- 6.8. Parking Fees and Charges have increased above CPI reflecting current market conditions and occupancy
- 6.9. Net Strategic Project allocation of \$6.323m (reduced from \$6.694m originally assumed within base budget).
7. Feedback heard throughout the 2025/26 BP&B process has shown a desire to provide an allocation to AEDA, based on a percentage of rate revenue. This allocation will support the operating costs of the subsidiary and will fund Strategic Projects that support the delivery of the City of Adelaide's Economic Development Strategy and the Adelaide Economic Development Agency's Strategic Plan. The proposed draft budget includes a 7% allocation.
8. Administration planning and discussions with Council Members in the workshops mentioned above have highlighted projects, service changes, savings and opportunities for inclusion in the 2025/26 BP&B – summarised below and in **Attachment A**:
 - 8.1. An allocation to AEDA of 7.0% of rates revenue (excluding the Rundle Mall Levy) (\$9.964m)
 - 8.2. Strategic Projects – 27 projects totalling \$6.322m (net), revised down from \$6.694m through the reduction in the World Heritage Bid listing \$0.035m and Positive Aging Program Pilot \$0.050m, removal of the Climate Risk Assessment \$0.075m, and Adelaide City Connector Bus Promotion \$0.050m. The AEDA Strategic Project allocation is \$0.525m, which is incorporated in the 7.0% (from \$637k, and with \$112k re-allocated to operating budget).
 - 8.3. Service Changes – 3 permanent changes totalling \$0.317m (net), revised down from \$0.670m through the removal of Conversion of the videographer \$0.065m, Noise Monitoring & Compliance \$0.040m, and Resource Recovery Education officer \$0.248m
 - 8.4. Savings/Opportunities – 22 Savings/Opportunities totalling \$0.654m (net), revised down from \$1.067m to maintain the History Festival Sponsorship funding of (\$0.032m), reinstate Winter Weekends activation (\$0.093m) to be delivered by AEDA, revise the Community Grant Funding program of (\$0.103m), reflect an increase to AEDA funding allocation of (\$0.207m), offset by additional operating savings of \$0.022m within City Operations
 - 8.5. Capital Renewal – Totalling \$67.937m, targeting a 93.5% Asset Renewal Funding Ratio
 - 8.6. Capital New and Upgrade Projects - 38 projects totalling \$39.179m expenditure, revised to include the Flinders Street Pedestrian Crossing of \$0.120m

Operating Position	\$'000s
Base Operating Position	7,582
Proposed changes to Strategic Projects	372
Proposed Capital Projects impact on Operating Position	250
Proposed Service Changes	(317)
Total proposed adjustments for consideration	305
Proposed Identified Savings / Opportunities	654
Revised Operating Position	8,541
Targeted Position	8,541
Shortfall	-

9. Base budgets, lists of projects, service changes, savings and opportunities reflect the discussions with Council Members in the workshops mentioned above. The revised position is presented in the 'Our Programs and Projects' chapter of the BP&B, in **Attachment B**.
10. Financial implications of projects, service changes and identified savings/opportunities are summarised below:
- 10.1. Draft Financial Summary

(\$'000s)	Revised 2025/26 Base
Income	
Rates Revenue	154,908
Fees and Charges	88,118
Grants, Subsidies and Contributions	5,206
Other Income	1,047
Total Income	249,279
Expenses	
Employee Costs	90,672
Materials, Contracts & Other Expenses	78,511
Sponsorships, Contributions and Donations	6,332
Depreciation, Amortisation & Impairment	64,506
Finance Costs	717
Total Expenses	240,738
Operating Surplus / (Deficit)	8,541
Capital Program	
Capital Expenditure on Renewal & Replacement of Existing Assets	67,937
Capital Expenditure on New and Upgraded Assets	39,179
Total Capital Expenditure	107,116
Amounts received specifically for New and Upgraded Assets	8,018
Net Capital Expenditure	99,098
Borrowings	49,329

10.2. The table above provides a Financial Summary of the proposed 2025/26 Budget as follows:

- 10.2.1. Targeted Operating Surplus of \$8.541m to fund the Upgrade to Community Buildings in the Park Lands, service new borrowings, and account for growth from new developments to service increase in maintenance in future years
- 10.2.2. Capital Expenditure on Renewal and Replacement of Existing Assets of \$67.937m, based on Asset Management Plans, representing a 93.5% Asset Renewal Funding Ratio.

10.2.3. Capital Expenditure on New and Upgraded Assets of \$39.179m

10.2.4. Confirmed external grant funding attributed to New and Upgraded Assets of \$8.018m

10.2.5. Forecast borrowings of \$49.329m as at 30 June 2026, which equates to 31% of our Prudential Borrowing Limit

ATTACHMENTS

Attachment A – Final list of Strategic Projects, Capital Projects (including Renewals), Service changes and operational savings/opportunities

Attachment B - Draft 2025/26 Program Plans and Capital Projects (Our Programs and Projects)

- END OF REPORT -