



JUNE 2025

# Independent Desktop Review

## City of Adelaide

## **1. EXECUTIVE SUMMARY**

An independent desktop review was conducted to assess claims that the City of Adelaide (CoA) faces a financial crisis, a \$97.1 million budget shortfall, long-term underfunding of assets, and the need for a 27.8% rate increase. The review was based on Council documents, financial plans, asset management plans, and staff input.

### **Budget Shortfall**

Funding assumptions for two major capital projects: Adelaide Bridge and Torrens Weir include \$41.7 million in external funding which currently remains unsecured. These are currently treated as holding positions in the Long-Term Financial Plan (LTFP), not as an immediate budget shortfall. Council has also chosen to change the renewal of the Rundle UPark from the cost of a full replacement of \$60 million to an extension of the assets useful life costing \$15 million.

### **Asset Management Funding**

Historically, CoA underfunded renewals, with an Asset Renewal Funding Ratio (ARFR) averaging 75.8% over 10 years. Revised Asset Management Plans now forecast higher renewal needs, and the current LTFP projects ARFR gradually increasing to 100% by 2031/32. Renewal programs are actively managed based on asset condition and risk.

### **Rate Revenue**

The adopted 2025/26 Draft Business Plan includes a general rate revenue increase of 6.9%, aligning with financial plan projections. Claims of a required 27.8% increase are not substantiated by current budgets or financial policy, which remain focused on maintaining intergenerational equity.

### **Financial Crisis Status**

CoA is not in a financial crisis. Key financial indicators remain within target ranges, and debt levels are considered prudent and sustainable. However, ongoing financial risks relating to project cost estimates, grant reliance, and debt exposure require continued monitoring and risk management.

## 2. BACKGROUND

This report provides the outcomes of the independent review of relevant documents to fulfill the requirements of a Council decision passed by the City of Adelaide Council (CoA) at its meeting held on 27 May 2026

*Noting that the Draft 2025/26 Business Plan and Budget which proposes:*

- *an Operating Surplus of \$8.541m*
- *a Capital Works Program of \$107.116m*
- *an Asset Renewal Funding Ratio of 93.5%*
- *a Net Financial Liabilities Ratio of 34%*

*seeks an independent desktop review of claims made that the City of Adelaide faces a financial crisis, a budget shortfall of \$97.1 million, long-term underfunding of Asset Management Plans, and the need for rate revenue to rise by 27.8%.*

The report addresses each of the following claims, namely that the City of Adelaide allegedly faces

- 1) a financial crisis;
- 2) a budget shortfall of \$97.1 million;
- 3) long-term underfunding of Asset Management Plans; and
- 4) the need for rate revenue to rise by 27.8%.

To undertake the review, the following documents were examined.

- Council minutes and agendas
- Draft 2025/26 Business Plan and Budget
- 2024/25 Business Plan and Budget
- Audit and Risk Committee minutes and agendas
- Essential Services Commission of South Australia (ESCOSA) report including Council submitted data returns
- CoA Long Term Financial Plan (LTFP)
- CoA Asset Management Plans (AMP)
- Councillor websites
- Discussions with staff

The review was conducted by Michele Bennetts (CPA). Michele is the managing director of LGiQ Pty Ltd, an accounting firm specialising in providing financial management support to local governments in South Australia, the Northern Territory, and Tasmania. Michele has over 35 years of experience in local government, including senior management positions in councils, the Local Government Association of South Australia, and more recently, in consulting. Currently, she serves as the chair of the Audit and Risk committees for the District Council of Mount Barker, the City of

Walkerville, and the District Council of Ceduna. She is also a member of the Audit and Risk Committees for the Victor Harbor City Council and Wakefield Regional Council.

### 3. DOES THE CITY OF ADELAIDE COUNCIL FACE A BUDGET SHORTFALL OF \$97.1 MILLION

Councillor Henry Davis, in his letter to ratepayers<sup>1</sup> purports that three capital renewal projects—the Torrens Weir, Adelaide Bridge and Rundle UPark are unfunded to the value of \$97.1 million.

The CoA in its LTFP, adopted in October 2024, listed each of these projects under the section “Significant Renewals”<sup>2</sup>

Significant Renewals \$'000s	Financial Year	Un-indexed	Indexed	External Funding
Adelaide Bridge	2027/28 - 2028/29	60,000	65,550	(15,000)
Torrens Weir Structure	2028/29 - 2029/30	40,000	44,700	(26,666)
Rundle UPark	2029/30 - 2030/31	15,000	17,138	-

The information in the Councillor’s letter does not provide adequate detail to determine the components of the \$97.1 million.

The total of unsecured external funding of \$41.6 million and the reduction of internal funding for the Rundle UPark of \$45 million from \$60.0 million to \$15.0 million equals \$86.6 million. These items are explained in the section below.

#### 3.1. Inclusion of unsecured external funding in the LTFP

At the time of adoption of the Long-Term Financial Plan (LTFP), external funding for the renewal of the Adelaide Bridge and Torrens Weir, with a combined estimated cost of \$41.7 million, remained unsecured. Accordingly, financial projections for both projects were presented as *holding positions*<sup>3</sup> within the plan.

Subsequent clarification provided by staff confirmed that the holding position for the Adelaide Bridge reflected the ongoing pursuit of funding through continued advocacy with other tiers of government. In respect of the Torrens Weir, the holding position recognised that the technical scope of the proposed renewal had yet to be fully defined, with several upgrade options under assessment. Each option carries varying financial

---

<sup>1</sup> Henry Lloyd Davis, Budget 2025\_City Budget Briefing\_What the Numbers Really Say.pdf, <https://www.henryldavis.com/post/what-you-need-to-know-about-the-25-26-budget>, accessed 8 June 2025

<sup>2</sup> City of Adelaide, Long Term Financial Plan 2024-25 to 2033-2034, <https://ouradelaide.sa.gov.au/draft-long-term-financial-plan>, accessed 8 June 2025

<sup>3</sup> City of Adelaide, Long Term Financial Plan 2024-25 to 2033-2034, <https://ouradelaide.sa.gov.au/draft-long-term-financial-plan>, accessed 8 June 2025, P.14

implications, including the potential requirement for differing levels of additional borrowings.

Should Council not secure the required external funding, there would be a funding gap of \$41.6 million in the delivery of its LTFP (long-term planning), for which it would be required to find other asset management options or other funding options (including, but not limited to, debt or the sale of assets).

### **3.2. Non-inclusion of AMP renewal expenditure in the LTFP**

The CoA Building AMP reports a non-indexed cost of \$60 million to replace the Rundle UPark building, however, stating that council will carry out a strategic review to “determine whether Council retains the asset, redevelop the asset or dispose/sell the asset”.<sup>4</sup> The LTFP provides for a renewal cost of \$15 million to extend its useful life on the basis that “A structural condition audit will determine risks, timing and associated costs with extending the useful life of the building”<sup>5</sup>.

The Local Government Act 1999 (LG Act) specifies that

*The financial projections in a long-term financial plan adopted by a council must be consistent with those in the infrastructure and asset management plan adopted by the council.*<sup>6</sup>

Many councils take the approach that the AMP details the best prediction of when assets should be replaced. The LTFP is then prepared, using those predictions and then altered based on the council’s financial ability to fund it. However, as per the LG Act, both documents should contain the same financial projections. This is based on the principle that any changes, including which assets are renewed, how they are renewed, and when they are renewed, constitute a change in the council's management of those assets and need to be reflected in its AMPs.

While this could be viewed as a procedural concern only due to the timing of updating AMPs, CoA is currently not fully compliant with the LG Act. To ensure the alignment of LTFP and AMPs (per requirements of the LG Act), the Building AMP should be updated to reflect the assumptions of the LTFP

---

<sup>4</sup> City of Adelaide, Buildings Asset Management Plan, <https://d31atr86jnqrq2.cloudfront.net/docs/plan-asset-management-building.pdf>, accessed 8 June 2025, P.37

<sup>5</sup> City of Adelaide, Long Term Financial Plan 2024-25 to 2033-2034, <https://ouradelaide.sa.gov.au/draft-long-term-financial-plan>, accessed 8 June 2025, P.14

<sup>6</sup> Local Government Act 1999, Section 122 (1b), [https://www.legislation.sa.gov.au/\\_/legislation/lz/c/a/local%20government%20act%201999/current/1999.62.auth.pdf](https://www.legislation.sa.gov.au/_/legislation/lz/c/a/local%20government%20act%201999/current/1999.62.auth.pdf)

As Council has decided to extend the useful life of the asset rather than replace (or there is a higher probability that it will do so than not), that decision should be reflected within its Building AMP.

#### **4. DOES THE CITY OF ADELAIDE COUNCIL FACE A LONG-TERM UNDERFUNDING OF ASSET MANAGEMENT PLANS**

For the period 2013/14 to 2022/23, the CoA underfunded the renewal and replacement of its infrastructure assets, with an average Asset Renewal Funding Ratio (ARFR) of 75.8%. This equates to over \$100 million over the ten-year period. As highlighted by ESCOSA

*...the underspend on asset renewals relative to its Asset Management Plans was created during a period in which construction costs were generally lower, and logistics were generally easier, than is now the case. As a result, the impact of the underspend is having to be addressed at a time of general construction cost escalation, with longer lead times, and in circumstances where the Council is also needing to undertake three significant asset renewal projects: the Adelaide Bridge (on King William Road near the Festival Centre), the Torrens Weir and the Rundle Street carpark.<sup>7</sup>*

To address this issue, the Council has since updated its AMPs, adopting six (6) new plans covering Transport, Buildings, Parklands and Open Space, Lighting and Electrical Infrastructure, Water Infrastructure and Urban Elements. The outcome from these plans requires an average annual increase of \$14.9 million compared to the previous AMPs.<sup>8</sup>

Council's previous LTFP for the period 2023/24 to 2032/2033 planned to transition from an ARFR of 90% to 100% in four (4) years based upon the spending required in the previous AMPs.

The current adopted LTFP for the period 2024/25 to 2033/34 has adjusted this plan, transitioning from 92.5% to 100% over eight (8) years based upon the increased spending as outlined in the current AMPs. The result is an average ARFR of 97.85% over the life of the plan, reaching 100% in the 2031/32 financial year.

In total approximately \$27 million will not be funded as detailed within the AMPs over the life of the LTFP.

---

<sup>7</sup> ESCOSA Local Government Advice The Corporation of the City of Adelaide, February 2025, <https://www.escosa.sa.gov.au/ArticleDocuments/21863/20250228-LocalGovernmentAdvice2024-25-CityOfAdelaide.pdf.aspx?Embed=Y>, accessed 9 June 2025, P.2

<sup>8</sup> City of Adelaide, Long Term Financial Plan 2024-25 to 2033-2034, <https://ouradelaide.sa.gov.au/draft-long-term-financial-plan>, accessed 8 June 2025, P.8

Staff provided comment regarding this and stated that to mitigate any adverse impacts from this, Council is managing the renewal program on an annual basis, prioritising assets based on risk. This approach ensures assets that require renewal are renewed whilst ‘sweating’ others that can be deferred (e.g. condition assessment suggests this asset can be deferred) without significant community or deferred financial impacts. This has been communicated to Councillors within workshops.

As recommended in Section 2 of this report, the Council should reflect the adjusted asset management within the AMPs, in particular addressing any backlog that may arise.

## 5. DOES THE CITY OF ADELAIDE COUNCIL FACE THE NEED FOR RATE REVENUE TO RISE BY 27.8%

The CoA Draft Annual Business Plan 2025/26 incorporates a general rate revenue increase of 6.9%, which results in an average rate increase of 5.5%<sup>9</sup>. This increase is based on the following components.

General Rate Revenue Component	%
CPI	3.0
To fund Asset Renewal Repair Fund	2.2
To fund Asset Renewal Funding Ratio	0.4
Rate Revenue Increase (Existing Properties)	5.6
Growth (new assessments)	1.3
General Rate Revenue Increase	6.9

Over the period of the Council LTFP, the following rate increases have been included.

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
CPI	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
To fund Asset Renewal Repair Fund	2.2%	2.0%	2.0%	2.0%	-	-	-	-	-
To fund Asset Renewal Funding Ratio	0.4%	0.5%	0.5%	0.4%	0.4%	0.4%	0.6%	-	-
Rate Revenue Increase (Existing Properties)	5.6%	5.0%	5.0%	4.9%	2.9%	2.9%	3.1%	2.5%	2.5%
Growth (new assessments)	1.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
General Rate Revenue Increase	6.9%	6.0%	6.0%	5.9%	3.9%	3.9%	4.1%	3.5%	3.5%

<sup>9</sup> City of Adelaide Draft 2025/26 Business Plan and Budget, [https://hdp-au-prod-app-adl-ouradelaide-files.s3.ap-southeast-2.amazonaws.com/7317/4675/6837/Draft2025-26BPB\\_FINALFORWEBcompressed.pdf](https://hdp-au-prod-app-adl-ouradelaide-files.s3.ap-southeast-2.amazonaws.com/7317/4675/6837/Draft2025-26BPB_FINALFORWEBcompressed.pdf), accessed 8 June 2025, P.72

A council should set its rate revenue at an amount that achieves a small operating surplus over the long term. This, of course, follows a robust budgeting process that should include setting affordable service levels, estimating cost increases, finding efficiency savings and generating non-rate income.

The Local Government Association of SA recommends a target Operating Surplus Ratio of between 0% and 10%<sup>10</sup>. This ensures intergenerational equity by the current generation of ratepayers and consumers paying for the services they benefit from. In CoA's situation, however, the additional imposition on ratepayers to fund the Asset Renewal Repair Fund and improve the Asset Renewal Funding Ratio moves away from intergenerational equity by charging them for service levels received by previous ratepayers. Unfortunately, councils across South Australia are having to implement such budget repair mechanisms due to previous councils' unwillingness to address budget issues, as well as inadequate cash accounting practices prior to the introduction of accrual accounting in local government.

Applying these rate increases, the CoA will achieve the following underlying surpluses, which are adjusted for capital revenues received for asset replacement.

'000	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Surplus/ (Deficit)	9,367	6,070	13,181	23,450	36,573	29,318	13,793	15,291	14,681	15,277
Less: Operating Capital Revenues	-	-	-	7,500	20,833	13,333	-	-	-	-
Underlying Surplus/ (Deficit)	9,367	6,070	13,181	15,950	15,740	15,985	13,793	15,291	14,681	15,277
Underlying Surplus/(Deficit) Ratio	4.00%	2.5%	5.0%	5.8%	5.6%	5.5%	4.6%	5.0%	4.7%	4.7%

Councillor Henry Davis details in his letter to ratepayers that the current budget spending requires a rate increase of 27.8% on the basis that the following is required.

- *\$8.6 million (4.91%) to cover the renewals shortfall (capital asset maintenance)*
- *\$4.0 million (2.28%) to plug the operating deficit*
- *\$16.2 million (9.26%) to begin paying down debt with an assumption of 0 debt in 2033-34*
- *Rate revenue increase of 6.9% this year.<sup>11</sup>*

The report addresses each of these items in the section below.

<sup>10</sup> lga. south Australia, Financial Indicators – Financial Sustainability Information paper (FSIP) No.9, November 2024, [https://www.lga.sa.gov.au/\\_data/assets/pdf\\_file/0028/472438/09-Financial-Indicators.pdf](https://www.lga.sa.gov.au/_data/assets/pdf_file/0028/472438/09-Financial-Indicators.pdf), viewed 10 June 2025, P.8

<sup>11</sup> Henry Lloyd Davis, Budget 2025\_City Budget Briefing\_What the Numbers Really Say.pdf, <https://www.henryldavis.com/post/what-you-need-to-know-about-the-25-26-budget>, accessed 8 June 2025



### **5.1. \$8.6 million (4.91%) to cover the renewals shortfall (capital asset maintenance)**

It is unclear as to how this figure was determined. Section 2.2 addresses issues regarding changes to renewals in the LTFP compared to AMPs.

### **5.2. \$4.0 million (2.28%) to plug the operating deficit**

The draft 25/26 Business Plan and Budget does not contain an operating **deficit**, achieving instead an operating **surplus** of \$8.5 million <sup>12</sup>.

### **5.3. \$16.2 million (9.26%) to begin paying down debt with an assumption of 0 debt in 2033-34**

Given that the debt raised in the CoA's LTFP is intended to fund long-term infrastructure assets, the Council should not apply a rate increase to pay down debt in a materially shorter timeframe than the assets' useful life.

The use of debt provides a tool to create intergenerational equity. By charging ratepayers an amount that recovers depreciation (the utilisation of an asset's service potential) and finance charges, it spreads the cost of the asset over its total useful life. The cash raised through depreciation is then used to pay down debt. Any early repayment of debt, such as through an increase in rate revenue, moves away from intergenerational equity, requiring ratepayers to pay for their current services as well as future generations.

This principle can be applied to renewals and new assets. It is noted, however, that the CoA has adopted a strategy of funding renewals from operating revenue.

### **5.4. Rate revenue increase of 6.9% this year.**

This is consistent with the rate increase and expected growth component from new development detailed within the Council's LTFP and Draft 2025/26 Business Plan and Budget.

## **6. DOES THE CITY OF ADELAIDE COUNCIL FACE A FINANCIAL CRISIS**

The assumptions for the CoA LTFP 2024/25 to 2033/34 regarding the Council's financial situation result in the following financial indicator outcomes.

---

<sup>12</sup> City of Adelaide Draft 2025/26 Business Plan and Budget, [https://hdp-au-prod-app-adl-ouradelaide-files.s3.ap-southeast-2.amazonaws.com/7317/4675/6837/Draft2025-26BPB\\_FINALFORWEBcompressed.pdf](https://hdp-au-prod-app-adl-ouradelaide-files.s3.ap-southeast-2.amazonaws.com/7317/4675/6837/Draft2025-26BPB_FINALFORWEBcompressed.pdf), accessed 8 June 2025, P.77

Financial Indicator	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Operating Surplus Ratio	4.0%	2.5%	5.0%	8.3%	12.1%	9.7%	4.6%	5.0%	4.7%	4.7%
Underlying Surplus Ratio	4.00%	2.5%	5.0%	5.8%	5.6%	5.51%	4.6%	5.0%	4.7%	4.7%
Net Financial Liabilities Ratio	21%	48%	51%	61%	68%	74%	80%	79%	80%	80%
Asset Renewal Funding Ratio	93%	94%	95%	96%	97%	98%	99%	100%	100%	100%

All financial indicators sit within the recommended targets prescribed by the LGA in its Financial Indicators – Financial Sustainability Information paper.<sup>13</sup>

The CoA has an additional range of indicators, including the Prudential Limits (Borrowings) ratio. This ratio calculates borrowings as a percentage of 50% of total saleable property assets. The Council's endorsed target for this ratio is <100%. The table below details the amount by which the Council achieve this target ratio.

	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Borrowing as a % of the prudential borrowing limit	34%	58%	60%	77%	92%	98%	101%	99%	100%	100%

The current adopted LTFP proposes that the Council will incur borrowings slightly over the target range in 2030/31. It is noted, however, that the Council could fall further out of this target if grant funding for major renewal works is not received or replacement costs escalate once the Council has updated its valuations, including asset condition assessments.

Staff provided commentary regarding this matter, stating that there is currently unidentified and uncommitted new capital spend which could be used to manage debt levels within prudential limits if required.

Councils, as managers of high-value, long-lived infrastructure assets, typically have the ability to assume levels of debt higher than individuals or businesses even though historically they have not chosen to do so. For example, if an individual on an annual salary of \$300,000 had a net financial liabilities ratio of 80%, it would equate to a loan of \$240,000. Compared to most individuals, this would be viewed as a low level of debt. Councils also have a steady, guaranteed revenue through the collection of rate revenue, which individuals and businesses often do not have.

While the set of CoA financial ratios indicates it is not in a financial crisis, several risks could adversely affect these results, which were highlighted by ESCOSA, resulting in a

<sup>13</sup> lga. south Australia, Financial Indicators – Financial Sustainability Information paper (FSIP) No.9, November 2024, [https://www.lga.sa.gov.au/\\_\\_data/assets/pdf\\_file/0028/472438/09-Financial-Indicators.pdf](https://www.lga.sa.gov.au/__data/assets/pdf_file/0028/472438/09-Financial-Indicators.pdf), viewed 10 June 2025.

“potentially unsustainable” rating for projected financial performance<sup>14</sup>—and have been detailed by the CoA within its various financial plans.

*The three main risks the Council’s financial strategy faces are:*

- 1. Low to medium confidence levels in the cost estimates for critical capital projects.*
- 2. Reliance on unsecured grant financing.*
- 3. Increasing exposure to interest rate and financial structure risk, as debt levels increase.<sup>15</sup>*

To ensure CoA remains financially sustainable into the future, the Council must have adequate strategies to mitigate these risks.

A review of the CoA draft Strategic Risk Register dated February 2025<sup>16</sup>, as provided to the Council's Audit and Risk Committee, does include as its first risk “Financial Sustainability - Council financial settings are not sustainable in the long term”, highlighting that risks are being managed. This includes the following treatments:

- Determine future funding requirements for community assets such as Torrens Weir enhancement and replacement/strengthening of Adelaide Bridge
- Effective Procurement processes in awarding contracts and ensuring sufficient specifications documents are prepared prior to going out to the market.

These treatments address Risk 1; however, items 2 and 3 are not explicitly addressed. CoA should consider including all three (3) specific risks highlighted by ESCOSA and the strategies to mitigate them. Regular updates on the progress of these treatments should be provided to the Audit and Risk Committee and Council to ensure they are acted upon promptly.

---

<sup>14</sup> ESCOSA Local Government Advice The Corporation of the City of Adelaide, February 2025, <https://www.escosa.sa.gov.au/ArticleDocuments/21863/20250228-LocalGovernmentAdvice2024-25-CityOfAdelaide.pdf.aspx?Embed=Y> , accessed 9 June 2025.

<sup>15</sup> ESCOSA Local Government Advice The Corporation of the City of Adelaide, February 2025, <https://www.escosa.sa.gov.au/ArticleDocuments/21863/20250228-LocalGovernmentAdvice2024-25-CityOfAdelaide.pdf.aspx?Embed=Y> , accessed 9 June 2025, P.2

<sup>16</sup> City of Adelaide Draft Strategic Risk Register, 20 February 2025