Our Corporation

2026/27 Business Plan and Budget

Inflation assumption

7 April 2026

Anthony Spartalis, Chief Operating Officer

CITY OF ADELAIDE

Roadmap

Building the 2026/27 Business Plan and Budget

Date	Forum	Type	Topic	
2-Dec	Spec CFG	Workshop	Building the 2026/27 BP&B – Process, Priorities, Objectives and Involvement	✓
9-Dec	Spec CFG	Workshop	Base position (LTFP) and AEDA allocation	✓
6-Feb	ARC	Presentation	2026/27 BP&B – priorities, parameters, assumptions and current position	✓
7-Feb	CEO Briefing	Presentation	2026/27 Base Operating Budget	✓
21-Feb	CEO Briefing	Presentation	2026/27 Capital Budget	✓
12-Mar	CEO Briefing	Presentation	Main Street Revitalisation Projects – Update	✓
23-Mar	CEO Briefing	Presentation	AEDA Appropriation	✓
7-Apr	Special CFG	Workshop	Draft 2026/27 BP&B – Inflation assumption	
17-Apr	ARC	Presentation	Draft 2026/27 BP&B – Update	
21-Apr	CEO Briefing	Presentation	Delivery Options for Main Street Projects	
21-Apr 28-Apr	CFG Council	Report	Draft 2026/27 BP&B – Operating Budget	
21-Apr 28-Apr	CFG Council	Report	Delivery Options for Main Street Projects	
28-Apr 28-Apr	Spec CFG Council	Report	Draft 2026/27 BP&B for public consultation	
5-26 May	N/A	Public	Community consultation (22 Days)	
15-May	ARC	Report	Draft 2026/27 BP&B	
26-May	Council	Public	Public Hearing	
9-Jun	Council	Report	Consultation results	
16-Jun 23-Jun	CFG Council	Report	Final 2026/27 BP&B for endorsement	

Inflation assumption

Key Questions for this workshop

KEY QUESTION

What are Council Members' views on CPI forecasts?

KEY QUESTION

What are Council Members' views on incorporating a higher CPI rate into 2026/27 budget assumptions?

Current 2026/27 Base Budget Position

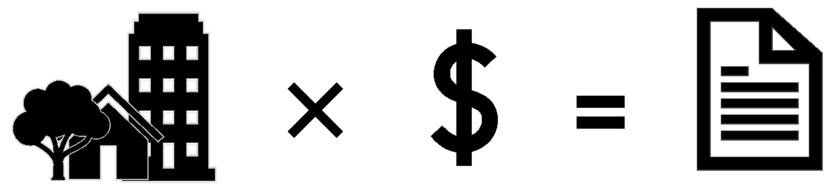
$'000s	Draft Base Budget
Income	
Rates Revenue	164,761
Fees and Charges	98,267
Grants, Subsidies and Contributions	4,717
Other Income	1,103
Total Income	**268,848**
Expenses	
Employee Costs	97,661
Materials, Contracts & Other Expenses	90,603
Sponsorships, Contributions and Donations	6,548
Depreciation, Amortisation & Impairment	65,582
Interest Cost on borrowings	734
Finance costs - ROU Assets	2,437
Total Expenses	**263,565**
Operating Surplus / (Deficit)	**5,283**

Key Assumptions:

- CPI indexation of **2.5%**
- General Rates Revenue increase of **5.1%**
  - CPI 2.5%
  - Asset Renewal Repair Fund 2.1%
  - Asset Renewal Funding Ratio 0.5%
- Growth from new developments of **1.5%**
- Fees & Charges increases linked to CPI
- 39 Strategic Projects funded to deliver on Council's adopted strategies, with a total net cost of $9.418 million
- Service changes embedded with a total net cost of $1.746 million
- Targeted Operating Position is achieved

Rates 2026/27 - Current Base Budget (2.5% CPI)

General Rates (Net of rebates)		
	$'000s	**% increase**
General Rates Revenue – 2025/26	148,400	
General Rates Increase (CPI)	3,710	2.50%
Asset Renewal Repair Fund (exc ARFR Increase)	3,110	2.10%
Asset Renewal Funding Ratio Increase	705	0.50%
General Rates Revenue for existing properties	**155,925**	**5.10%**
Rates Growth		
Growth – from new properties	2,226	1.50%
Total Rates Growth	**2,226**	**1.50%**
Total General Rates (including Growth)	**158,151**	**6.60%**
Other Levies	**2026-27**	
Regional Landscape Levy	1,928	
Rundle Mall Management Levy	4,232	
Total Other Levies	**6,160**	
Other	**2026-27**	
Fines and Interest on Overdue Rates	409	
Building Upgrade Finance	41	
Total Other	**450**	
Total Rates Revenue	**164,761**	



Annual Assessed Value × **Rate in the dollar** = **General Rates**

based on the property land use

as set by Council

excluding any levies

Proposed changes to assumptions – inflation and borrowings position

CPI Forecast

An assumption of 2.5% CPI for 2026/27 was based on the SACES Forecast used in Council's LTFP update from December 2025.

The current economic environment suggests this key assumption should be reviewed:

- December 2025 Adelaide Annual CPI increase (ABS) – **3.3%**
- January 2026 Adelaide Annual CPI Increase (ABS) – **3.5%**
- February 2026 Adelaide Annual CPI increase (ABS) – **3.4%**
- Banks predicting Australian 2025/26 CPI of **~5.0%**
- LGPI 2026/27 Forecast (SACES) – **3.4%**

Proposed Changes

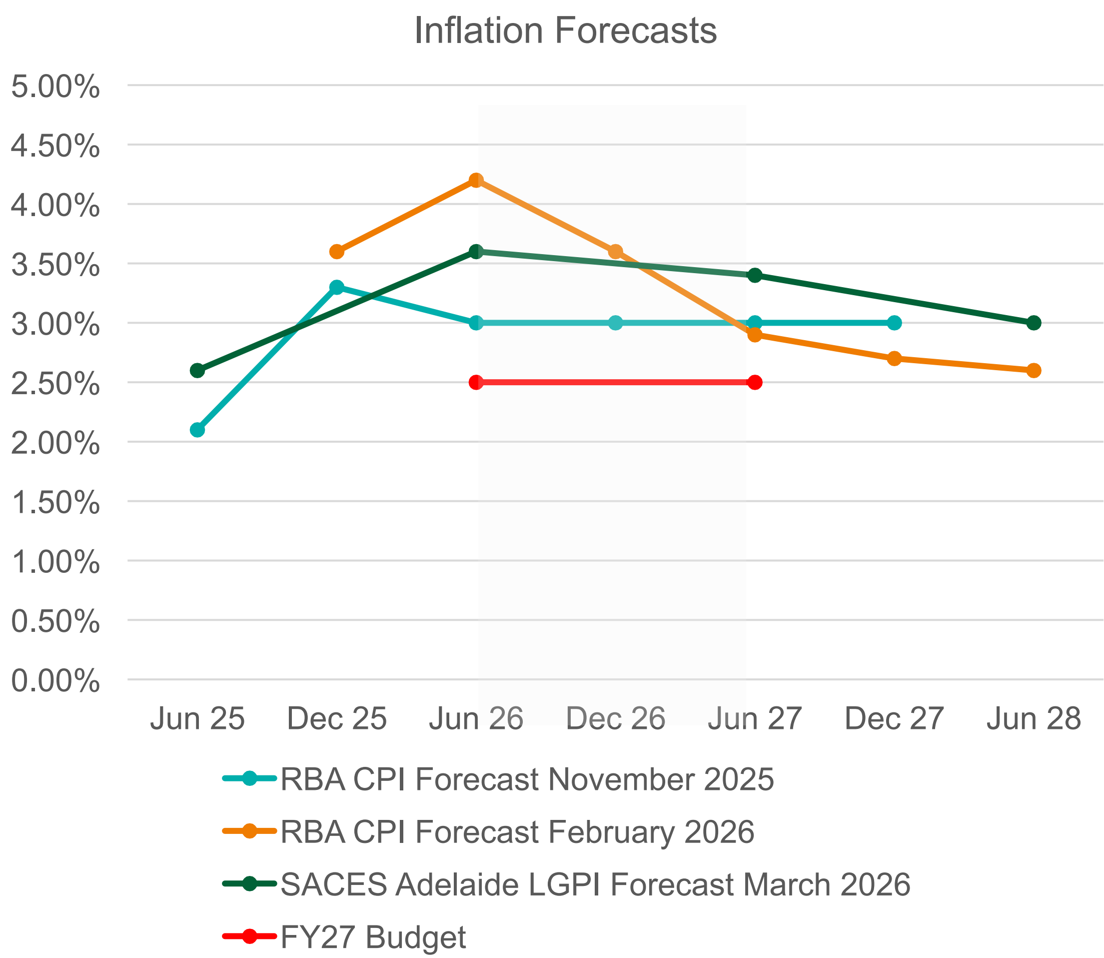
The following changes to Key Assumptions embedded in the current base budget are:

- Increase to inflation forecasts (CPI) from **2.5% to 3.5%** impacting:
  - Rates Revenue
  - Fees and Charges
  - Materials, Contracts & Other Expenses (where contracts link to CPI increases)
  - Depreciation (through an uplift in the valuation of our Assets)

- Current targeted operating position assumes borrowings serviced in line with the adopted LTFP. Current forecast indicates reduction in borrowings to 30 June 2026, resulting in a revision to the principal and interest requirement for 2026/27.

Challenges

Inflation



Bank Economists & Forecasts

- "Headline inflation could hit 5% for Q2, and could peak above 5% if oil prices persist" – NAB
- "The effect of higher oil prices on headline inflation is large" – Westpac
- "Oil shocks risk unmooring inflation expectations" - RBA

Current Economic Environment

Federal Government Response

- Introduced a *National Fuel Security Plan* which has four (4) levels. Australia is currently at Level 2, meaning supply continues but is under pressure. Government and industry are coordinating to maintain availability and redirect fuel where needed.
- Halved the fuel excise for three months, cutting petrol and diesel prices by 26.3 cents per litre.
- Further excise reduction (of 5.7c per litre) through a GST offset agreed with States and Territories.
- Reduced the heavy vehicle road user charge to zero for the same period to support freight and trucking.
- Amending the *Export Finance and Insurance Corporation Act* to allow underwriting of additional fuel cargoes.
- Temporarily reduced the Minimum Stockholding Obligation by 20%, releasing up to 762 million litres of diesel and petrol into the market.

Current Economic Environment

State Government Position

- SA Department of Energy and Mining advised the local government industry that there is currently a distribution issue rather than a supply issue, as ships continue to arrive with fuel supplies.
- Panic buying is driving high demand for fuel across the State.
- Fuel suppliers are prioritising long-term contract customers before supplying the spot market, which is affecting independent stations, distributors, and farmers.
- A weekly Monday roundtable has been established and is chaired by the Premier and Treasurer. These meetings focus on supply stability, pricing pressures, and business impacts.

Industry Response

- The Local Government Association (LGA) has secured a seat at the State Government's weekly Monday roundtable.
- LGA are working with the SA Government and advocating to minimise financial impacts to councils, protect service delivery, and reduce impacts on our communities.

Current Economic Environment

Impacts on Contractual and Non-Contractual Prices

The LGA has sourced and provided advice to the industry in relation to contractual and non-contractual pricing impacts:

- The industry is seeing an increase in requests for amended contract pricing and extensions of time – framed around increasing price of fuel.
- A range of legal, governance and commercial risk considerations apply for councils in considering these requests.
- To safeguard councils, contractor claims should first be assessed strictly in accordance with the contract terms.
- Claims without a contractual basis should be carefully considered within policy, legislative, and council decision-making frameworks.
- Decisions made on broader public interest grounds must still comply with financial management obligations.
- All considerations should include:
    - Impact on service delivery
    - Financial implications for ratepayers
    - Contractor viability; and
    - Reputational considerations including risk associated with setting precedents.

Current Economic Environment

City of Adelaide Operational Response

- Rationalising vehicle usage.
- Increased focus on car pooling when travelling to maintenance locations from the Depot.
- Rationalising equipment usage and assessing low visitation locations for reduced maintenance in the short term to reduce fuel usage.
- Purchased fuel to top up reserves at the Depot well ahead of recent price escalations.
- As a result we are positioned well to take advantage of reduced pricing through the Federal Governments halving of the fuel excise and removal of the Heavy Vehicle road user charge for the next three months, commenced 1 April 2026.
- Measures to be monitored and reviewed subject to changes in the global market and the war in the Middle East.

Current Economic Environment

Impact on the Draft 2026/27 Budget

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Contractual Impacts (driven by CPI)

- Budget allocations increased to align with the 3.5% CPI Increase.
  - *Contractual obligations with CPI indexation built into long-term service contracts automatically increases costs each year – no Council flexibility*

Non – Contractual Impacts (absorbing price rises)

- Budget allocations maintained based on the previously assumed 2.5% CPI.
  - *Programs to identify service delivery efficiencies to absorb a shortfall in non-contractual budget allocations.*
  - *Managing internal cost pressures helps the organisation reduce pressure for future rate increases.*

Non – Discretionary Cost Impacts (driven by CPI)

- Non-discretionary operating costs expected to rise e.g. utilities, insurance, statutory fees, and essential service charges.
  - *These costs are outside Council's control and must be fully funded to maintain service continuity, with budget allocations increased in line with the 3.5% CPI assumption.*
- Depreciation expense will increase
  - *Higher construction and material costs increase asset valuations and increase infrastructure replacement cost. Depreciation expense increases accordingly, adding another non-discretionary cost that must be recognised in full.*

Current Economic Environment

Impact on the Draft 2026/27 Budget – proposed inflation impacts

Fees and Charges:

- Where the Fees and Charges are linked to CPI or the cost of delivering the service, CPI has been escalated to 3.5% e.g. Nursery sales
- Where there is a current agreement in place, the Fees and Charges reflect that agreement e.g. Property Leases
- Where Fees and Charges are aligned to market conditions, they have been adjusted accordingly e.g. Parking

Operational Expenditure:

- Increased where there is a contract in place with annual CPI indexation e.g. Waste collection, & Security contract **(+ $0.334m)**
    - *Utilities have been increased by CPI e.g. Electricity & Fuel*
- Regional Landscape Levy has reduced to match the advised 2026/27 contribution **(- $0.142m)** offsetting the impact of the CPI increase
- Finance costs for Right of Use assets **(+ $0.025m)**
    - *Non-contractual expenditure held at the base budget funding levels e.g. Strategic projects, Legal Services, Advertising & Consumables (embedding $0.306m efficiency)*

Asset Valuations:

- Council has adopted an approach to apply a desktop revaluation to Asset Classes in between the formal 5-year comprehensive approach including condition of the assets. This approach indexes the current unit rates by CPI on an annual basis. A higher escalation rate would result in:
    - Increased depreciation cost **(+ $0.493m)**
    - Increased Asset Renewal Program and the Asset Management Plans spend

Proposed Base Budget Position – 5.6% Rates Increase (3.5% CPI escalation)

$'000s	Current Draft Base Budget	Changes			Proposed Draft	Targeted Operating Position	Available Funding
		CPI	2026 Election	Servicing Debt			
Income							
Rates Revenues	164,761	865			165,626		
Fees and Charges	98,267	67			98,334		
Grants, Subsidies and Contributions	4,717	0			4,717		
Other Income	1,103	1			1,104		
Total Income	**268,848**	**933**	**-**	**-**	**269,781**		
Expenses							
Employee Costs	97,661				97,661		
Materials, Contracts & Other Expenses	90,603	192	640		91,435		
Sponsorships, Contributions and Donations	6,548				6,548		
Depreciation, Amortisation & Impairment	65,582	493			66,075		
Interest Cost on borrowings	734			(417)	317		
Finance costs - ROU Assets	2,437	25			2,462		
Total Expenses	**263,565**	**710**	**640**	**(417)**	**264,498**		
Operating Surplus / (Deficit)	**5,283**	**223**	**(640)**	**417**	**5,283**	**5,283**	**-**

Key Assumptions:

- Targeted Operating Position is achieved
- CPI indexation of **3.5%**
- 39 Strategic Projects funded to deliver on Council's adopted strategies, with a total net cost of **$10.058 million** (inc. $0.640m Election project)
- General Rates Revenue increase of **5.6%**
  - CPI 3.5%
  - Asset Renewal Repair Fund 2.1%
  - Asset Renewal Funding Ratio 0.5%
  - **Imputed rate relief provided (0.5%)**

Proposed 5.6% Rates Increase

General Rates (Net of rebates)	Current Base (5.1%)		Proposed Budget (5.6%)	
	$'000s	%	$'000s	%
General Rates Revenue – 2025/26	148,400		148,400	
General Rates Increase (CPI)	3,710	2.50%	5,194	**3.50%**
Asset Renewal Repair Fund (exc ARFR Increase)	3,110	2.10%	3,110	2.10%
Asset Renewal Funding Ratio Increase	705	0.50%	705	0.50%
Imputed Rate Relief Provided			(742)	(0.50%)
General Rates Revenue for existing properties	**155,925**	**5.10%**	**156,667**	**5.60%**
Rates Growth				
Growth – from new properties	2,226	1.50%	2,226	1.50%
Total Rates Growth	**2,226**	**1.50%**	**2,226**	**1.50%**
Total General Rates (including Growth)	**158,151**	**6.60%**	**158,893**	**7.10%**
Other Levies				
Regional Landscape Levy	1,928		1,893	
Rundle Mall Management Levy	4,232		4,232	
Total Other Levies	**6,160**		**6,125**	
Other				
Fines and Interest on Overdue Rates	409		567	
Building Upgrade Finance	41		41	
Total Other	**450**		**608**	
Total Rates Revenue	**164,761**		**165,626**	

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Next Steps

Roadmap

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We will work with Council to ensure that a final 2026/27 BP&B is adopted in June, ready to be implemented in July.

ARC will be presented an update on the Draft BP&B development on 17 April.

Council will have a CEO Briefing and receive two reports on 21 April:

- Approach for delivering the Main Street Revitalisation projects (2026/27 budget allocations for these projects) *Confidential CEO Briefing and Confidential Report*
- Revised operating budget, including Strategic Projects, for inclusion in the Draft 2026/27 Business Plan and Budget. *Report*

Council will then receive a report on 28 April, seeking endorsement of the Draft 2026/27 BP&B for community consultation.

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16-Jun **23-Jun**	CFG Council	Final 2026/27 BP&B for endorsement	

Challenges

Fuel Prices

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'METROPOLITAN' AVERAGE DIESEL PRICES (cents per litre $A)

	Weekly Average	Weekly Change	Low	High
National Metropolitan Average	178.2	-0.4	178.0	178.4
Five Major Capital City Average	176.9	-0.3	176.7	177.1
Sydney	174.1	0.2	174.0	174.2
Canberra	186.9	0.0	186.8	186.9
Melbourne	179.2	-0.6	179.1	179.3
Brisbane	180.5	-0.6	180.3	181.1
Adelaide	175.0	-0.1	174.7	175.3
Perth	175.8	-0.3	175.6	176.2
Darwin	182.5	-0.1	182.3	182.7
Hobart	182.1	-2.0	181.6	182.9

Australian Institute of Petroleum – Weekly Diesel Prices Report

22 February 2026

175.0 cents per litre

'METROPOLITAN' AVERAGE DIESEL PRICES (cents per litre $A)

	Weekly Average	Weekly Change	Low	High
National Metropolitan Average	308.7	27.3	294.1	320.1
Five Major Capital City Average	308.5	27.4	294.1	320.3
Sydney	309.1	27.0	294.2	320.3
Canberra	309.1	26.6	295.0	320.1
Melbourne	309.0	26.9	294.5	321.6
Brisbane	310.3	28.6	294.8	321.4
Adelaide	308.9	28.3	294.0	322.3
Perth	305.4	26.2	293.0	316.3
Darwin	308.0	26.4	288.4	320.4
Hobart	307.8	27.9	293.7	317.1

29 March 2026

308.9 cents per litre

▲ **77%**

before Fuel Excise Reduction

"will likely stay elevated until Middle East supply is fully restored" – CEO Australian Institute of Petroleum