LONG TERM FINANCIAL PLAN

2021-2022 TO 2030-2031

CITY OF ADELAIDE

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EXECUTIVE SUMMARY

The City of Adelaide's Long Term Financial Plan (LTFP) is a 10 year forecast of Council's financial performance and position. The plan is based on the Council's 2020-2024 Strategic Plan, anticipated service levels and social, economic and political indicators. It forms part of Council's Strategic Management Plans and is integral to Council's Strategic Framework and financial planning.

The LTFP assists Council in monitoring the City of Adelaide's financial sustainability: Council's ability to deliver services and maintain/upgrade the City's infrastructure in a manner that is fair and equitable across generations.

This document outlines the context of the LTFP and importance of Council's financial sustainability. It explains the approach to preparing and reviewing the LTFP, key assumptions and risks, and the measures used to manage and monitor the Council's financial sustainability.

Council has recently reviewed the LTFP as part of the 2022-2023 Business Plan and Budget process with consideration to a number of factors including the financial and economic implications of the COVID-19 pandemic.

COVID-19 had an immediate and profound impact on the city and Council's operations and income. A decline in city visitation, social distancing restrictions and the weakened economic environment have significantly reduced forecast income from parking, the Aquatic Centre, Town Hall events and property tenants. The potential decline in property valuations may also impact rate revenue across the next three to five years.

Council has been proactive in responding to the challenges presented by COVID-19, displaying leadership through implementation of its Reignite Packages to aid city recovery. Council is working to transform the Recovery Principles into broader financial management principles as a part of an overall strategic direction towards long term financial sustainability. Initiatives under this strategy, such as the Strategic Property Review and Future Fund and Investment Policy, have continued to be applied during 2021-2022. The next year will see further initiatives such as a Rating Methodology review and exploration of new revenue streams to ensure the delivery of financial sustainability.

The key financial ratios indicate Council will recover to a stable financial position over the term of the LTFP.

STRATEGIC CONTEXT

Under the *Local Government Act (SA) 1999* Council must develop and adopt Strategic Management Plans which identify the Council's objectives, how Council intends to achieve its objectives, how they fit with the objectives of other levels of government, performance measures and estimates of revenue and expense.

The City of Adelaide's Strategic Management Plans comprise:

- 2020-2024 Strategic Plan
- Long Term Financial Plan
- Strategic Asset Management Plan (under development)

The Long Term Financial Plan is a 10 year forecast of Council's financial performance and position based on its strategic plans, anticipated service levels and social, economic and political indicators. It provides guidance to support Council decision making and confirm Council's financial capacity to deliver services, maintain assets and achieve its strategic objectives in a financially sustainable manner.

The LTFP is an integral part of Council's Strategic Framework. It is built upon the 2022-2023 Business Plan and Budget and aligned to the City of Adelaide's 2020-2024 Strategic Plan and Infrastructure and Asset Management Plans.

The LTFP is reviewed quarterly and updated on an iterative basis to reflect the latest available information. Key outputs include a comprehensive set of financial indicators and forecast financial statements in accordance with legislative requirements.

STATEMENT ON FINANCIAL SUSTAINABILITY

Financial Sustainability

The Australian Local Government Associations adopted definition of financial sustainability is as follows:

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

It is based on the principles that:

- The current generation are able to "pay their way" by funding the services and infrastructure they utilise
- Investments in new infrastructure and assets funded through borrowings will not over burden future generations.

Financial Sustainability is monitored by three key ratios:

- **Operating Surplus Ratio** which monitors the affordability of Council's services relative to its operational income
- **Net Financial Liabilities Ratio** which monitors the affordability of Council's borrowings relative to its operational income
- **Asset Renewal Funding Ratio** (also known as the Asset Sustainability Ratio) which monitors the rate at which Council is renewing its assets relative to its use of the assets.

In addition to these core ratios, Council has a suite of other ratios it uses to monitor its performance and sustainability.

The role and purpose of each ratio is discussed in further detail on page 14.

Implications of COVID-19

Throughout 2020 we faced the biggest global disruption to our community in one hundred years, which dramatically changed our city. Like all city businesses, Council operations have not been immune - the absence of people from mid-March 2020 has seen Council income immediately and significantly impacted.

During 2021 and to date in 2022, we have experienced further disruptions to our community and council operations with lockdowns and new waves of the COVID virus. All have impacted the ability of council to regulate operations. In order to support our city through the impacts of these events, Council initiated two Reignite packages. These packages were designed to provide support to our community, bring people back to the city and minimise the impacts of businesses.

COVID-19 is expected to have significant impact on Council's financial performance for some time to come. While recovering from this pandemic, it is important that the focus on financial sustainability is retained. Sustainable decision making is necessary to ensure the long term capacity of our community to not only recover from the pandemic and its impacts but to also capitalise on the opportunities presented to ensure the future of our community for generations to come.

Initiatives to Support Financial Sustainability

To build a strong foundation for long term financial sustainability and to respond to the financial challenges of COVID-19, Council has recently

1. Worked to broaden Recovery Principles into over-arching finance strategy to ensure long term financial sustainability is achieved
2. Realised $4.75m in budget repair items to ensure the adopted budget for 2021-2022 was set on a break-even position.
3. Adopted Future Fund and Investment Policy to ensure sound decision-making regarding divestment and investment for income producing assets.
4. Progressed Strategic Property Review with the realisation of the sale of underperforming assets.
5. Inclusion of a further $4.8m budget offset for a significant increase in depreciation.

Finance Strategy

Council adopted Recovery Principles to assist our future decision making in the context of COVID-19 and city recovery and to support our long term financial sustainability. These principles seek to ensure an equitable approach to rating, a prudent approach to the utilisation of borrowings and proceeds from the sale of assets, and sustainable investment in our infrastructure and delivery of services.

- Our approach to rates, fees and charges is fair and equitable
- Financial borrowings are adjusted to stimulate growth
- Proceeds from divesting underperforming assets will build a future fund
- Asset renewals are prioritised based on audit condition and risk
- Asset enhancements are delivered through partnerships
- We will seek Government funding for new infrastructure
- Our service delivery reflects the needs of the community
- Investment is prioritised to support recovery.

These principles are foundational to a financial management approach that supports the achievement of long term financial sustainability. To further progress this work, a documented finance strategy is being developed to ensure all aspects of financial management are considered and initiatives are clearly developed to support the delivery of the strategic outcomes.

Budget Repair $4.75m – 2021/22

During 2020-2021, Council realised $20m in savings via an organisational reshape as a response to the impacts of COVID and to improve service efficiency.

The 2021-2022 budget was adopted in June 2021 on the basis that Council would achieve a break even operating position. To achieve this, Council included a budget repair target in the base budget of $4.75m. During 2021-2022, the achievement of this target was reached in the third budget review of the year. Realisation of this target came from key items such as:

- Utilities agreement savings
- Ongoing capitalisation of corporate overheads
- Realisation of increases in existing revenue streams

Strategic Property Review

A future fund was established to enable Council to fund the purchase of future income generating assets and to invest in strategic capital projects using the sale proceeds of assets identified through the Strategic Property Review.

This review included a detailed assessment outlining a forward approach for identified property assets. These approaches are grouped into the following categories:

- Redevelopment or re-purposing of assets to improve public value and to support income generating and City shaping initiatives.
- Sale of non-performing assets comprising those assets which provide limited strategic, community and commercial value.
- Retention of property assets where no action is currently required.

$'000s	2021-22 Budget	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan
Cash Proceeds from Surplus Assets	12,704	6,793	1,000	30,500	9,700	10,000	-	-	-	-

Some of the assets identified through the Strategy Property Review that are at various stages of the community consultation include:

- James Place Toilet Block (realised 2021/22)
- 211 Pirie St (Beach Volleyball site) (realised 2021/22)
- 88 O'Connell Street (Under contract)
- Bus Station site (EOI Approved)
- Whitmore Apartments (EOI Approved)

Future Fund and Investment Policy

In 2021-2022, Council endorsed the Future Fund and Investment Policy and removed the Fund from its Treasury Policy. This clarified the policy intent for operation of the Future Fund, as well as how it will be utilised for investment, and the factors that need to be considered in order to make sound decisions.

Requests to utilise funds from the reserve fund will require a business case clearly demonstrating that the financial return to Council outweighs the present value of future financing costs. Council approval will be required for all requests to utilise these funds.

The table below reflects the balance of the Future Fund Reserve as a result of the accumulation of funds from proceeds of non-performing assets in line with the Strategic Property Review and Future Fund and Investment Policy.

$'000s	2022-23 Draft Budget	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan
EQUITY										
Accumulated Surplus	814,847	816,855	774,599	784,778	799,741	821,011	848,283	881,573	919,911	961,515
Asset Revaluation Reserves	982,216	982,216	1,016,924	1,016,924	1,016,924	1,016,924	1,016,924	1,016,924	1,016,924	1,016,924
Other Reserves	1,815	1,815	1,815	1,815	1,815	1,815	1,815	1,815	1,815	1,815
Future Reserve Fund	18,774	19,774	50,274	59,974	69,974	69,974	69,974	69,974	69,974	69,974
Total Council Equity	**1,817,652**	**1,820,660**	**1,843,611**	**1,863,491**	**1,888,453**	**1,909,724**	**1,936,996**	**1,970,285**	**2,008,624**	**2,050,228**

Given the Future Fund is treated as a loan offset, the table below restates the borrowings and Net Financial Liabilities ratio as their true balance demonstrating the effective reduction in debt until funds in the Future Fund are utilised.

Financial Indicator	2021-22 BR3	2022-23 Draft Budget	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Borrowings	38.2	53.9	69.0	70.1	57.7	41.2	20.8	30.5	4.2	18.4	-
	22%	32%	37%	35%	28%	20%	10%	14%	2%	8%	0%

Budget Offset $4.8m – 2022/23

One of our current challenges is a material difference in our asset valuations and our asset management planning which has occurred over time. Whilst we have identified this issue and are committed to early transparency and communication of this issue, the specific amount is yet to be qualified. We will undertake responsible financial management action to define the amount and quickly improve the financial position. We estimate this to be $4.8m. To plan for the future, we have included in the budget an offset amount for $4.8m to present a budget surplus of $86k. This budget offset item consists of the following items which are estimated to ameliorate the impact caused by the depreciation:

- Verification of depreciation to Asset Management Plans
- Recovering revenue from existing commercial activities impacted by COVID
- Establishing revenue opportunities through new commercial opportunities and expansion of existing revenue streams.

- Implementation of procurement efficiencies to deliver cost efficiencies and sustainable outcomes.

BASIS OF PREPARATION

This document presents the Long Term Financial Plan (LTFP) for the years 2022-2023 to 2032-2033. The basis of the LTFP is consistent with the financial statements and the 2022-2023 Business Plan and Budget adopted by Council and any authorised amendments. The LTFP has been based on the 2020-2024 Strategic Plan and the Strategic Infrastructure and Asset Management Plan projections for new, upgraded and renewal of assets for 2023 to 2033.

The LTFP is a projective report based on information known at the time. As such the review process of the LTFP is iterative and will change as new or updated information is presented.

The LTFP is developed and adopted in consultation with Council each year as part of the annual Business Plan and Budget process. The impacts of quarterly revisions to the budget are noted through the quarterly reporting process to both Council and Audit Committee, and formally adopted in the following years' business plan and budget.

In projecting forward performance, the LTFP considers the following:

- Council's 2020-2024 Strategic Plan and Strategic Infrastructure and Asset Management Plans, including planned investment in new projects and infrastructure
- The social, economic and political environment including indicators such as population growth, inflationary growth and interest rates
- Anticipated changes in future service levels that reflect the needs and expectations of the community in accordance with the Service Delivery Plan adopted as a part of the Business Plan and Budget.
- Funding and expenditure levers available to Council, including revenue and financing guidelines such as Council's Rating Policy and Treasury Policy
- Revenue opportunities and cost drivers, including the impact of climate change and other factors on the city
- A rigorous assessment of Council's current financial position and financial sustainability.

KEY ASSUMPTIONS

Assumptions underpinning this LTFP are:

- Rates valuation growth, on average, is assumed in line with forecast inflation, excluding growth from new developments
- Fees and charges are in line with forecast price indexation
- Salaries and wages forecasts are based on current and expected enterprise agreements
- Other revenue and expenditure growth, in general, is assumed in line with forecast price indexation
- Interest rates are relative to market expectations
- Capital expenditure is in line with the Infrastructure and Asset Management Plans.

Further detail regarding these and other assumptions is outlined below.

Price Indexation

Deloittes Business Economics is utilised as the source data for the projected Consumer Price Index (CPI) for Adelaide. This reputable data source ensures consistency of assumptions across the life of the plan. Further it ensures a state-based projection which increases the relevance to the LTFP.

Rate %	2022-23 Draft Budget	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
CPI – SA	1.80%	2.30%	2.30%	2.40%	2.30%	2.40%	2.50%	2.30%	2.40%	2.30%

Rates

Rates income is primarily dependent upon three key variables:

- The rate in the dollar for residential and non-residential property
- The increase/(decline) in property values, based on annual assessed value
- Growth from new developments and capital improvements.

As Council has frozen the rate in the dollar for the past nine consecutive years, rates growth is dependent on valuation increases and growth from new developments and capital improvements.

Years 2-10 of the LTFP currently assume rates growth of 2.25-3% through a combination of:

- Growth from new developments and capital improvements of 1%
- An uplift in property valuations and/or a change in the rate in the dollar to achieve 2% - 2.5% growth in existing rates revenue in line with the current price index forecast

The application of CPI regarding valuation uplifts is the most relevant assumption given the annual assessed value is based on income derived from the property and, generally, most incomes are at least indexed each year if not increased by a fixed percentage.

Valuations are heavily reliant on the receipt of information from ratepayers and as such valuations are generally conservative.

These assumptions will be monitored as further analysis on the price index and property valuations becomes available in the wake of COVID-19.

Fees and Charges

There are three principle types of fees charged by Council:

- General fees and charges set by statute
- General fees and charges set by Council or under delegation
- Commercial fees and charges set under delegation.

Statutory charges, such as fees associated with services regulated under the *Road Traffic Act 1961*, the *Planning, Development and Infrastructure Act 2016, the South Australian Public Health Act 2011 , the Food Act 2001 and the Dog & Cat Management Act 1995* reflect dollar increments or percentage increases as specified by the respective statute.

Fees and charges set by Council or under delegation are reviewed each year in conjunction with the development of the Business Plan and Budget. The review ensures that the fees:

- Reflect (or move progressively toward) the cost of the services delivered
- Are comparable with market rates, where appropriate
- Take into account benefit derived by users of community facilities
- Are consistent with directions articulated through our existing policies or plans
- Are consistent with our Strategic Financial Parameters

For the purposes of the LTFP, it is assumed that fees and charges will increase, on average, in line with CPI unless there are specific circumstances that will have a material impact on the value of the fees and charges, such as changes in property tenancies associated with the Adelaide Central Market Arcade redevelopment.

Fees for Council's commercial operations, including commercial properties, the UParks, Adelaide Aquatic Centre and North Adelaide Golf Course, will be subject to market conditions and commercial considerations on a year by year basis. However, in the short term, these should align to the average movement in the price index.

Grants, Subsidies and Contributions

Annual grants, subsidies and contributions are assumed to continue for the duration of the LTFP and indexed in line with CPI unless agreements are known to expire or change.

Where grants, subsidies and contributions are for specific projects or related to specific events, they will be recognised in line with the relevant accounting standards.

Employee Costs

Salaries and wages forecasts are based on current and expected enterprise agreement outcomes. A 2% increase is assumed for all enterprise agreements for the life of the LTFP. Actual increases will be dependent upon future enterprise agreement negotiations, with new agreements reflected in the LTFP upon the completion of negotiations. Increases in the Superannuation Guarantee are consistent with Australian Taxation Office advice.

Contractual Expenditure and Materials (including Utilities)

Expenditure is generally increased by the price index unless there are specific costs of a material value that are known or forecast to vary significantly from the price index (e.g. electricity contract, hard waste levy).

Service Delivery Plans

City of Adelaide is responsible for the delivery of a range of service offerings to its ratepaying community and visitors alike. Council has 13 external facing services enabled by a suite of corporate services including Finance, People and Culture, Information Management and Marketing and Communications. The LTFP assumes that the service delivery remains unchanged at the same, consistent levels detailed in the Service Delivery Plans. Any changes to these Service Delivery Plans are required to be resolved by Council and will impact the LTFP in the future should changes to the service have financial implications.

Asset Maintenance, Renewal and Upgrade

City of Adelaide is responsible for the management, operation and maintenance of the city's infrastructure, a diverse property portfolio and plant, fleet and equipment.

Infrastructure and Asset Management Plans, which form part of Council's Strategic Management Plans, are reviewed in detail every four years to identify asset condition and consumption to assist in resource and maintenance planning. Detailed modelling enables Council to optimise maintenance and renewal expenditure to ensure asset sustainability. The 10-year Infrastructure and Asset Management Plans will consider new infrastructure needs to meet future community service expectations in a sustainable manner.

Forecast expenditure in the LTFP is presently based on the existing Infrastructure and Asset Management Plans prepared in 2016, overlayed with the latest modelling from condition audits. The LTFP will be updated as the detailed Infrastructure and Asset Management Plans are finalised in the coming years. There are a number of levers detailed within the Strategic

Asset Management Plan which Council can choose to apply through the Asset Management Plan revisions; this may impact the funding required per asset category.

Asset Renewal costs for the life of the LTFP are $597 million, with the majority of spend allocated to infrastructure of $493 million and the remainder on corporate or commercial based assets as detailed below:

$'000s	$'000s
Bridges	69,235
Buildings	96,612
Pathways	53,494
Kerb and Water Table	18,938
Lighting & Electrical	24,671
Park Lands & Open Space	35,626
Roads	59,815
Water Infrastructure	86,074
Traffic Signal	15,063
Urban Elements	33,821
Total Infrastructure Renewals	**493,349**
Plant, Fleet & Equipment Replacement	15,262
Commercial Plant, Fleet & Equipment Replacement	1,243
IT Renewals	16,266
ACMA Renewals	-
Corporate Overhead	41,973
Total Renewal & Replacement of Assets	**568,093**

Significant Renewals

It is worth noting that mid - long term, the LTFP reflects significant renewals will be required in accordance with our AMP. The current assumption within the LTFP is that Levels of Service will remain the same. Further renewal optimisation modelling is required to refine funding requirements through the development of the Asset Management Plans.

The exception to this is UPark Rundle. It Council's intent to review this significant asset for viability regarding operation, ownership and/or redevelopment, in order to meet community need and maximise revenue potential. For this reason, the renewal of UPark Rundle in its entirety has been removed. This is for the purpose of financial projections only and the future of this asset will continue to require a Council decision.

It is also assumed that all renewals will be funded via Council operations. However, the risk and opportunities section of this document highlights the required actions of Council to reduce the burden of these significant renewals in future years. Significant renewals include:

Significant Renewals	Financial Year	$'m
Adelaide Bridge	3030-31	50
Torrens Weir Structure	2028-29	35
Rymill Park Lake	2023-24	5

Adelaide Aquatic Centre

The recent March 2022 state election has created a change in assumption for the purposes of the LTFP with regards to the ongoing operation of the Adelaide Aquatic Centre. While the Centre will continue to operate in the short term, the election promise made by the incoming Labour Government has confirmed the intent for the state government to build a new $80 million facility, replacing the current facility, and for the new facility to be owned and operated by the State. We have a responsibility to ensure that this information, as is best known to date, is incorporated into the LTFP. This has been done for this purpose only and the impact is an estimate of cost and timing which should be used for high level projections only and not a definitive resolution of State or Council.

Overall, the financial impact is:

- removal of the asset in 2025-2026 year of the LTFP as the expected year of disposal
- removal of all asset renewals leading up to 2025-2026
- removal of all operating income and expenses post 2025-2026.

Capacity to Deliver

During the deliberations for the 2021-22 Annual Business Plan and Budget, Council considered capacity issues with regards to delivery of asset renewals in the long term. As a result of these discussions, it was resolved to hold the Asset Sustainability Ratio at 90% for the term of the LTFP.

In addition to this the 2022-23 budget preparation has included not only internal capacity but capacity of the market to be able to deliver its capital works program. Significant inflation in cost inputs for materials as well as product shortages and a flooding of work in the market have all contributed to the increased pressure on ability to deliver the renewal program on time and on budget. As a result, the budget for 2022-23 has set asset renewal funding to 70% of the AMP's.

New and Significant Upgrades

Major projects including property developments such as Central Market Arcade redevelopment and 88 O'Connell Street have been incorporated in the LTFP where a Council decision or commitment to progress the projects has been made. Capital, operational expenditure and income has been incorporated after extensive modelling, and where capital expenditure is in excess of $4 million, subject to a prudential report prior to commencement to consider the impact on the LTFP. The total spend on new and significant upgrades for the life of the LTFP is $60.8 million, detailed as follows:

- Central Market Arcade Redevelopment $29.127 million
- Moonta Street $4 million
- Market to River Bank $7.38 million
- Rymill Park $5 million
- Brown Hill Keswick Creek $2.97 million

- Other minor works over 10 years $12.3 million

Depreciation, Amortisation and Impairment

Depreciation is informed by Infrastructure and Asset Management Plans and reflects increases in valuations and new asset movements.

The current review cycle of the Asset Management Plans and revaluations has resulted in significant depreciation impacting the budget for 2021-2022 and leading into future years. As a result of the significant movements in depreciation and revaluations, a review of the asset management registers for deprecation and renewal value has been initiated. This will provide a level of assurance regarding the impact of depreciation on Council operating budgets as well as the value of the Asset Management Plans as they are under review.

Amortisation and impairments are determined by condition audits and revaluations. This has not been factored into the LTFP.

Interest Rates

Council's services, projects and infrastructure works are predominantly funded through rates, fees and charges, grants and subsidies. Borrowings are principally utilised for major infrastructure projects, including city shaping projects such as the development of 88 O'Connell Street and Central Market Arcade, and commercially focused projects with a financial return on investment.

City of Adelaide has utilised the Deloittes Business Economics data as a source for the purposes of inclusion in the LTFP. The rate is reviewed quarterly and is based on the latest information and indicators.

The table below shows the projected rates utilised in the LTFP.

Rate %	2022-23 Draft Budget	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Interest	1.68%	1.76%	2.13%	2.23%	2.35%	2.48%	2.48%	2.48%	2.48%	2.48%

Other

Other revenue and expenditure growth, in general, is assumed in line with forecast price indexation.

Council's Subsidiaries

City of Adelaide has three subsidiaries: Adelaide Central Market Authority; Adelaide Economic Development Agency; and Kadaltilla/Adelaide Park Lands Authority. It is assumed that the operations of each subsidiary will be funding neutral (ie break even) from 2023-2024 onwards.

Capital funding requirements for the Adelaide Central Market Authority are currently being assessed from 2022-23 onwards and will be incorporated as they are identified.

Risks and Opportunities

Although the Long Term Financial Plan is based upon the latest available information, it is a future projection and is therefore subject to risk. It cannot anticipate inherent risks such as unforeseen economic, political, environmental and market changes and so on this basis should be considered as a guide to future actions and opportunities, a tool for Council to assess the long-term financial sustainability of its decisions.

Issue1: Council Rate Growth

Forecast growth in rate revenue has a material impact on the LTFP, as the growth factor is incorporated into the base for property valuations in following year. Any changes to the growth forecast will impact on the outer financial years.

COVID-19 has had a significant impact on the economy which may flow through to the property market and property valuations. Investment in new developments and capital improvements may also soften due to weaker economic conditions.

<u>Council Action:</u>

Market indicators, combined with analysis from the Council rates and valuations team, will be closely monitored in the coming months and assumptions for rates growth will be updated once reliable data is available.

Issue 2: Government Legislation

The LG reform has introduced a Rates Oversight scheme to be monitored by the Essential Services Commission (ESCOSA). The potential impact of such legislation is still to be assessed, however it could impact Council's capacity to increase rates in response to emerging financial challenges.

<u>Council Action</u>

To work with LGA and SA Government working groups to ensure a fair and equitable rating system is maintained to enable sustained delivery of community services.

Issue 3: Fees and Charges

Approximately 20% of Council's income is derived from fees and charges including on-street parking, parking expiations and off street parking. Council has experienced a loss in this revenue stream due to the impacts of COVID-19 and as a result the assumption to return to pre-COVID-19 levels is phased over the life of the LTFP. The 2022-23 budget assumes a return to 90% of pre-COVID-19 levels.

<u>Council Action:</u>

The ongoing recovery of fees and charges will be monitored on a quarterly basis, with the LTFP updated as required.

Increased reporting on Council business performance will be provided to ensure commercial businesses are performing optimally.

Issue 4: Interest rates

Interest rates are currently at a historical low and appear to remain at low levels for the foreseeable future. Interest expense is presently less than 1% of Council's operating income.

Council Action:

While an allowance for future interest increases has been included in the LTFP, the risk of potential increases in interest rates will be monitored and minimised where possible in accordance with Council's Treasury Policy.

Issue 5: External Funding

The LTFP has been prepared on the basis that all Council operations are expected to fully fund all service delivery and asset renewals. However, it is common for other levels of Government to offer various grant programs which provide assistance to Council to fund larger projects. Where there is certainty in those funding sources, they have been included in the LTFP; if uncertain then it is assumed Council will provide 100% funding. This is a conservative position for Council and leaves opportunity to ensure the burden of funding these projects is transparent to the community and opens discussion with other levels of Government to fairly consider.

Council Action:

Strategic items that will require significant funding over the next 10 years are characterised as significant renewal projects. Council will look to open discussions with all levels of government to ensure significant city assets are funded appropriately without placing the sole burden on ratepayers only but all those who experience the City and its surrounds.

Issue 6: Delivery of Strategic Property Review and Action Plan

The LTFP includes the delivery of the strategic property review and action plan endorsed by Council. This action plan is based around divesting non-performing assets and allocating the proceeds to the Future Fund.

The delivery of this plan is subject to variables such as market conditions. The property market has been impacted by COVID and sale of substantial assets must be timed and managed to ensure maximum value is achieved and is strategically aligned.

Council Action:

Identified assets will be reviewed on a regular basis and forward actions will continue to be updated as property asset performance changes over time. This will ensure the optimum use of the property portfolio.

Each identified property asset will be the subject of further detailed analysis with the results of such further investigations to be the subject of Council Member consideration and decision making.

Issue 7: Wages and Materials inflationary pressures

The impacts of COVID-19 on the global supply market are increasingly significant. The costs of materials have hit 20 year highs, with some material costs presenting between 20-40% greater than in recent years. These material costs are most significant in the infrastructure markets and have created not only cost pressures but also delivery issues in the market. The market is heavily weighted in favour of the vendors and providing them with ability to name price and timing of delivery. Meanwhile the demand is continuing to increase due to the financial stimulus on offer.

Further, while costs are increasing the wages increases are not following. The pressure of governments to manage these two significant factors in the economy are increasing and a risk to sustainability. The ability for Council to influence these is minimal and as a result City of Adelaide will be a price taker and could result in significant increases in costs particularly in the short to medium term of the LTFP.

SENSITIVITY ANALYSIS

The following section analyses the impacts of movements in the two core indices used in the LTFP, namely interest rates and CPI. Ensuring Council can withstand any significant movement in these indices is important to test long term financial sustainability.

Interest Rate Sensitivity

The impact of a 1% increase in interest rates would have an unfavourable impact on the operating position of $1m over the life of the LTFP.

Given the balance of borrowings in the short term and projections to remove all debt, this impact is minimised. However, the impact of future borrowings and any increases to this level should consider the overall impact of rate increases and the ability of Council to sustain any significant movements in this rate.

CPI Sensitivity

The impact of a 0.5% increase in CPI rates would have a favourable impact on the operating position of $7m over the life of the LTFP. This is due to the other core assumption that rates will increase by CPI over the life of the LTFP. As such it is relevant to look at the scenario analysis regarding rate increases in order to appreciate the impact of CPI.

The Reserve Bank has an overall strategy to retain CPI rates nationally at a level between 2-3%. A variation in this can have a significant impact to Council. It is imperative that the finance strategy ensures appropriate cost control principles to ensure changes in this index do not have an adverse impact to its financial sustainability.

SCENARIO ANALYSIS

Given the issues highlighted, it is prudent to utilise the LTFP as a scenario tool and test the impact of changes in the significant issues highlighted

Rate Revenue Increases

Council has made decisions to freeze the Rate in the Dollar for the last nine years. The financial impact of this is estimated to be $16M.

The scenario below looks at the impact if the same decision is to be made for the life of the LTFP and the long term impacts of freezing the rate in the dollar. The scenario shows a loss of over $30.4 million over 10 years. This increases the reliance on growth in the city to fund any future increases to cost, whether they are discretionary or externally imposed. This limits Council's ability to be responsive for its service delivery and the potential for it to meet the needs of the community.

It is evident that the continued freeze of rates into the future years of the LTFP puts the operation position of Council at risk. The Council would not technically meet the definition of sustainability with only 5 of the 10 years within the target range, and even then, it is only marginal. This may lead to more open inquiry from ESCOSA and the minister as is now allowed via the LG Reform changes.

Financial Indicator	Target	2022-23 Draft Budget	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	5 year Average	10 Year Average
Operating Surplus Ratio	0%-20%	0%	0%	-1%	1%	1%	2%	3%	4%	4%	4%	0%	2%

KEY FINANCIAL INDICATORS

A suite of financial indicators is used to measure Council's financial performance, to guide decision making on major projects, and to secure its continued financial sustainability.

Three nationally recognised financial sustainability indicators have been adopted in principle by Local Government in Australia and are utilised by City of Adelaide, these are:

- The Operating Surplus Ratio
- The Net Financial Liabilities Ratio
- The Asset Sustainability Ratio.

Council also considers an additional four indicators to review the ability to borrow in line with the Prudential Borrowing Limit:

- Asset Test Ratio
- Interest Expense Ratio
- Leverage Test Ratio.

- Cashflow from Operations Ratio

For each indicator a description of exactly what is being measured, an explanation of the target, the projected results (shaded in green when the result is within target and red when the result is outside the target range) and a summary of the Explanation of LTFP Projected Results from the analysis is provided.

In addition, a 5 and 10 year average of each ratio has been included to support the definition of long term sustainability. It is important to understand that any one year, stand alone does not define Council's financial sustainability. Sustainability refers to the achievement of the ratio targets in more years than less in a long term period. As such a review of averages over the life of the LTFP supports the achievement of long term financial sustainability.

Operating Surplus Ratio

Definition

Operating surplus as a percentage of operating revenue

What is being measured

This indicator represents the percentage by which the major controllable revenue source varies from day to day operating expenses. Financial sustainability is indicated where a council consistently achieves operating surplus and has soundly based projections showing it can continue to do so in the future, having regard to asset management and the service level needs of its community.

Target

The *Local Government Act (SA) 1999* target is to achieve an average operating surplus ratio between 0% and 15% over any five-year period. However, as a Capital City Council, the City of Adelaide has significant responsibilities in improving its public realm and considers that an average operating surplus ratio between 0% and 20%, over any five-year period, is a more appropriate target.

Operating deficits are not sustainable or equitable in the long term as they result in services consumed by current ratepayers being paid for by future ratepayers. A fair and equitable tax system is one in which taxes paid by each generation is in proportion to the benefits each generation receives.

Financial Indicator	Target	2022-23 Draft Budget	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	5 year Average	10 Year Average
Operating Surplus Ratio	0%-20%	0%	1%	2%	5%	7%	9%	11%	13%	14%	15%	3%	8%

Explanation of LTFP Projected Results

Council's operating results in the short term are representative of the impact of depreciation on what has been established as a break even budget. The achievement of surpluses in the midterm of the plan on a permanent and ongoing basis are crucial to ensuring the surpluses are achieved over the long term.

Averages suggest Council's sustainability is improving over the life of the LTFP. This is directly attributed to assumptions in the LTFP regarding future rate increases.

Net Financial Liabilities Ratio

Definition

Financial liabilities and a percentage of operating income

What is being measured

This indicator represents the significance of the net amount owed compared with operating revenue. It measures the extent to which Council is managing its debt and highlights that borrowings are often an effective means of financial sustainability, rather than trying to fund all assets and services from operating income. A steady ratio means Council is balancing the need to borrow against their affordability of debt. An excessive ratio means Council is borrowing beyond their means and cannot generate the income required to service assets and operations.

Target

The target for Net Financial Liabilities should be greater than zero. However, the target set by City of Adelaide is that liabilities as a percentage of total operating revenue will not exceed 80%.

A target below zero indicates that Council places a higher priority on accumulated financial assets than applying funds generated from ratepayers to the provision of services and/or infrastructure renewal.

Financial Indicator	Target	2022-23 Draft Budget	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	5 year Average	10 Year Average
Net Financial Liabilities	Less than 80%	31%	37%	19%	9%	-3%	0%	0%	0%	0%	0%	18%	9%

Explanation of LTFP Projected Results

City of Adelaide's net financial liabilities are within the prescribed target for the life of the plan. Higher ratios in the short term are a result of borrowings required for new and significant assets, mainly Central Market Arcade Redevelopment. The ratio declines in the mid to long term range of the plan due to the improvement in operating returns and the exclusion of any new and significant upgrades in those years.

Averages demonstrate improvement in the ratio as the reduction of debt over the life of the LTFP realises. This is directly attributed to the assumptions included regarding the Strategic Property review and the absence of new capital investment in the future years of the plan.

Asset Renewal Funding Ratio

Definition

Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans.

What is being measured

This indicator expresses expenditure on asset renewals as a percentage of the projected funding required. It illustrates whether existing assets are being replaced or renewed at the rate they are being consumed and ensures consistent service delivery as determined by the Infrastructure and Asset Management Plans.

Target

A ratio lower than 100% suggests that Council is not maintaining assets and infrastructure in order to optimise asset lives. A ratio higher than 100% suggests that Council is replacing assets earlier than needed. Adoption of a target ratio between 90% and 110%, is in line with the *Local Government Act (SA) 1999*.

Financial Indicator	Target	2022-23 Draft Budget	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	5 year Average	10 Year Average
Asset Sustainability Ratio	90%-110%	70%	90%	90%	90%	90%	90%	90%	90%	90%	90%	86%	88%

Explanation of LTFP Projected Results

The sustainability ratio falls below the target range for the 2022-2023 financial year as per Council resolution to meet delivery challenges in a market that is heavily impacted by COVID. It is assumed that over the long term, asset renewals will be funded in line with the Strategic Asset Management Plans and the sustainability ratio at a 90% level as per previous Council resolutions.

Averages for asset renewal reflect an under performance over the life of the plan. This is directly representative of the resolution to budget at the bottom range of the target as well as the decision to reduce the funding in 2022-23. This average should be continually monitored as asset management plans are reviewed in the short term.

Prudential Limits (Borrowings)

Definition

- Asset Test Ratio - Borrowings as a percentage of total saleable property assets
- Interest Expense Ratio - Number of times General Rates Revenue (less Landscape Levy) can service the annual interest expense
- Leverage Test Ratio - Total borrowings relative to General Rates Revenue (Less Landscape Levy)

What is being measured

The maximum level of debt is prescribed by Council by way of prudential limits. While Council does not place a physical monetary limit on the level of borrowings, an upper limit is determined through its financial indicators. When borrowing, Council will consider these indicators.

Target

The Treasury Policy was reviewed in 2022 and ensures Council's ability to manage cash and borrowings in accordance with prescribed limits.

The Prudential limits set within the Treasury Policy are:

- Asset Test Ratio Maximum of 50%
- Interest Expense Ratio Maximum of 10%
- Leverage Test Ratio Maximum 1.5 Years

Prudential limits are breached when one of the ratios fall outside the targets stipulated in the policy. The breach must be reported with remediation actions to the CEO immediately within the borrowing and cash investment performance report.

Financial Indicator	Target	2022-23 Draft Budget	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	5 Year Average	10 Year Average
Asset Test Ratio	Max 50%	10%	12%	4%	-2%	0%	0%	0%	0%	0%	0%	5%	2%
Interest Expense Ratio	Max 10%	0.4%	0.8%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%	0%
Leverage Test Ratio	Max 1.5 years	0.3	0.4	0.1	(0.0)	-	-	-	-	-	-	0.1	0.1

Explanation of LTFP Projected Results

City of Adelaide's borrowings are within the prescribed targets across the Long Term Financial Plan.

The Asset Test Ratio shows that Council has capacity in its total saleable assets to be able to meet the requirements of repayment of borrowings should the assets be sold in order to repay debt.

The Interest Expense Ratio for the life of the plan has a minimal service cost which is reflective of the lower levels of borrowing of the life of the plan as well as the low interest cost over the 10 year period.

The Leverage Test Ratio shows the time it would take to repay borrowings from general rates revenue as an indication of payback period. The plan supports Council's ability to repay the debt if called upon from less than 1 year's rates revenue in any year of the plan.

Averages over the life of the LTFP show Council's ability to keep lending within prudential limits. The 5 year averages are reflective of plans to borrow for capital delivery in the short term. 10 Year average reduces across all ratios due to the assumption regarding no new capital in the future years of the plan.

Cashflow from Operations Ratio

Definition

Operating income as a percentage of Operating Expenditure plus expenditure on renewal/replacement of assets.

What is being measured

This ratio measures Cash Flow from Operations as a percentage of forecast expenditure in the asset management plans.

This indicator shows whether Council is generating adequate cash from its operations to cover the replacement of assets over time.

A lower ratio indicates that Council is not generating enough cash from operations to cover asset replacement (less than 100%). As a result, Council will need to fund the replacement of assets from unsustainable sources of income resulting in increased levels of borrowings over time.

Target

A result greater than 100% suggests Councils operations will generate enough cashflow to support the funding of asset replacement over time.

Financial Indicator	Target	2022-23 Draft Budget	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	5 Year Average	10 Year Average
Cash Flow from Operations Ratio	Greater than 100%	109%	101%	106%	109%	111%	112%	98%	113%	96%	118%	107%	107%

Explanation of LTFP Projected Results

The positive result in 2022-2023 is reflective of the decision to reduce the Asset Sustainability ratio and, as a result the cashflow from operations, adequately covers the lower renewals budget. This is done consciously to use the cashflow to support operations as we recover from COVID-19 impacts. In 2023-2024, the cashflow is still in a steady recovery from deficit and as such the assumption to set asset renewals at 90% shows an slight excess in cashflow. The lower than target results in years 7 and 9 of the plan are reflective of significant renewals required in these years.

This ratio highlights the risk in Council's ability to fully fund the larger renewals that are identified in the LTFP in the later years. This is not to suggest deficiency in renewal, but rather highlight the opportunity in advance to seek alternative funding sources such as State or Federal grants to assist with the funding of significant asset renewal projects for the benefit of the wider SA metropolitan area.

Averages for 5 and 10 years of the plan suggest Council will generate enough cashflow from operations to sustain asset renewal without having to borrow.

FINANCIAL STATEMENTS

Explanation of the Financial Statements

The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity and are used by wide range of stakeholders in making economic decisions. To meet this objective, financial statements provide information about an entity's:

- Assets
- Liabilities
- Equity
- Income and expenses, including gains and losses
- Cash flows.

Statement of Comprehensive Income

The Statement of Comprehensive Income provides information about the financial performance of Council. It provides a summary of all the sources of operating revenue and expenditure; the difference is known as the operating surplus / (deficit).

- The Net Surplus / (Deficit) represents the operating position with the inclusion of asset disposal and fair value adjustments, being the gain or loss on the sale of replaced assets, assets surplus to requirement, and fair value adjustments for investment property. Any amounts received for new and upgraded assets are also included in the Net Surplus.
- Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss, these include items such as changes in the valuation of infrastructure, property, plant & equipment, and any actuarial gains on the defined benefit plan.

Statement of Financial Position

The Statement of Financial Position presents the financial position of Council at a given date. It comprises three main components: assets, liabilities and equity.

- The difference between the assets and liabilities is known as the net assets or equity of Council.
- Current Assets and Liabilities are short-term and due within one year. Non-Current Assets and Liabilities represent longer term amounts that are due beyond 12 months.

Statement of Changes in Equity

The Statement of Changes in Equity reflects the movement in equity reserves during the period, being the financial performance of the year plus any other comprehensive income gains.

Statement of Cash Flows

The Statement of Cash Flows represents the amount of cash and cash equivalents entering and leaving the Council. It measures how well Council manages its cash position, meaning how well it generates cash to pay its debt obligations and fund its operating expenses and capital investments.

The main components of the cash flow statement are:

- Cash from operating activities, being the sources and uses of cash to fund Council operations and deliver services
- Cash from investing activities, being the capital investment on the renewal / replacement of existing assets and new / upgraded assets, as well as any sale proceeds and amounts received for the new / upgraded assets
- Cash from financing activities includes the proceeds and repayment of borrowings.

Uniform Presentation of Finances

The primary objective of the Uniform Presentation of Finances is to ensure that Councils provide a consistent set of core financial information in their financial statements, enabling meaningful comparisons of each Council's position.

The statement highlights:

- The Operating Surplus / (Deficit) measure which is considered a critical indicator of a Council's financial performance.
- The Net Outlays on Existing Assets which represents:
    - The capital investment on the renewal and replacement of existing assets adjusted for all depreciation, amortisation and impairment from the operating surplus / (deficit), given its non-cash nature. Depreciation defined as the cost of an asset spread over the useful life of the asset is an indication of what Council should be spending on renewing or replacing assets annually. If depreciation is higher than capital investment, it suggests that our assets are not being replaced at the same level that they are being utilised, and could indicate that a higher investment may be required in future years
    - Proceeds from the sale of replaced assets (e.g. plant and fleet).
- The Net Outlays on New and Upgraded Assets which represents:
    - The capital investment on new and upgraded assets (including investment property)
    - Amounts received specifically for new and upgraded assets (e.g. Grant funding)

  - Proceeds from the sale of surplus assets. This includes investment property and non-current assets held for sale.

- The Net Lending / (Borrowing) for Financial Year result is a measure that takes account of both operating and capital activities for the financial year.
  - A Net Lending position indicates that Council has repaid debt or increased reserves from activities.
  - A Net (Borrowing) position indicates that Council has required additional debt to fund its activities. A zero result in any one year means that Council has covered all its expenditure (both operating and capital) from the current year's income.

Statement of Comprehensive Income

Statement of Comprehensive Income										
$'000s	2022-23 Draft Budget	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan
Income										
Rates Revenues	123,661	127,783	132,009	138,323	142,897	147,765	152,947	158,005	163,388	168,791
Statutory Charges	11,896	12,170	12,450	12,749	13,042	13,355	13,689	14,004	14,340	14,669
User Charges	64,379	65,565	67,040	71,597	73,244	75,001	76,877	78,645	80,532	82,384
Grants, Subsidies and Contributions	5,599	4,122	4,216	4,318	4,417	4,523	4,636	4,743	4,856	4,968
Investment Income	70	72	73	75	77	79	81	82	84	86
Reimbursements	338	346	354	362	371	380	389	398	408	417
Other Income	3,095	3,166	3,239	3,316	3,393	3,474	3,561	3,643	3,730	3,816
Total Income	209,038	213,223	219,381	230,739	237,439	244,577	252,179	259,519	267,339	275,133
Expenses										
Employee Costs	74,745	76,279	77,844	79,442	81,032	82,654	84,309	85,996	87,717	89,472
Materials, Contracts & Other Expenses	75,491	75,423	77,157	79,860	81,697	83,658	85,749	87,721	89,827	91,893
Depreciation, Amortisation & Impairment	57,264	57,439	57,962	59,037	57,869	55,565	53,588	51,520	50,639	51,745
Finance Costs	1,452	1,836	1,754	1,317	903	683	599	522	466	157
Net loss - Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-
Total Expenses	208,952	210,977	214,717	219,656	221,500	222,559	224,244	225,759	228,649	233,268
Operating Surplus / (Deficit)	**86**	**2,246**	**4,664**	**11,083**	**15,939**	**22,017**	**27,934**	**33,760**	**38,690**	**41,865**
Physical Resources Received Free of Charge		-	-	-	-	-	-	-	-	-
Asset Disposal & Fair Value Adjustments	2,020	1,000	(15,900)	9,700	10,000	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	13,932	-	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	**16,037**	**3,246**	**(11,236)**	**20,783**	**25,939**	**22,017**	**27,934**	**33,760**	**38,690**	**41,865**
Changes in Revaluation Surplus - I,PP&E	-	-	34,708	-	-	-	-	-	-	-
Net Actuarial Gains/(Loss) on Defined Benefit Plan	-	-	-	-	-	-	-	-	-	-
Total Other Comprehensive Income	-	-	34,708	-	-	-	-	-	-	-
Total Comprehensive Income	**16,037**	**3,246**	**23,472**	**20,783**	**25,939**	**22,017**	**27,934**	**33,760**	**38,690**	**41,865**

Statement of Financial Position

Statement of Financial Position										
$'000s	**2022-23 Draft Budget**	**2023-24 Plan**	**2024-25 Plan**	**2025-26 Plan**	**2026-27 Plan**	**2027-28 Plan**	**2028-29 Plan**	**2029-30 Plan**	**2030-31 Plan**	**2031-32 Plan**
ASSETS										
Current Assets										
Cash and Cash Equivalents	800	800	800	800	34,381	55,479	46,447	73,284	59,366	97,319
Trade & Other Receivables	17,104	17,357	17,826	18,745	19,288	19,867	20,484	21,080	21,715	22,348
Other Financial Assets		-	-	-	-	-	-	-	-	-
Inventories	506	506	506	506	506	506	506	506	506	506
Non-Current Assets Held for Sale		-	-	-	-	-	-	-	-	-
Total Current Assets	18,410	18,663	19,132	20,051	54,175	75,852	67,437	94,870	81,587	120,173
Non-Current Assets										
Financial Assets	305	274	247	222	200	180	162	146	131	118
Equity Accounted Investments in Council Businesses	1,635	2,004	2,437	2,809	2,809	2,809	2,809	2,809	2,809	2,809
Investment Property	2,928	2,957	2,987	3,016	3,047	3,077	3,108	3,139	3,170	3,202
Infrastructure, Property, Plant & Equipment	1,920,600	1,933,022	1,914,621	1,907,347	1,900,585	1,896,985	1,929,433	1,932,368	1,981,714	1,982,282
Other Non-Current Assets	2,107	2,107	2,107	2,107	2,107	2,107	2,107	2,107	2,107	2,107
Total Non-Current Assets	1,927,575	1,940,364	1,922,399	1,915,501	1,908,747	1,905,157	1,937,619	1,940,569	1,989,931	1,990,517
TOTAL ASSETS	1,945,984	1,959,027	1,941,530	1,935,552	1,962,922	1,981,009	2,005,056	2,035,438	2,071,518	2,110,690
LIABILITIES										
Current Liabilities										
Trade & Other Payables	26,514	33,984	27,632	28,609	28,827	29,163	29,363	29,620	29,910	26,848
Provisions	13,858	14,135	14,418	14,706	15,000	15,300	15,607	15,919	16,237	16,562
Borrowings (Lease Liability)	4,877	4,989	5,102	5,224	4,525	4,518	3,989	3,262	3,344	3,344
Total Current Liabilities	45,248	53,108	47,152	48,539	48,353	48,982	48,959	48,800	49,491	46,754
Non-Current Liabilities										
Trade & Other Payables	7,293	293	293	293	293	293	293	293	293	293
Borrowings	32,936	46,810	16,861	(6,103)	-	-	-	-	-	-
Provisions	1,889	1,927	1,966	2,005	2,045	2,086	2,128	2,170	2,214	2,258
Borrowings (Lease Liability)	40,803	35,828	30,726	25,502	20,977	16,377	12,470	9,209	5,865	5,865
Total Non-Current Liabilities	82,921	84,858	49,846	21,698	23,315	18,756	14,891	11,672	8,371	8,416
TOTAL LIABILITIES	128,170	137,966	96,998	70,236	71,668	67,737	63,850	60,472	57,862	55,170
Net Assets	**1,817,815**	**1,821,061**	**1,844,533**	**1,865,316**	**1,891,254**	**1,913,272**	**1,941,206**	**1,974,966**	**2,013,656**	**2,055,521**
EQUITY										
Accumulated Surplus	815,010	817,256	775,520	786,603	802,542	824,559	852,493	886,253	924,943	966,808
Asset Revaluation Reserves	982,216	982,216	1,016,924	1,016,924	1,016,924	1,016,924	1,016,924	1,016,924	1,016,924	1,016,924
Other Reserves	1,815	1,815	1,815	1,815	1,815	1,815	1,815	1,815	1,815	1,815
Future Reserve Fund	18,774	19,774	50,274	59,974	69,974	69,974	69,974	69,974	69,974	69,974
Total Council Equity	**1,817,815**	**1,821,061**	**1,844,533**	**1,865,316**	**1,891,254**	**1,913,272**	**1,941,206**	**1,974,966**	**2,013,656**	**2,055,521**

Statement of Changes in Equity

Statement of Changes in Equity										
$'000s	2022-23 Draft Budget	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan
Balance at the end of previous reporting period	1,801,777	1,817,815	1,821,061	1,844,533	1,865,316	1,891,254	1,913,272	1,941,206	1,974,966	2,013,656
a. Net Surplus / (Deficit) for Year	16,037	3,246	(11,236)	20,783	25,939	22,017	27,934	33,760	38,690	41,865
b. Other Comprehensive Income		-	34,708							
Total Comprehensive Income	16,037	3,246	23,472	20,783	25,939	22,017	27,934	33,760	38,690	41,865
Balance at the end of period	1,817,815	1,821,061	1,844,533	1,865,316	1,891,254	1,913,272	1,941,206	1,974,966	2,013,656	2,055,521

Statement of Cash Flows

Statement of Cash flows										
$'000s	2022-23 Draft Budget	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan
Cash Flows from Operating Activities										
Receipts										
Operating Receipts	208,349	212,281	218,913	229,820	236,896	243,998	251,562	258,923	266,703	274,500
Payments										
Operating Payments to Suppliers and Employees	(150,718)	(152,918)	(156,721)	(160,193)	(163,587)	(166,914)	(170,539)	(174,143)	(177,875)	(181,389)
Net Cash provided by (or used in) Operating Activities	57,631	59,363	62,192	69,628	73,308	77,083	81,023	84,781	88,829	93,110
Cash Flows from Investing Activities										
Receipts										
Amounts Received Specifically for New/Upgraded Assets	13,932	-	-	-	-	-	-	-	-	-
Proceeds from Surplus Assets	12,793	1,000	23,500	9,700	10,000	-	-	-	-	-
Sale of Replaced Assets	971	500	500	500	500	500	500	500	500	500
Payments										
Expenditure on Renewal/Replacement of Assets	(41,607)	(57,871)	(50,621)	(51,390)	(51,107)	(51,965)	(86,036)	(54,455)	(99,985)	(52,313)
Expenditure on New/Upgraded Assets	(47,482)	(11,621)	(200)	-	-	-	-	-	-	-
Net Purchase of Investment Securities	-	-	-	-	-	-	-	-	-	-
Capital Contributed to Equity Accounted Council Businesses	(196)	(369)	(433)	(372)	-	-	-	-	-	-
Net Cash provided by (or used in) Investing Activities	(61,589)	(68,360)	(27,254)	(41,562)	(40,607)	(51,465)	(85,536)	(53,955)	(99,485)	(51,813)
Cash Flows from Financing Activities										
Receipts										
Proceeds from Borrowings	8,728	-	-	-	-	-	-	-	-	-
Proceeds from Bonds and Deposits	-	-	-	-	-	-	-	-	-	-
Payments										
Repayment from Borrowings		13,874	(29,949)	(22,964)	6,103	-	-	-	-	-
Repayment of Lease Liabilities	(4,771)	(4,877)	(4,989)	(5,102)	(5,224)	(4,521)	(4,518)	(3,989)	(3,262)	(3,344)
Net Cash provided by (or used in) Financing Activities	3,957	8,998	(34,938)	(28,065)	879	(4,521)	(4,518)	(3,989)	(3,262)	(3,344)
Net Increase (Decrease) in Cash Held	0	0	0	(0)	33,581	21,098	(9,031)	26,837	(13,918)	37,953
plus: Cash & Cash Equivalents at beginning of period	800	800	800	800	800	34,381	55,479	46,447	73,284	59,366
Cash & Cash Equivalents at end of period	**800**	**800**	**800**	**800**	**34,381**	**55,479**	**46,447**	**73,284**	**59,366**	**97,319**

Statement of Uniform Presentation of Finances

Uniform Presentation of Finances										
$'000s	**2022-23 Draft Budget**	**2023-24 Plan**	**2024-25 Plan**	**2025-26 Plan**	**2026-27 Plan**	**2027-28 Plan**	**2028-29 Plan**	**2029-30 Plan**	**2030-31 Plan**	**2031-32 Plan**
Income	209,038	213,223	219,381	230,739	237,439	244,577	252,179	259,519	267,339	275,133
less Expenses	(208,952)	(210,977)	(214,717)	(219,656)	(221,500)	(222,559)	(224,244)	(225,759)	(228,649)	(233,268)
Operating Surplus / (Deficit) before Capital Amounts	86	2,246	4,664	11,083	15,939	22,017	27,934	33,760	38,690	41,865
Net Outlays on Existing Assets										
Capital Expenditure on Renewal & Replacement of Existing Assets	(41,607)	(57,871)	(50,621)	(51,390)	(51,107)	(51,965)	(86,036)	(54,455)	(99,985)	(52,313)
add back Depreciation, Amortisation and Impairment	57,264	57,439	57,962	59,037	57,869	55,565	53,588	51,520	50,639	51,745
add back Proceeds from Sale of Replaced Assets	971	500	500	500	500	500	500	500	500	500
Net Outlays on Existing Assets	16,627	(432)	7,341	7,646	6,762	3,601	(32,448)	(2,935)	(49,346)	(568)
Net Outlays on New and Upgraded Assets										
Capital Expenditure on New and Upgraded Assets	(47,678)	(11,990)	(633)	(372)	-	-	-	-	-	-
add back Amounts received specifically for New and Upgraded Assets	13,932	-	-	-	-	-	-	-	-	-
add back Proceeds from Sale of Surplus Assets	6,793	1,000	30,500	9,700	10,000	-	-	-	-	-
Net Outlays on New and Upgraded Assets	(26,953)	(10,990)	29,867	9,328	10,000	-	-	-	-	-
Net Lending / (Borrowing) for Financial Year	**(10,239)**	**(9,175)**	**41,872**	**28,057**	**32,701**	**25,618**	**(4,514)**	**30,825**	**(10,656)**	**41,297**

GLOSSARY

Asset

Assets are future economic benefits controlled by the Council as a result of past transactions or other past events.

Asset Renewal Funding Ratio (also known as the Asset Sustainability Ratio)

Expenditure on asset renewals as a percentage of forecast required expenditure in the infrastructure asset management plans.

Asset Test Ratio

Borrowings as a percentage of total saleable property assets.

Consumer Price Index (CPI)

The Consumer Price Index (CPI) is a measure of changes, over time, in retail prices of a constant basket of goods and services representative of consumption expenditure by resident households in Australian metropolitan areas. The simplest way of thinking about the CPI is to imagine a basket of goods and services comprising items typically acquired by Australian households. As prices vary, the total price of this basket will also vary. The CPI is simply a measure of the changes in the price of this basket as the prices of items in it change.

Equity

Equity is the residual interest in the assets of the Council after deduction of its liabilities.

Leverage Test Ratio

Total borrowings relative to rates revenue (less landscape levy)

Liability

Liabilities are the future sacrifices of economic benefits that the Council is presently obliged to make to other entities or organisations as a result of past transactions or other past events

Interest Expense Ratio

Proportion of Council's general rate income that is being used to service debt (interest).

Liquidity

Measure of the Council's ability to cover its immediate and short-term debts and obligations.

Net Financial Liabilities

Financial liabilities as a percentage of operating surplus.

Operating Surplus Ratio

Operating surplus as a percentage of operating revenue.