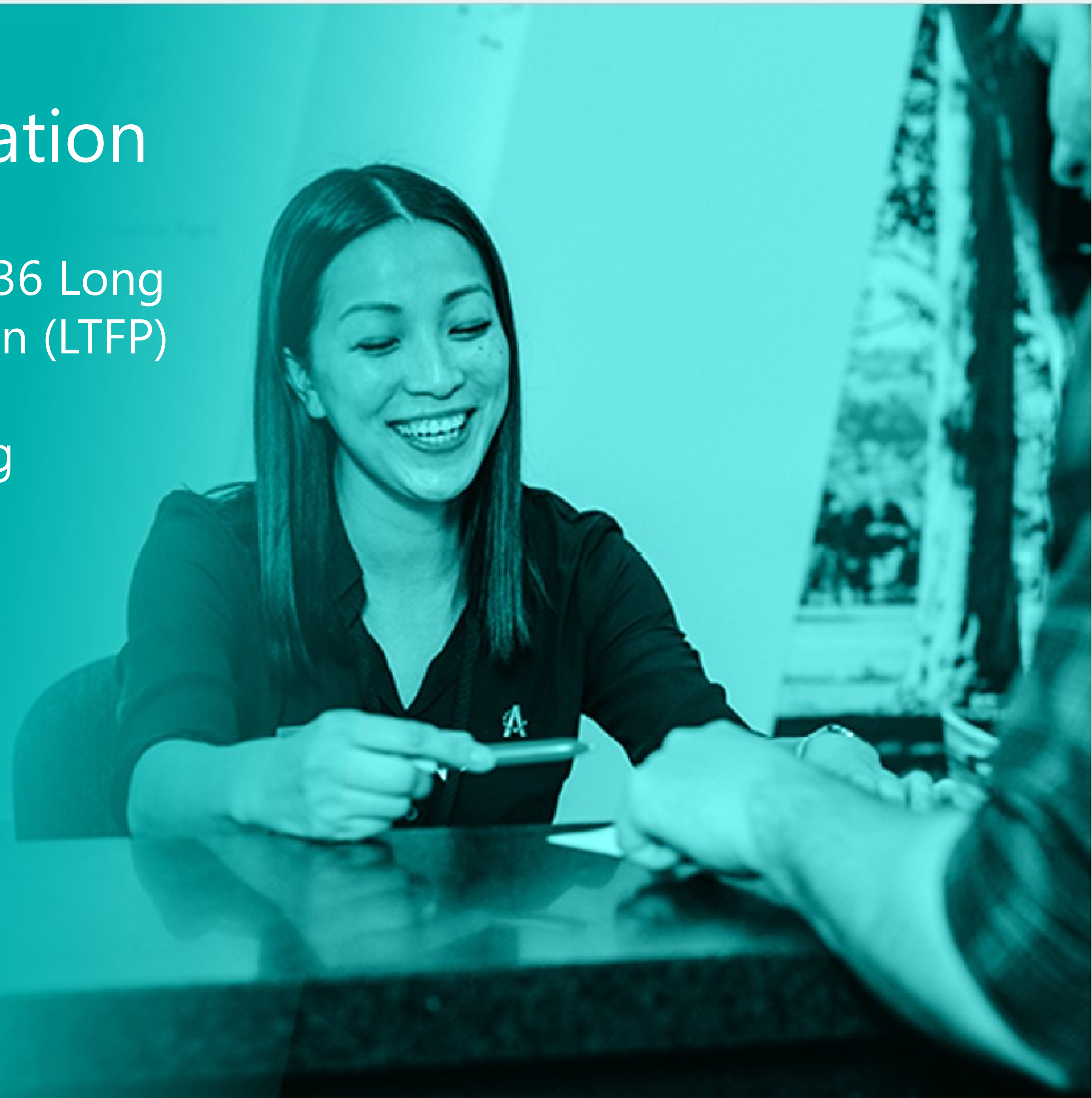
Our Corporation

2026/27 to 2035/36 Long Term Financial Plan (LTFP)

Roadmap including

Key Assumptions, Parameters, Levers



21 July 2026
Anthony Spartalis
Chief Operating Officer

CITY OF ADELAIDE

2026/27 LTFP Roadmap

Date	Forum	Role	Topic
12-Jun	ARC (Workshop)	Discuss	Building the LTFP Roadmap + High level parameters and projections (current LTFP)
21-Jul	CFG (workshop)	Discuss	LTFP Roadmap, Assumptions, Parameters and Levers
14-Aug	ARC (Report)	Endorse	Draft LTFP
18-Aug	CFG (Report)	Endorse	Draft LTFP for Consultation
25-Aug	Council	Approve	Draft LTFP for Consultation
26-Aug	Begin Public Consultation	Consultation	21 days public consultation ends (Strategic Management document)
15-Sep	End Public Consultation	Consultation	21 days public consultation ends (Strategic Management document)
22-Sep	Council (Report)	Note	LTFP consultation feedback
20-Oct	CFG (Report)	Endorse	Final 2026/27 LTFP
27-Oct	Council (Report)	Adopt	Adopt Final 2026/27 LTFP

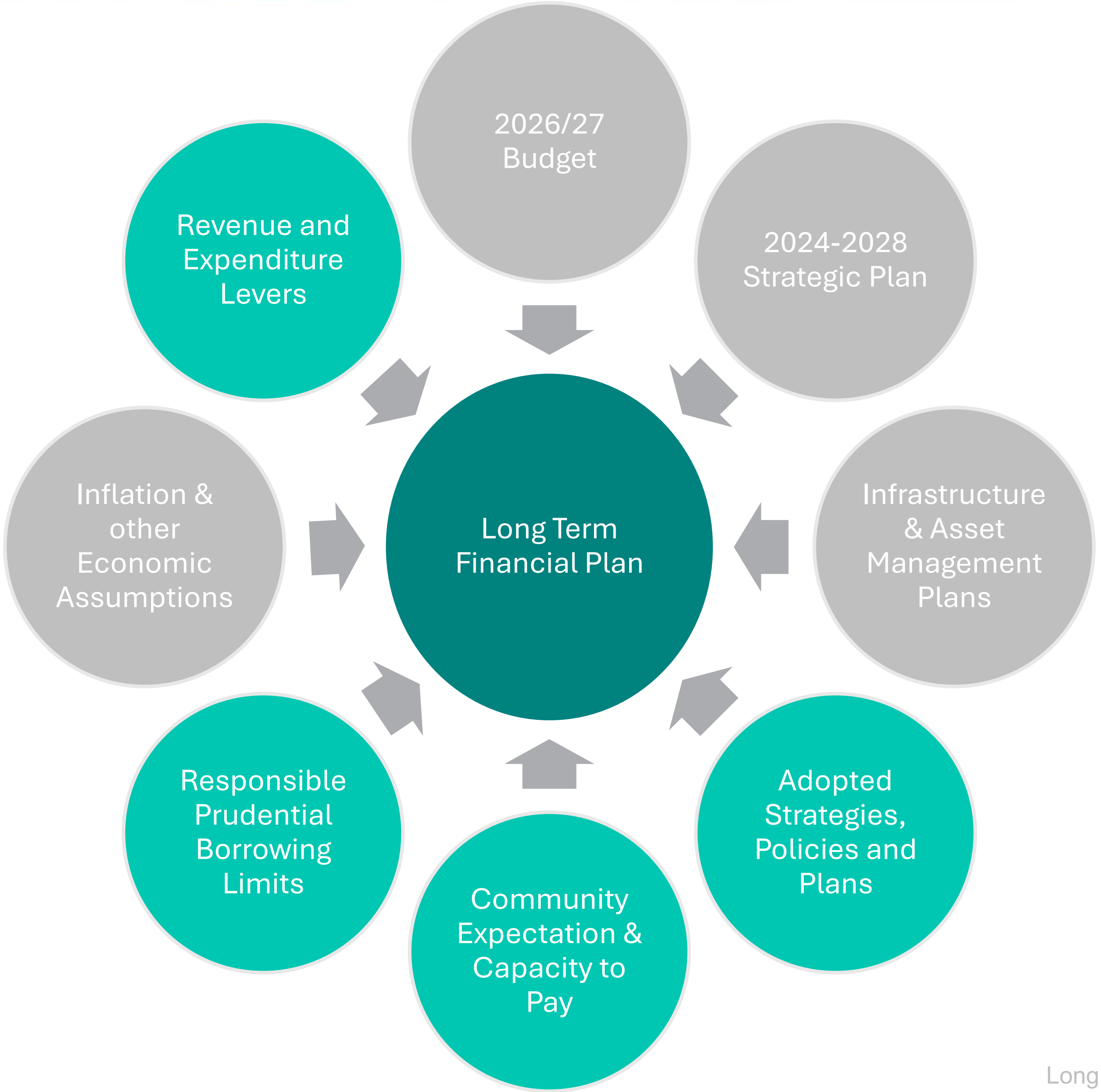
1. S122 of the *Local Government Act 1999* (SA) requires Council to develop and adopt a 10-year LTFP and Asset Management Plans
2. S122(4) requires the LTFP to be reviewed on an annual basis and that under s122(6) Council must undertake public consultation in relation to the review

Key Discussion Points

What are Committee Members' views…

on the assumptions proposed in the LTFP?

Basis of Preparation



Level of Influence:

- Not changeable for 26/27 LTFP process
- Controllable lever within the short/medium term

The 4 Funding Elements

Four areas to be funded, consistent with the budget:

- Operating Budget (including Operating Activities)
- Strategic Projects
- Asset Renewal Capital Program
- New and Upgrade Capital Program

The LTFP sets the parameters for the Annual Business Plan & Budget

Operating Budget

Key assumptions:

- Maintaining existing service delivery (as per 2026/27 budget)
- Maintaining appropriate operating surplus
- Aligning revenue increases with expenditure growth
- Inflation & interest charges
- Asset depreciation

Inflation & Interest Rates

FEEDBACK

Adopted 2025/26 to 2034/35 LTFP

Rate %	2026-27 Budget	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan	2032-33 Plan	2033-34 Plan	2034-35 Plan	2035-36 Plan
CPI (SA)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
Interest Rate	4.65%	4.45%	4.45%	4.45%	4.45%	4.45%	4.45%	4.45%	4.45%	

Current Assumption

Rate %	2026-27 Budget	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan	2032-33 Plan	2033-34 Plan	2034-35 Plan	2035-36 Plan
CPI (SA)	3.50%	2.80%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Interest Rate	5.85%	5.60%	5.35%	5.10%	4.85%	4.75%	4.75%	4.75%	4.75%	4.75%
LGPI - Capital	3.50%	3.00%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

Source: CPI (South Australia Centre for Economics and RBA Inflation target midpoint), Interest Rate (Official Cash Rate forecast plus LGFA margin), LGPI – Capital (South Australia Centre for Economics to 2028/29 then CPI)

Targeted Operating Surplus

FEEDBACK

The Targeted Operating Surplus incorporates funding:

- Operations, Strategic Projects, and Asset Renewals
- Debt Servicing – new and existing
- 1.5% funding for community buildings in the Park Lands (inclusive of renewal and new and upgrade)

Rate revenue growth from new developments contributes to the surplus and forms part of the targeted position.

Operating Surpluses need to be maintained to ensure financial sustainability

Operating Surplus

CITY OF ADELAIDE

FEEDBACK

$'000s	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan	2032-33 Plan	2033-34 Plan	2034-35 Plan	2035-36 Plan
Income										
Rates Revenues	165,626	176,443	184,080	192,043	200,321	209,280	217,538	226,123	235,048	244,327
Fees and Charges	98,334	97,660	100,290	102,992	105,769	108,622	111,554	114,566	117,662	120,844
Grants, Subsidies and Contributions	4,717	4,993	4,818	4,273	4,379	4,489	4,601	4,716	4,834	4,955
Other Income	1,104	1,135	1,163	1,192	1,222	1,253	1,284	1,316	1,349	1,383
Total Income	**269,781**	**280,231**	**290,352**	**300,500**	**311,691**	**323,644**	**334,977**	**346,721**	**358,893**	**371,509**
Expenses										
Employee Costs	97,796	96,046	99,019	101,495	104,032	106,633	109,299	112,031	114,832	117,703
Materials, Contracts & Other Expenses	91,285	87,894	92,334	96,953	101,758	106,757	111,956	117,363	122,986	128,833
Sponsorships, Contributions and Donations	6,870	7,286	7,480	7,652	7,858	8,039	8,255	8,446	8,672	8,874
Depreciation, Amortisation & Impairment	66,075	70,402	73,283	76,472	79,114	81,023	82,971	84,969	87,028	89,163
Finance costs - ROU Assets	2,462	2,462	2,462	2,462	2,462	2,462	2,462	2,462	2,462	2,462
Interest Cost on borrowings	317	3,070	6,096	6,539	6,551	6,941	7,628	7,554	6,940	6,073
Total Expenses	**264,805**	**267,161**	**280,675**	**291,573**	**301,776**	**311,855**	**322,571**	**332,825**	**342,920**	**353,108**
Operating Surplus / (Deficit)	**4,976**	**13,070**	**9,677**	**8,928**	**9,915**	**11,789**	**12,406**	**13,896**	**15,973**	**18,401**

Rate Revenue

Rate revenue increases are based on the following:

- CPI
- Asset Renewal Funding Ratio increase (over 8 years to 2031/32)
- Asset Renewal Repair Fund (over 3 years to 2027/28)
- Growth from new developments

Rate revenue increases are needed to sustainably fund asset renewals and services

Rate Revenue

FEEDBACK

General Rates (Net of rebates) $'000s	2026-27		2027-28		2028-29		2029-30		2030-31		2031-32		2032-33		2033-34		2034-35		2035-36	
	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
General Rates Revenue - Base	148,400		158,893		169,543		177,029		184,816		192,912		201,687		209,754		218,145		226,870	
General Rates Increase (CPI)	4,452	3.0%	4,449	2.8%	4,239	2.5%	4,426	2.5%	4,620	2.5%	4,823	2.5%	5,042	2.5%	5,244	2.5%	5,454	2.5%	5,672	2.5%
Asset Renewal Repair Fund (exc ARFR Increase)	3,110	2.1%	3,110	2.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Asset Renewal Funding Ratio Increase	705	0.5%	704	0.4%	704	0.4%	705	0.4%	704	0.4%	1,058	0.5%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
General Rates Revenue (excluding Growth)	**156,667**	**5.6%**	**167,156**	**5.2%**	**174,486**	**2.9%**	**182,160**	**2.9%**	**190,140**	**2.9%**	**198,793**	**3.0%**	**206,729**	**2.5%**	**214,998**	**2.5%**	**223,598**	**2.5%**	**232,542**	**2.5%**

Rates Revenue Growth $'000s	2026-27		2027-28		2028-29		2029-30		2030-31		2031-32		2032-33		2033-34		2034-35		2035-36	
Growth	2,226	1.5%	1,112	0.7%	2,543	1.5%	2,655	1.5%	2,772	1.5%	2,894	1.5%	3,025	1.5%	3,146	1.5%	3,272	1.5%	3,403	1.5%
Central Market Arcade	0	0.0%	1,275	0.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Rates Revenue Growth	**2,226**	**1.5%**	**2,387**	**1.5%**	**2,543**	**1.5%**	**2,655**	**1.5%**	**2,772**	**1.5%**	**2,894**	**1.5%**	**3,025**	**1.5%**	**3,146**	**1.5%**	**3,272**	**1.5%**	**3,403**	**1.5%**
Total General Rates (including Growth)	**158,893**	**7.1%**	**169,543**	**6.7%**	**177,029**	**4.4%**	**184,816**	**4.4%**	**192,912**	**4.4%**	**201,687**	**4.5%**	**209,754**	**4.0%**	**218,145**	**4.0%**	**226,870**	**4.0%**	**235,945**	**4.0%**

Other Rates $'000s	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Regional Landscape Levy	1,785	1,835	1,881	1,928	1,976	2,025	2,076	2,128	2,181	2,236
Rundle Mall Management Levy	4,232	4,350	4,459	4,571	4,685	4,802	4,922	5,045	5,171	5,301
Total Other Rates	**6,017**	**6,185**	**6,340**	**6,499**	**6,661**	**6,828**	**6,998**	**7,173**	**7,353**	**7,536**

Other $'000s	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Fines and Interest on Overdue Rates	675	694	711	729	747	766	785	805	825	845
Building Upgrade Finance	41	21	0	0	0	0	0	0	0	0
Total Other Rates	**716**	**714**	**711**	**729**	**747**	**766**	**785**	**805**	**825**	**845**
Total Rates Revenue	**165,626**	**176,443**	**184,080**	**192,043**	**200,321**	**209,280**	**217,538**	**226,123**	**235,048**	**244,327**

Fees and Charges

Financial Principle: Fees and charges reflect cost of services provided

Fees and Charges increase based on the following:

- Escalate, on average, in line with CPI
- Known changes in levels of activity are reflected e.g. Central Market Expansion

Fees and Charges reflect to cost of services provided

Grants, Subsidies and Contributions

Grants, subsidies and contributions are income received from Federal and State governments to fund operations and strategic projects.

Annual grants, subsidies and contributions are assumed to continue for the duration of the LTFP at current levels, 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 the LTFP in line with the relevant accounting standards.

Grants, Subsidies and Contributions are only recognised once awarded

Service Delivery

Financial Principle: Continue to deliver a minimum of the current suite of services and asset maintenance, indexed in line with Consumer Price Index (CPI)

Financial Principle: New or enhanced services, assets or maintenance requiring an increase in operating costs are to be funded from the adjustment of priorities, rate revenue or other revenue increases, and/or through savings

Service Delivery increases based on the following:

- Escalate, on average, in line with CPI
- Known changes are reflected e.g. One-Market Expansion and North Adelaide Golf Course
- Employee costs increase in line with Strategic Resource Plan and Enterprise Agreement outcomes
- Depreciation increases in line with asset valuations and new asset additions
- Finance costs reflect the interest costs of servicing debt, in line with projected interest rates

Service Delivery reflects the needs of the community

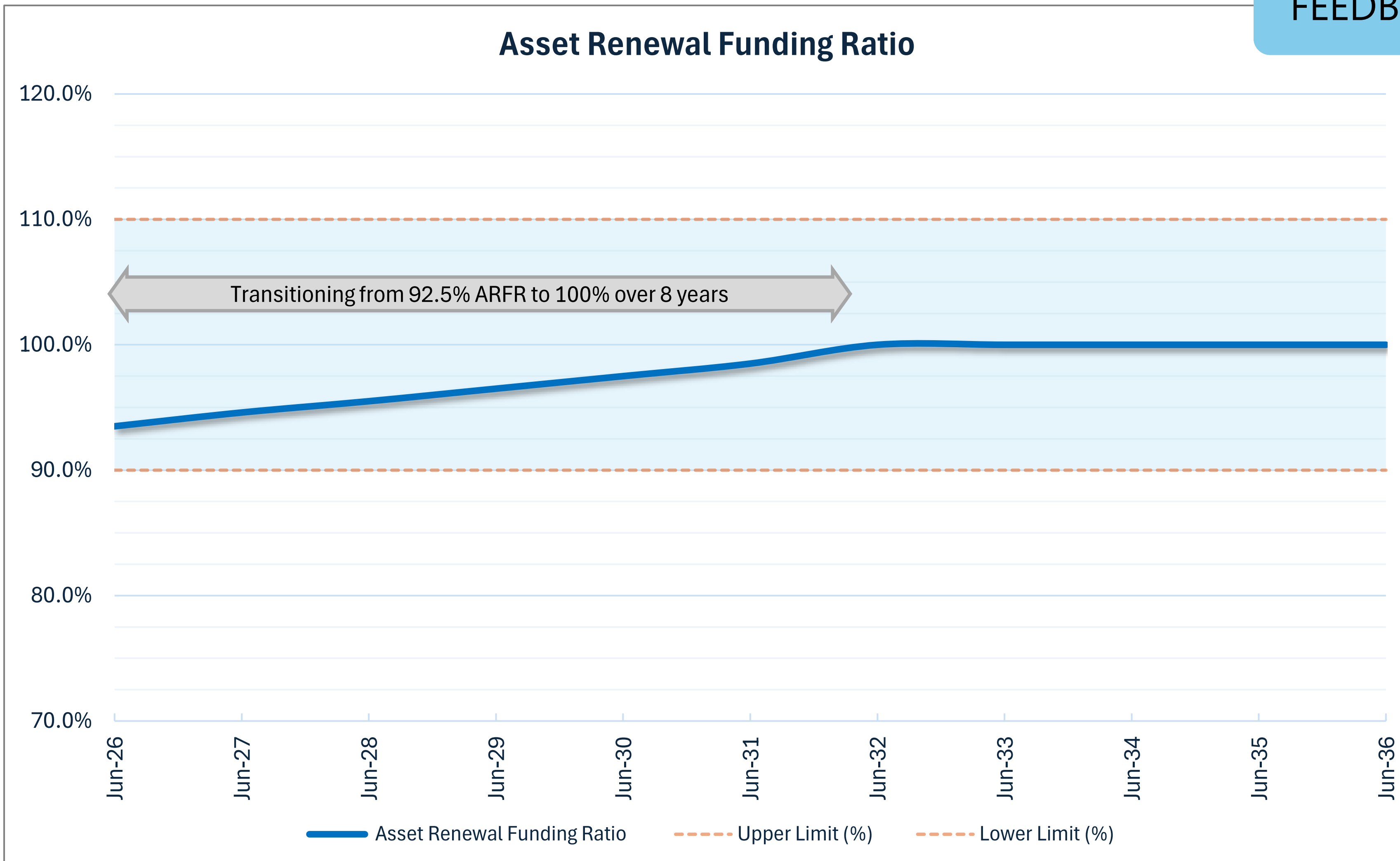
Asset Renewal Program

Key considerations/actions:

- Continue transitioning Asset Renewal Funding Ratio (ARFR) to 100% over an 8-year period ending in 2031/32
- Update Asset Management Plans to incorporate timing of Main Streets and asset conditions
- Confirm funding assumptions for significant renewals
- Plant and Fleet Asset Management Plan.

Asset Renewal Funding Ratio (ARFR)

FEEDBACK



Asset Management Plans (AMPs)

FEEDBACK

- Revised **unindexed** 10-Year forecast based on an adjusted AMP to reflect the 8-Year transition is on average, $77.1m

AMP Renewal Forecasts ($'000s) *	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Buildings	14,329	11,051	11,051	11,051	11,051	11,051	11,051	11,051	11,051	11,051
Lighting & Electrical	5,675	5,470	5,470	5,470	5,470	5,470	5,470	5,470	5,470	5,470
Park Lands & Open Space	1,670	2,973	2,973	2,973	2,973	2,973	2,973	2,973	2,973	2,973
Transport	25,036	30,190	30,190	30,190	30,190	30,190	30,190	30,190	30,190	30,190
Urban Elements	4,693	5,414	5,414	5,414	5,414	5,414	5,414	5,414	5,414	5,414
Water Infrastructure	6,635	9,761	9,761	9,761	9,761	9,761	9,761	9,761	9,761	9,761
Total Infrastructure Renewals	**58,038**	**64,859**	**64,859**	**64,859**	**64,859**	**64,859**	**64,859**	**64,859**	**64,859**	**64,859**
Plant & Fleet	*3,967*	*5,969*	*2,954*	*3,274*	*1,908*	*1,392*	*3,632*	*3,520*	*2,471*	*1,871*
IT Equipment	*1,309*	*1,815*	*1,815*	*1,815*	*1,815*	*1,815*	*1,815*	*1,815*	*1,815*	*1,815*
Plant, Fleet & Equipment Replacement	5,276	7,784	4,769	5,089	3,723	3,207	5,447	5,335	4,286	3,686
Delivery Resources	8,053	8,053	8,053	8,053	8,053	8,053	8,053	8,053	8,053	8,053
Total Renewal & Replacement of Assets	**71,367**	**80,696**	**77,681**	**78,001**	**76,635**	**76,119**	**78,359**	**78,247**	**77,198**	**76,598**

* Excludes Significant Renewals

Significant Renewals

Current assumptions based on options analysis*:

- Strengthen the Adelaide Bridge (rehabilitate and increase the load capacity for vehicles only e.g. no tram) extending its life by 25-100 years
- Rehabilitate the Torrens Weir Structure and extend its life by 50 years
- Extend Rundle UPark life to 2029/30
- No external grant funding assumed.

Significant Renewals (unindexed)	Financial Year	Total Expenditure ($'000s)	External Funding ($'000s)	Net Expenditure ($'000s)
Adelaide Bridge	2029/30 - 2032/33	17,800	0	17,800
Torrens Weir Structure	2026/27 & 2029/30 - 2032/33	23,183	0	23,183
Rundle UPark	2030/31 – 2031/32	15,600	0	15,600
Total Significant Renewals		**56,583**	**0**	**56,583**

* *Outlined in Confidential CEO Briefing to Council 9 September 2025 with expenditure indexed to 2026 dollars*

Significant Renewals

FEEDBACK

These significant renewals are "once in a generation" projects - funding levers beyond operating revenue alone should be considered:

- Advocacy and external grant funding
- Asset ownership
- Borrowings (fixed principal and interest structure).

Reconfirm current assumptions to extend, renew, replace or upgrade

New and Upgraded Assets

Council's current adopted LTFP has committed funding to:

- Main Street Revitalisation Upgrades
- Greening Program
- Flinders Street Housing
- 1.5% rates revenue to upgrade buildings in the Park Lands (inclusive of Renewals)
- Assumed forward borrowing commitment of $17.5m (reduced from $23.2m)
- Brownhill and Keswick Creek - $320k annual commitment.

New and Upgraded Assets

CITY OF ADELAIDE

FEEDBACK

New and Upgraded Assets $'000s	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total 10 Years
Community Sports Building Redevelopment - Golden Wattle Park / Mirnu Wirra (Park 21 West)	4,422	-	-	-	-	-	-	-			**4,422**
Community Sports Building Redevelopment – Mary Lee Park / Tulya Wardli (Park 27B)	4,041	-	-	-	-	-	-	-			**4,041**
Community Sports Building Redevelopment – Concept Design	119	-	-	-	-	-	-	-			**119**
Upgrade to Park Lands Buildings (1.5% Rates Revenue)		1,901	1,495	1,707	850	811	1,449	3,170	3,296	3,428	**18,107**
Public Art Action Plan Deliverables	178	458	350	251	87	54	65	60	19	0	**1,522**
Brown Hill Keswick Creek (Financial Contribution)	320	320	320	320	320	320	320	320	320	320	**3,200**
Melbourne Street Public Art Commission	214	-	-	-	-	-	-	-			**214**
Main Street Revitalisation – Gouger Street	8,912	6,297									**15,209**
Main Street Revitalisation – Hindley Street	607	1,000	6,000	6,053							**13,660**
Main Street Revitalisation – Hutt Street	1,155	5,485	5,485								**12,125**
Main Street Revitalisation – Melbourne Street	1,545	160	2,500	2,500							**6,705**
Main Street Revitalisation – O'Connell Street	3,963	6,669	3,334								**13,966**
City Public Realm Greening Program	2,377	45									**2,422**
Minor Works Building – Security Upgrades	119	300	-	-	-	-	-	-			**419**
Flinders Street Housing – Concept Planning	297	500	-	-	-	-	-	-	-		**797**
Other *	14,328										
Project Delivery Costs ^	0	3,470	2,923	2,000	564	553	651	908	921	938	**12,928**
Assumed forward Commitment				2,504	2,504	2,504	2,504	2,504	2,504	2,504	**17,528**
Total New and Upgraded Expenditure	**42,597**	**26,605**	**22,407**	**15,335**	**4,325**	**4,242**	**4,989**	**6,962**	**7,060**	**7,190**	**134,522**
Confirmed External Funding	10,783	0	0	0	0	0	0	0	0		**10,783**
Net Capital Contribution	**31,814**	**26,605**	**22,407**	**15,335**	**4,325**	**4,242**	**4,989**	**6,962**	**7,060**	**7,190**	**123,739**

* one-off funding for New and Upgraded Assets in 2025/26

^ Project Delivery Costs are allocated to projects through the annual business plan and budget process

New and Upgraded Assets

CITY OF ADELAIDE

The levers available to Council to deliver New and Upgraded Assets are:

- Surplus cash from operating and renewal activities (if sufficient generated)
- External grant funding
- Borrowings
- Prioritising commitment.

Reconfirm current assumptions for new and upgraded assets

Prudential Borrowing Limits

FEEDBACK

- In 2024/25, ESCOSA undertook their review of the City of Adelaide
- It identified that for the outer periods within the current adopted LTFP, Council is at its Prudential Borrowing Limit
- The Audit & Risk Committee noted that Council has been historically conservative in its Prudential Limit setting
- Borrowings is a driver to ensure intergenerational equity, e.g. those benefiting from the New and Upgraded Assets “pay” for the benefit over time.

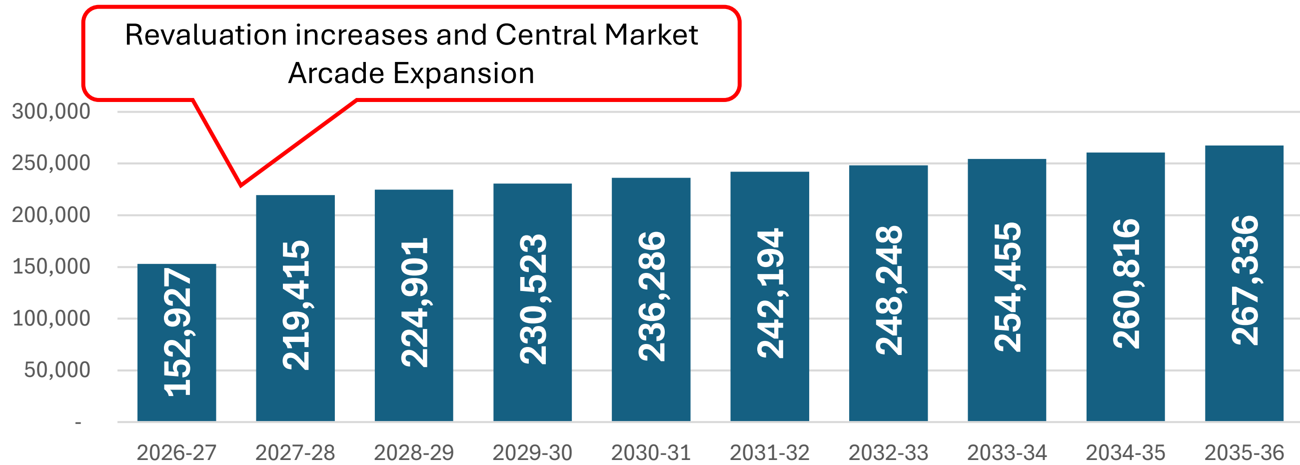
Prudential Borrowing Limits

The maximum level of debt is prescribed by way of **prudential limits**. The Prudential Borrowing Limit adjusts on an annual basis through the calculation of 3 indicators as per the current Treasury Policy:

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

The limit is set based on the lowest figure derived from the above calculations

Currently, the Asset Test Ratio sets the upper limit.



Key Financial Indicators

A suite of financial indicators (KFIs) is used to measure Council's financial performance, to guide decision making on major projects and significant components within the LTFP, 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 Renewal Funding Ratio

In addition to the earlier ratios to calculate Council's Prudential Borrowing Limit, Council also considers the Cash Flow from Operations a KFI to determine whether it is generating adequate cash from operations to cover the replacement of assets over time.

Key Financial Indicators

Financial Indicator	Explanation	Target	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan	2032-33 Plan	2033-34 Plan	2034-35 Plan	2035-36 Plan
Operating Surplus Ratio	Expresses the operating surplus as a percentage of operating revenue.	0%-20%	1.8%	4.7%	3.3%	3.0%	3.2%	3.6%	3.7%	4.0%	4.5%	5.0%
Net Financial Liabilities	Expresses the financial liabilities as a percentage of operating income.	Less than 80%	36%	44%	50%	54%	56%	64%	69%	68%	66%	64%
Asset Renewal Funding Ratio	Expresses expenditure on asset renewals as a percentage of forecast expenditure required as per the asset management plans.	90%-110%	94.6%	95.5%	96.5%	97.5%	98.5%	100.0%	100.0%	100.0%	100.0%	100.0%
Asset Test Ratio	Expresses borrowings as a percentage of saleable property assets.	Maximum 50%	26%	24%	29%	31%	33%	39%	43%	42%	42%	40%
Interest Expense Ratio	Interest expense as a percentage of General Rates Revenue (less Landscape Levy).	Maximum 10%	1.9%	3.1%	3.4%	3.5%	3.4%	3.4%	3.6%	3.5%	3.1%	2.6%
Leverage Test Ratio	Expresses total borrowings relative to General Rates Revenue (less the Landscape Levy).	Maximum 1.5 years	0.51 Years	0.62 Years	0.73 Years	0.78 Years	0.81 Years	0.94 Years	1.01 Years	0.99 Years	0.95 Years	0.91 Years
Cash Flow fom Operations Ratio	Expresses operating income as a percentage of operating expenditure plus expenditure on renewal/replacement of assets.	Greater than 100%	102%	103%	102%	101%	99%	93% Significant Renewals	97%	103%	103%	104%
Borrowings	Expresses borrowings as a percentage of the Prudential Borrowing Limit (50% of saleable property assets).	Within Prudential Limits	52%	48%	57%	63%	66%	78%	86%	85%	83%	81%
	Expresses Borrowings (Gross of Future Fund) as a percentage of the Prudential Borrowing Limit (50% of Saleable Property Assets).	Within Prudential Limits	71%	62%	71%	76%	80%	91%	98%	97%	95%	92%

Legend: Within target range, at risk, breaches target

Risks and Opportunities

- Council rate revenue growth
- Government priorities (State and Commonwealth)
- Intergenerational Equity
- Interest rates
- Inflationary pressures - wages and materials
- Securing external funding
- Delivery of Property Strategy and Action Plan
- Delivery of prioritised actions of endorsed Strategies
- Asset valuations
- Prudential Borrowing Limits
- Ongoing impacts of Fuel Supply/Distribution Issues.

2026/27 LTFP Roadmap

Date	Forum	Role	Topic
12-Jun	ARC (Workshop)	Discuss	Building the LTFP Roadmap + High level parameters and projections (current LTFP)
21-Jul	CFG (workshop)	Discuss	LTFP Roadmap, Assumptions, Parameters and Levers
14-Aug	ARC (Report)	Endorse	Draft LTFP
18-Aug	CFG (Report)	Endorse	Draft LTFP for consultation
25-Aug	Council	Approve	Draft LTFP for consultation
26-Aug	Begin Public Consultation	Consultation	21 days public consultation ends (Strategic Management document)
15-Sep	End Public Consultation	Consultation	21 days public consultation ends (Strategic Management document)
22-Sep	Council (Report)	Note	LTFP consultation feedback
20-Oct	CFG (Report)	Endorse	Final 2026/27 LTFP
27-Oct	Council (Report)	Adopt	Adopt final 2026/27 LTFP

Key Discussion Points

What are Members' views…

on the assumptions proposed in the LTFP?

Thank you – questions or comments?

CITY OF ADELAIDE

What is the LTFP?

PRE- READING

- The Long Term Financial Plan (LTFP) 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 a projected 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.
- Legislatively, Council must adopt a LTFP within the first two years of being appointed. CoA's approach is to develop and adopt the LTFP in consultation with Council each year, and review it quarterly to reflect the latest available information.
- Key outputs include a comprehensive set of financial indicators and forecast financial statements in accordance with legislative requirements.

Financial Sustainability

PRE- READING

The Australian Local Government Association's definition of financial sustainability is as follows:

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

It is based on the premise that:

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

Basis of Preparation

PRE- READING

Projecting forward, the LTFP considers:

- The 2026/27 budget, which forms the 'base' year, with assumptions applied to subsequent years, adjusted for known structural changes
- Council's 2024-2028 Strategic Plan, Infrastructure and Asset Management Plans, and adopted Strategies, including planned investment in new projects and infrastructure
- The social, economic and political environment, including indicators such as population growth, inflation and interest rates
- Anticipated changes in future service levels that reflect the needs and expectations of the community
- 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.

Financial Principles

PRE- READING

Council has endorsed the following Financial Principles:

- Transparency in decision making
- Continue to deliver a minimum of the current suite of services and asset maintenance, indexed in line with Consumer Price Index (CPI)
- Fees and charges reflect cost of services provided
- Maintain the rating system
- Maintain an operating surplus
- Capitalise on external funding, fast-tracking projects that attract such funding, recognising the potential need for increased borrowings in order to respond to external funding opportunities
- Consider new and different revenue streams and the approach to commercial businesses to reduce reliance on existing revenue sources
- Adjust rate revenue after consideration of all other budget components and use growth in rate revenue to partly fund servicing new rateable properties and to service new borrowings.

Financial Principles cont…

PRE- READING

- Capital renewal expenditure will be based on asset management plans
- Borrowings will be used to fund new and upgrade capital projects and not used to fund operations, expenses or capital renewal projects
- Short term borrowings will be used to fund the Asset Renewal Repair Fund (ARFR)
- Generate cash flow from operations ratio above 100% to generate adequate cash flow to replace assets over time and to service the principal and interest associated with borrowings
- New or enhanced services, assets or maintenance requiring an increase in operating costs are to be funded from the adjustment of priorities, rate revenue or other revenue increases and/or through savings
- Consider the disposal, purchase and /or repurposing of property assets to unlock the potential and future prosperity of the City, without incurring a financial loss.

Key Assumptions
Underpinning this LTFP

PRE- READING

The current adopted LTFP incorporates the following assumptions and parameters:

- Rates Revenue increases in line with forecast inflation (excluding growth from new developments)
- Fees and charges increased in line with forecast inflation
- Salaries and wages forecasts based on enterprise agreements; once expired, forecast inflation applied
- Other revenue and expenditure growth, in general, in line with forecast inflation
- Interest rates relative to market expectations
- Capital renewal expenditure in line with Infrastructure and Asset Management Plans (IAMPs), returning to 100% Asset Renewal Funding Ratio (ARFR) by 2027-28
- Capital enhancements (new and upgrade) in line with Council Decision to fund $15m over current term of council and assumed continuation.

Asset Renewal & Asset Management Plans

PRE- READING

- Infrastructure and Asset Management Plans (IAMPs), part of Council's suite of Strategic Management Plans, are reviewed in detail every four years to identify asset condition and consumption to assist in resource and maintenance planning
- A desktop update is completed on an annual basis between the four-year cycle to ensure price escalation and asset condition is kept up-to-date
- Detailed modelling enables Council to optimise maintenance and renewal expenditure to ensure asset sustainability.

Asset Renewal Funding Ratio

PRE- READING

- The Asset Renewal Funding Ratio (ARFR) represents expenditure on asset renewals as a percentage of forecast expenditure required as per the asset management plans.
- 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.
- The revised AMPs determine the renewal requirement based on condition of the asset as well as the service levels approved by Council.
- The *Local Government Act 1999* (SA) recommends a target ratio between 90% and 110%. That is, council needs to renew between 90-110% of what is required within the AMPs for that given year
- The current adopted LTFP assumes a gradual ARFR increase from 94.5% in 2026/27 to 100% by 2030/31

Borrowings

PRE- READING

- Council must maintain and upgrade existing infrastructure, and provide new infrastructure to meet changing community needs
- To deliver these important projects and infrastructure, Council utilises money from the Local Government Financing Authority (a State-backed entity), which creates a debt, or money owed, to be repaid over a period of time (similar in concept to a housing loan)
- If Council were to fund infrastructure via rates only, rates would be higher than they are now and have been in the past - the current community would foot the bill for this infrastructure, which has a significant lifespan and will be utilised and benefited by not only the current community that paid for it, but by future communities that have not contributed to it
- Debt assists with funding new infrastructure and upgrades to existing infrastructure without severely increasing rates to do so - this is what is known as intergenerational equity, where everyone contributes equitably over time to the infrastructure they utilise.

Prudential Limits

PRE- READING

The maximum level of debt is prescribed by way of **prudential limits**. The upper limit is determined through financial indicators. When borrowing, Council will consider the following financial indicators:

Indicator	Asset Test Ratio	Interest Expense Ratio	Leverage Test Ratio
Calculation	Borrowings as a percentage of total saleable property assets	Interest expense as a percentage of General Rates Revenue (less Landscape Levy)	Total borrowings relative to General Rates Revenue (Less Landscape Levy)
Target	Maximum 50%	Maximum 10%	Maximum 1.5 years
Explanation	Similar to the Debt to Value Ratio (LVR) in that it compares the amount of borrowings against the value of assets, which are often used as security for loans. As many of Council's assets are not able to be sold, the calculation only includes the market value of building assets which can be sold	This ratio measures the affordability of Council's debt. The ratio indicates the percentage of rates revenue attributed to servicing the debt on an annual basis.	Similar to a debt-to-income ratio (DTI), it compares the amount of debt to overall income. The Ratio indicates the time it would take to repay borrowings through Council's controllable revenue source, general rates revenue.

Council is conservative in setting the prudential limit. The appetite of Council members for debt will be explored through the development of the LTFP and prudential limit settings.

Treasury Policy

PRE- READING

Council's Treasury Policy sets out the level of overall borrowing that Council can sustain, and considers the following:

- Strategic planning for the future, covering short, medium and long-term spending and investment requirements
- Current and estimated future revenues and the ability to increase the revenue stream through rates growth, user charges, additional grant funds or commercial activities
- That borrowings can be a critical component of the funding mix to enable Council to respond to immediate, unforeseen pressures, and to leverage future opportunities, including matching external grant funding for revenue generating assets, strategic infrastructure works, and non-revenue generating projects
- That the use of borrowings to fund capital expenditure can be effective in linking the payment for an asset to the successive ratepayer base who will benefit over the life of that asset - this user pays matching concept is known as intergenerational equity
- Current and future funding needs for both operating and capital expenditures

Treasury Policy cont…

PRE- READING

- The 'risk appetite' of Council, as defined by Council's prudential limits
- That the achievement of a low level of debt or even debt free status should not be primary goals in and of themselves, rather that long-term financial strategies should aim for a financial structure where annual operational expenditure and asset renewals are met from annual funding sources such as rates, fees and charges or operating grants.

Risks and Opportunities

PRE- READING

- The LTFP, whilst based upon latest available information, is a future projection and subject to change and risk
- The LTFP is a tool for Council to assess the long-term financial impact of its decisions
- Council has endorsed several new Strategies and Plans during its current term - these need to be costed and prioritised for inclusion in the LTFP
- Inherent risks, such as unforeseen economic, political, environmental and market changes, are difficult to anticipate - on this basis, key risks should be considered to guide future actions and opportunities.

Key risks

PRE- READING

Examples of key risks include:

- Interest Rate Risk: interest rate movements can impact Council's ability to sustain and repay borrowings
- Inflationary pressures on materials: movement in materials costs, especially for infrastructure, can impact delivery cost, and the value of our assets and renewal commitments
- Inflationary pressures on wages: cost of living pressures may result in higher wage increases through Enterprise Agreements in the medium to long term
- Community capacity to pay: ability to generate required rate revenue increases to meet funding demands
- Growth aspirations: operational and capital cost pressures to provide necessary hard and soft infrastructure for a higher number of residents.

Opportunities

PRE- READING

Examples of opportunities include:

- Growth aspirations: increased rate revenue (spread across more residents), boost to local businesses (through higher local spend) and shift in rate burden from business to residential properties
- Commercial initiatives: parking?
- Parking changes across the city: boost access to businesses through behavioural change
- Grant and co-contributions funding from external providers including State and Federal Governments.