

# Adoption of the 2022/23 Business Plan and Budget

Tuesday, 28 June 2022  
Special Council

Strategic Alignment - Enabling Priorities

**Program Contact:**  
Bree Goodchild, Manager  
Strategy, Insights & Performance

Public

**Approving Officer:**  
Amanda McIlroy - Chief  
Operating Officer

## EXECUTIVE SUMMARY

The 2022/23 Business Plan and Budget (BP&B) is the key operational and financial plan for the City of Adelaide which outlines how we will deliver the annual priorities set in the 2020-2024 Strategic Plan. The BP&B outlines the annual priorities, services and projects we plan to deliver, our sources of revenue, and how we propose to allocate budget. It is provided in **Attachment A** to this report.

In 2022/23 we will continue to focus on responsible financial management without any impact to services, maintain our range of quality services and facilities to deliver good outcomes for our community, and commit to 'future proofing' and continued support of COVID-19 recovery.

We have invested more than \$20m in support programs to reignite our city, directly assisting businesses across the CBD and North Adelaide and creating compelling reasons for people to return to our streets, offices, venues and park lands.

Our budgeted expenditure for 2022/23 is \$313.4m across operating and capital budgets. The budget includes strategic projects, services and activities that support the city's cultural and economic development, and capital projects that maintain and upgrade infrastructure within the city and Park Lands.

Strong leadership and sensible financial management have seen us steadily improve our financial position in recent years and we have achieved \$24.7m in permanent savings in the last two years. To further our commitment to robust financial management, transparent decision making and effective service delivery, we continue to review and improve services and have included within the BP&B a further budget offset of \$4.8m.

The BP&B has an operating surplus position of \$0.087m, with total borrowings of \$39.8m, at the end of 2022/23.

The ongoing effects of the COVID-19 pandemic on the City have impacted Council's operating position. There are new recent disruptions globally and locally that have also put pressure on Council's operations, related to supply chains, cost of materials and resources, inflation and wage growth. There are limited financial levers available to Council when making budget decisions. Any Council decisions which result in a reduction of expenditure, will impact services provided to the community.

The City of Adelaide Subsidiary BP&Bs are also provided for adoption at **Attachments B, C and D**. They outline the deliverables of our subsidiaries for the year ahead and are funded through Council's BP&B. The critical work of the Adelaide Economic Development Agency (AEDA) in supporting city and residential growth, business and visitor growth, and branding and marketing for the city continues to be widely relied upon and sought after by our business community. The Adelaide Central Market Authority's (ACMA) role in overseeing the management and operation of the market, enhancing its iconic and broadly known brand, vibrancy and diversity continues to attract visitors to our city, has supported our local traders and improved commercial viability of the Markets. Kadaltilla / Park Lands Authority continues to provide quality advice to Council and State Government on key matters relating to the Park Lands.

Consultation on the draft BP&B was undertaken from 13 May to 6 June 2022, with a public hearing hosted during the Council meeting on the 14 June 2022, at which time Council also considered the analysis and verbatim comments received during the consultation period. As the external consultation was largely supportive of the draft BP&B, no direct changes are proposed as a result of the consultation.

After the draft BP&B was made for public consultation, additional grant funding has been allocated through the State Budget, including \$4m for Mainstreets, \$2m for a Park Lands Sport Hub and \$0.255m for the Roads to Recovery program. Council's commitment of \$1m to support the greening of our city and increasing tree canopy continues, despite the removal of the Green City Streets program by the new State Government.

## RECOMMENDATION

### THAT COUNCIL

1. Approves the Business Plan and Budget 2022/23 document set out in Attachment A to Item 4.1 on the Agenda for the Special meeting of the Council held 28 June 2022, having considered all submissions made during the public consultation period.
2. Approves the Adelaide Economic Development Agency (AEDA) Subsidiary Business Plan and Budget 2022/23 as included in Attachment B to Item 4.1 on the Agenda for the Special meeting of the Council held on 28 June 2022.
3. Approves the Adelaide Central Market Authority (ACMA) Subsidiary Business Plan and Budget 2022/23 as included in Attachment C to Item 4.1 on the Agenda for the Special meeting of the Council held on 28 June 2022.
4. Approves the Kadaltilla / Adelaide Park Lands Authority Subsidiary Business Plan and Budget 2022/23 as included in Attachment D to Item 4.1 on the Agenda for the Special meeting of the Council held on 28 June 2022.
5. Approves in accordance with section 134 of the *Local Government Act 1999 (SA)* (the Act) borrowings of up to a maximum debt ceiling of \$39.8m prior to 30 June 2023 in a manner complying with the Act. Council approves the affixation of the common seal to any borrowing's documentation within the approved maximum.
6. Authorises the Chief Executive Officer to make any necessary changes to the final Business Plan and Budget 2022/23 documents arising from this meeting, together with any editorial amendments and finalisation of the document's formatting and graphic design.

# IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Enabling Priorities</b> The deliverables and objectives set out in the BP&B 2022/23 support delivery of year 3 of the 2020-2024 Strategic Plan
Policy	The 2022/23 BP&B has been prepared in accordance with Council's current Long-Term Financial Plan (LTFP) assumptions and endorsed Financial Policies. The approved public consultation was undertaken in accordance with Council's Public Communication and Consultation Policy.
Consultation	A public consultation process on the Draft BP&B 2022/23 and documents included as attachments to this report commenced at 9.00am on Friday 13 May 2022 and concluded at 9.00am on Monday 6 June 2022.
Resource	The BP&B 2022/23 identifies how Council's resources will be allocated in meeting the 2022/23 deliverables and objectives of the Strategic Plan.
Risk / Legal / Legislative	<p>Council's BP&amp;B 2022/23 is developed in accordance with section 123 of the <i>Local Government Act 1999 (SA)</i> (the Act), and sections 6 and 7 of the <i>Local Government (Financial Management) Regulations 2011</i> (the Regulations).</p> <p>The new provisions of Section 123 of the Local Government Act 1999 are now operational. A summary of the key changes that impact this process is provided:</p> <ul style="list-style-type: none"> <li>• Section 123(6a) - Any changes from the draft to the final adopted BP&amp;B must be summarised in the final document</li> <li>• Section 123(7a) - A budget of Council may authorise the entry into borrowings and other forms of financial accommodation up to the amount specified in the budget.</li> <li>• Section 123(8) - The date by which the BP&amp;B must be adopted, and the declaration of general rates has been decreased by 2 weeks to 15 August annually.</li> <li>• Section 123(10) – A regulation making power to prescribe additional requirements relating to the presentation of BP&amp;B (no regulations implemented)</li> </ul> <p>Amendments to the Financial Management Regulations include:</p> <ul style="list-style-type: none"> <li>• total expected revenue from general rates for the financial year compared to the total expected revenue from general rates for the previous financial year</li> <li>• a statement on the percentage change in the total expected revenue from general rates for the financial year compared to the total expected revenue from general rates for the previous financial year</li> <li>• if relevant, a statement on the average change in the expected rates for the financial year (expressed as a whole number of dollars) for each land use category declared as a permissible differentiating factor compared to the expected rates for each category for the previous financial year</li> <li>• Growth in relation to general rates, may only relate to growth in the number of rateable properties (and must not relate to growth in the value of rateable properties).</li> <li>• These changes will be presented by Councils in a consistent way by June 2023 that councils will include a funding plan as part of the LTFP.</li> </ul>
Opportunities	Public consultation is a key part of the BP&B process. The BP&B provides a pathway for the community to share their input and feedback with Council on those issues that affect them and the services they most value.
21/22 Budget Allocation	Not as a result of this report
Proposed 22/23 Budget Allocation	The 2022/23 BP&B provides the proposed budget for 2022/23 financial year.

Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
21/22 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

.....

# DISCUSSION

## Background

1. The *Local Government Act 1999 (SA)* (the Act) requires that a Business Plan & Budget (BP&B) must be drafted by Council, consulted on with the community and adopted annually by Council after 31 May for the ensuing financial year, and, except in a case involving extraordinary administrative difficulty, before 15 August for the financial year.
2. Council's BP&B makes a commitment to our community about the services, facilities and programs that will be delivered in the subsequent 12 months, and is drafted based on the strategies, plans and resolutions of Council.
3. The BP&B also reflects the annual strategic and operational priorities for the 2022/23 period to ensure legislative priorities are met.
4. The budget includes an item of \$4.8m to offset significant depreciation impacts resulting from asset revaluations. Our asset management approach will be improved to ensure depreciation impacts of this nature do not occur in the future and we will provide an update to Council in October 2022.
5. Once adopted, the Administration will commence delivery and implementation of the BP&B and will report our achievements to Council on a quarterly basis. This is an important transparency and accountability measure to ensure the community and Council have assurance on the outcomes for the community and that services continue to be delivered to a high standard.

## Preparation of the BP&B

6. Strong leadership and sensible financial management have seen us steadily improve our financial position. We have achieved permanent savings through efficiency and additional income of \$24.7m over two financial years, while continuing to deliver value for money for our ratepayers by not increasing the rate in the dollar for nine consecutive years and freezing most fees and charges. Over the past 3 years we have:
  - 6.1. Continued to be transparent about our financial position and will continue to provide regular oversight for our Council Members, ratepayers and city businesses.
  - 6.2. Reviewed the range of financial levers that can be utilised to create future capacity to support City recovery and have adopted Recovery Principles.
  - 6.3. Revised the presentation of quarterly financial and performance reports for greater clarity
  - 6.4. Developed a Long Term Financial Plan (LTFP) that enables Council to model and test the impact of various scenarios.
  - 6.5. Revised the Treasury Policy and prudential limit ratios to better reflect Council's ability to fund and service existing and future debt.
  - 6.6. Undertaken a Strategic Property Review to identify underperforming assets and to ensure we are getting maximum return on our investments.
  - 6.7. Created the "Future Fund" as a reserve fund to enable Council to fund the purchase of future income generating assets or to invest in strategic capital projects using the sale proceeds of Council assets.
  - 6.8. Adopted an Asset Accounting Policy and Fixed Asset Guidelines.
  - 6.9. Undertaken a comprehensive review of our organisational structure and services, which delivered \$20m in permanent operating savings in 20/21.
  - 6.10. Permanently sustaining the \$4.75m budget repair (efficiencies and income) achieved in the previous financial year, whilst maintaining quality services for the community.
  - 6.11. Created the Adelaide Economic Development Agency to drive growth and reinvigorate the economy.
  - 6.12. Revised our rating policy and have advocated for changes to rating exemptions and rebates.
  - 6.13. Defined our Asset Management objectives and consulted on our Strategic Asset Management Plan.
7. Preparation of this document commenced in October 2021 and a timetable for consideration and adoption was presented to a Council workshop in November 2021. Workshops were held with Council Members in December 2021, January, February and March 2022, with public consultation in May 2022, consideration of community feedback in early June 2022 and proposed adoption at the end of June 2022 ahead of the new financial year commencing 1 July 2022.
8. Throughout these workshops and discussions, key themes emerged:

- 8.1. Future proofing the city.
- 8.2. Financial sustainability.
- 8.3. Service efficiency.
9. To address these themes Council is committed to:
  - 9.1. Continuing provision of critical economic planning, advancement and support services for the community through Council's subsidiary, AEDA.
  - 9.2. Investing in and supporting major projects such as 88 O'Connell and the Central Market Arcade redevelopment (Market Square). Both major projects are critical to current and future job creation and economic growth for the city. Council is committed to continuing the levels of service and supporting the role in visitor attraction provided by the Adelaide Central Markets, with \$1m in renewals investment delivered through Council's subsidiary, ACMA.
  - 9.3. Maximising commercial revenue sources and identifying new revenue opportunities to reduce Council's reliance on rate increases, reducing the burden on Council's ratepayers.
  - 9.4. Working with key stakeholders and seeking partnership and grant opportunities to generate additional income sources that further the community's asset base, and cultural, environmental, social, heritage and economic outcomes.
10. A workshop on budget parameters and assumptions was held with Council in November 2021, providing Council Members with insights into rates revenue, market assumptions (valuations), other revenue and base service delivery costs and the LTTP updated assumptions. As a result, the following budget parameters were adopted as a decision of Council on the 27 January 2022:
  - 10.1. *Adopts the following expenditure and revenue targets which are consistent with the recovery principles adopted by Council on 30 June 2020, to enable the preparation of the Draft 2022/23 BP&B.*
  - 10.2. *No change to the Residential and Non-Residential valuations and rate in the dollar (excluding corrections, growth and new developments).*
  - 10.3. *Total statutory and non-commercial fees and charges revenue increased by CPI or statutory increase.*
  - 10.4. *Commercial Revenues to return to 90% of pre-COVID-19 levels at a minimum, reviewed & updated at Q1 2022/23.*
  - 10.5. *Strategic Project expenditure target not exceeding \$5.4m.*
  - 10.6. *Expenditure increases for CPI only affected where necessary.*
  - 10.7. *Salary and wages to be adjusted in accordance with relevant agreements.*
  - 10.8. *A surplus operating position is delivered.*
  - 10.9. *Notes the budget assumptions for the preparation of the draft 2022/23 BP&B of Capital expenditure on renewal and replacement of existing assets based on an asset sustainability ratio of 90%.*
  - 10.10. *Notes the project prioritisation framework that will be used to prioritise the existing projects outlined in the service delivery plans to be presented for consideration in the draft 2022/23 BP&B.*

### **Summary of the Consultation Process**

11. A four-week consultation period, from 13 May to 6 June 2022, ensured our community had an opportunity to have their say on the draft BP&B for Council and its subsidiaries.
12. During the consultation period:
  - 12.1. 975 people visited the webpage and 328 downloaded consultation documents. 72 surveys and 17 'Quick Poll' responses were completed by 85 different people.
  - 12.2. Twenty written submissions were received.
13. The draft BP&B consultation specifically sought community feedback on the priorities and services proposed.
  - 13.1. 46% of respondents supported all the Strategic Annual Priorities. A further 48% supported "some of them".
  - 13.2. 46% of respondents supported all the Strategic Projects, and 47% supported "some of them".
  - 13.3. 22% of respondents supported all the New and Significant Upgrades starting in 2022-2023 as part of Capital Projects. A further 71% supported "some of them".
  - 13.4. 70% of respondents were satisfied or very satisfied overall with Council's service delivery.

- 13.5 The services most likely to meet or exceed expectations were: Arts, Culture and Events; Library Services; and Resource Recovery and Waste Management.
14. A summary version and a detailed copy of what was heard from the community consultation was received and noted by Council at a special meeting of Council on 14 June 2022.

#### **Statement from the Audit & Risk Committee**

15. The Audit and Risk Committee sought independent advice regarding the financial and accounting implications of the contracts associated with the major projects for 88 O'Connell Street and the Central Market Arcade Redevelopment (Market Square).
16. The Audit and Risk Committee:
- 16.1. Does not have a role to comment on the merit of the project, only to assess the implications on the financial sustainability of Council.
  - 16.2. Has reviewed the independent advice and discussed the details with the City of Adelaide CEO, management and the External Auditors.
  - 16.3. Acknowledges that recognition of interest during development, as required under Australian Accounting Standards, is a timing issue only, which will be resolved once the developments are complete, when the interest is returned to Council.
  - 16.4. Are not aware of any adverse, long term financial implications for Council associated with these contracts.
  - 16.5. Is satisfied that the successful delivery of these contracts should improve Council's financial sustainability, consistent with the objectives of the Strategic Property Review, endorsed by Council.

#### **Summary of Changes**

17. The overall operating position in the draft BP&B was \$200,000 deficit. As a result of further review and identification of new opportunities, the final BP&B proposes a surplus position of \$870,000.
18. The following updates have also been made to the final BP&P:
- 18.1. The inclusion of a message from the Lord Mayor and CEO as an introduction to the document.
  - 18.2. The inclusion of a new section articulating the Partnerships and Grants that Council supports and fosters to achieve improved outcomes for the community.
  - 18.3. Clear articulation of Council's subsidiaries and the service and business activities they offer in new dedicated Service Delivery Plans.
  - 18.4. The deliverables from the Social Economic and Planning Service from the Draft document have been redistributed, as well as the inclusion of the deliverables and budget from Council's Subsidiaries (AEDA, ACMA and Kadaltilla / Adelaide Parklands Authority), across the following services:
    - 18.4.1. Economic Planning and Growth (new)
    - 18.4.2. Community Planning and Development
    - 18.4.3. Planning, Building and Heritage
  - 18.5. All corporate services programs are now shown as Service Delivery Plans, consistent with the representation of our community services.
  - 18.6. Inclusion of financial implications based on accounting standards for the two major contracts associated with 88 O'Connell Street and Central Market Arcade (Market Square). Further detail on this adjustment is provided in the LTFP and in paragraph 15 above.
  - 18.7. Inclusion of a State Government grant income for Park Lands Sport Hub \$2m and Roads to Recovery \$0.255m. This has also resulted in a reprioritisation of the renewal program to take advantage of co-contributions.
  - 18.8. Council resolved to freeze most fees and charges at its meeting on 14 June 2022 including fees for Park Lands events usage. The budget impact of these changes is a reduction in revenue of \$0.9m.
19. As a result of \$4m of additional funding from the State Government, the Mainstreets project has moved from a Project Opportunity to the Capital Projects list. This also appears in the Project Highlights section of the report.
20. Council's commitment of \$1m to support the greening of our city and increasing tree canopy continues, despite the removal of the Green City Streets program by the new State Government.

21. The Cool Corridor Programs (City of Adelaide was seeking \$1m of grant funding from the previous State Government) has been removed from the list of project deliverables and placed in the opportunities list. If Council wishes to consider delivering this project without external funding, it could be funded through borrowings for delivery in 2022/23.
22. A list of project opportunities is provided on page 49 of the 2022/23 BP&B. This is a list of projects which are unfunded, uncosted and have not yet been assigned to Council's Capital Works Program for 2022/23. In 2022/23, we will continue to identify service efficiencies to create capacity, explore partnership opportunities and pursue external grant funding. Where this is successful, projects will be reconsidered based on priority, cost, timing impacts, availability of resources and materials, risks, potential outcomes and community benefit and brought to Council for discussion and adoption.
23. There are no other recommended changes to Capital or Strategic Projects as a result of public consultation.

#### **Adelaide Economic Development Agency 2022/23 BP&B**

24. AEDA's 2022/23 BP&B is presented in **Attachment B** to this report for consideration and addresses the Agency's four strategic focus areas of:
  - 24.1. City and Residential Growth
  - 24.2. Business Growth
  - 24.3. Visitor Growth
  - 24.4. Brand and Marketing
25. Key elements of AEDA's budget are as follows:
  - 25.1. AEDA is forecasting revenue of \$11m in 2022/23. This will comprise:
    - 25.1.1. The Rundle Mall Differential Rate (Levy) of \$3.8m based on average property valuations, noting the rate in the dollar for 2022/23 has remained unchanged.
    - 25.1.2. Income from sources such as concessions, casual mall leasing and sponsorship arrangements.
    - 25.1.3. General rate funding as allocated from the City of Adelaide Budget.
  - 25.2. Expenditure is budgeted at \$11.0m for 2022/23. This expenditure is directed towards specific actions per the business plan and budget for each strategic focus area and include resource, program, events and marketing costs.
    - 25.2.1. AEDA has no proposed capital budget for 2022/23.
    - 25.2.2. AEDA has several proposed Strategic Projects for 2022/23, with a focus on events and sponsorship.

#### **Adelaide Central Market Authority 2022/23 BP&B**

26. The ACMA 2022/23 BP&B is presented in **Attachment C** to this report for consideration, and addresses the Authority's responsibility to:
  - 26.1. Oversee the management and operation of the Market.
  - 26.2. Be responsible for maintaining and enhancing the iconic standing of the Market for the benefit of all stakeholders.
  - 26.3. Be responsible for the Market being recognised locally and internationally as a vibrant, diverse and unique fresh produce market community that is commercially sustainable for traders and the City of Adelaide.
  - 26.4. Contribute to the development of the wider market district.
  - 26.5. Be financially self-sufficient in terms of its operations.
27. Key elements of ACMA's budget are as follows:
  - 27.1. ACMA is forecasting revenue of \$4.2m in 2022/23. This will comprise:
    - 27.1.1. Approximate market complex income of \$4.2m.
    - 27.1.2. Rent escalations with fixed percentage or CPI at 2%.
    - 27.1.3. Other administration income, including sales of merchandise and items through the Central Market office.



27.2. Expenditure is budgeted at \$4.5m for 2022/23. This expenditure is directed towards specific actions per the business plan and budget for each strategic focus area and includes resource, e-market and marketing costs.

27.2.1. ACMA also has a proposed capital budget of \$1.5m for 2022/23 and this has been incorporated as part of the consolidated City of Adelaide capital budget.

27.2.2. ACMA has no proposed Strategic Projects for 2022/23.

#### **Kadaltilla/Park Lands Authority 2022/23 BP&B**

28. The Kadaltilla/Park Lands Authority's 2022/23 BP&B is presented in **Attachment D** to this report for consideration, and addresses the Authority's:
- 28.1. Core responsibility of providing advice to Council and State Government on key matters relating to the Adelaide Park Lands, including development and implementation of policies, management plans and projects.
  - 28.2. Support for activities including, the development of the Adelaide Park Lands Management Strategy, the Business Plan and Annual Report and conducting community forums.
29. For 2022/23 the Authority's budget seeks an allocation from Council of \$0.2m in supporting the Authority's work, including:
- 29.1. Payment of sitting fees (\$46,000).
  - 29.2. Adelaide Park Lands Art Prize Sponsorship (\$15,000).
  - 29.3. External advice (if required) (\$5,000).
  - 29.4. Advertising / promotion (\$4,000).
  - 29.5. Insurance and Audit (\$20,573).
  - 29.6. Support fees, including audit and administration fees (\$7,878).
  - 29.7. Authority Advisor Salary & Oncosts (\$119,283).

#### **Future Budget Reviews**

30. The Local Government (Financial Management) Regulations 2011 require Council to perform a review of the budget at least twice a year. It is anticipated that the first review of the 2022/23 budget will occur in October 2022.
31. This first budget review will include the following adjustments as a matter of normal course of business:
- 31.1. Finalisation of capital carry forward projects based on the finalisation of 2021/22 results. This will enable the precise calculations of project spends as at 30 June 2021 and remaining budgets will be brought forward for programs of work underway.
  - 31.2. Reconciliation of rate revenue based on declared rates and valuations. Ensuring the accuracy of rates valuations, inclusion of all new developments and application of rebates can only occur post declaration from Council. As a result, final reconciliation of revenues generated will occur post declaration and any adjustments will be included in the first budget review.
  - 31.3. Reporting on the delivery of the achievement of the \$4.8m budget offset and an update on the depreciation review.
  - 31.4. Any other significant variations to budget for items that have ongoing and/or permanent impact to service delivery.

---

## **ATTACHMENTS**

**Attachment A** – 2022/23 Business Plan and Budget

**Attachment B** – Adelaide Economic Development Agency 2022/23 Business Plan and Budget

**Attachment C** – Adelaide Central Market Authority 2022/23 Business Plan and Budget

**Attachment D** – Kadaltilla / Park Lands Authority 2022/23 Business Plan and Budget