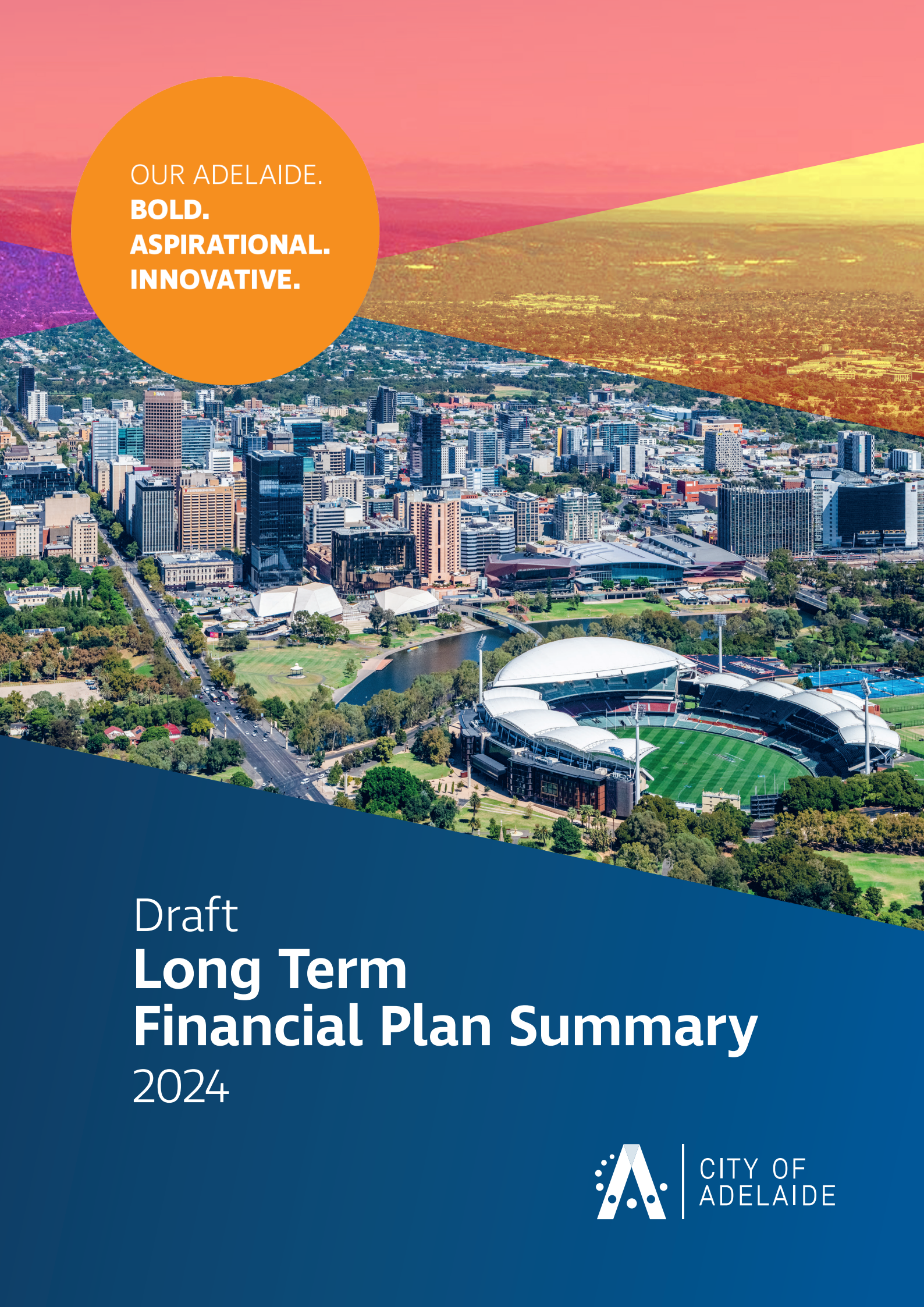


An aerial photograph of Adelaide, Australia, showing the city skyline, the River Torrens, and the Adelaide Oval stadium. The image is overlaid with a large orange circle in the top left and a yellow-to-orange gradient shape in the top right. The bottom of the image is a solid blue gradient.

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Draft
**Long Term
Financial Plan Summary**
2024



CITY OF
ADELAIDE

Summary and highlights of the Long Term Financial Plan (LTFP pp. 2–3)

Council is required to adopt a Long Term Financial Plan (LTFP) for a period of at least ten years and review it annually. It is a tool to guide long-term sustainable financial decision-making. The LTFP is one of Council's central strategic management plans.

The LTFP suggests that given what we know right now, the City of Adelaide is currently financially sustainable and can remain so, subject to future decisions of Council. Future financial sustainability will depend on:

- Council's decisions being in line with adopted financial principles
- Continued growth in rates and commercial activity revenue, keeping up with growth in expenses
- Commitment to funding the renewals required by the Asset Management Plans
- Borrowing for new and upgrade assets within prudential borrowing limits
- Getting State or Commonwealth funding to support the renewal of the Torrens Weir and Adelaide Bridge.

Highlights of the 2024/25 LTFP:

- Solid operating surpluses over the life of the plan show we are not spending more than we earn. Expected revenues are higher than operational costs. (LTFP Chart 1, p.19).
- All Key Financial Indicators are within targets except for Cashflows from Operations between 2027/28 – 2030/31 due to costs for significant renewals (LTFP p.32)
- A new Asset Renewal Repair Fund will fund \$14.9 million of necessary and planned existing asset replacement, through a combination of manageable short-term debt and limited rate increases. This will balance community capacity to pay and community expectations about condition of assets (eg buildings, roads, footpaths, etc).
- Long-lived (intergenerational) assets renewals are outlined in the LTFP. Funding contributions from State and Commonwealth will help to minimise borrowings for these. The LTFP acknowledges those contributions are not guaranteed, and Council may have to pay for the entire renewal (\$42 million more), which would require re-prioritisation of new and upgrade assets to be funded.

- New and upgrade capital spending reflects Council's commitment to deliver Main Street upgrades in the current term of Council.
- 1.5% of rate revenue will fund Park Land buildings upgrades.

Financial sustainability principles (LTFP pp. 4–6)

Council's financial decision-making and the LTFP are guided by the following principles:

- Transparency in decision making.
- Fair and equitable setting of rates, fees and charges.
- Service delivery reflects community needs.
- Continue to deliver the current suite of services and asset maintenance.
- Fees and charges reflect cost of service provision.
- Maintain the current rating system.
- Maintain an operating surplus.
- Capitalise on external funding.
- Consider new and different revenue streams.
- Only adjust rate revenue after consideration of all other budget components and use it to service new rateable properties and new borrowings.
- New or more services, assets or maintenance, funded by rates or other revenues, savings, or by re-prioritising – not from borrowings.
- Capital renewal expenditure based on asset management plans and prioritised based on asset condition and risk.
- Proceeds from sold assets will provision a future fund, to invest in future revenue-generating assets.
- Consider disposal, purchase or repurposing of property assets for potential and future prosperity of the city, without financial loss.
- Borrowings used to fund new and upgrade projects not to fund operations, expenses or maintenance.
- Short term borrowings will be used to fund an Asset Renewal Repair Fund, spreading the increased spending from revised Asset Management Plans over a longer period, and paid for through sustainable rate increases.
- Generate a cash flow from operations ratio greater than 100% to generate adequate cash from operations to replace assets over time and to service new debt associated with new and upgraded assets by being able to repay the principal and interest associated with those borrowings.

Basis of preparation (*LTFP p.7*)

This LTFP builds on the work undertaken for the 2024–28 Strategic Plan, Infrastructure Asset Management Plans and 2024/25 Business Plan and Budget. It is underpinned by Council's adopted financial principles, existing Council decisions and the best available economic information.

Trends and assumptions shaping the LTFP (*LTFP pp. 8–13*)

- Council revenues increase with inflation and rates from new rateable properties.
- Council staff wages increase per Enterprise Agreements and by inflation after those agreements.
- Planned asset replacement drives capital renewal expenditure, and aims for a gradual return over eight years to 100% spending on the expenditure amount defined in the Asset Management Plan.
- Significant asset renewals in the LTFP include the Adelaide Bridge, Torrens Weir structure and Rundle UPark. (*LTFP pp.10–11, table 2*)
- Asset management plans were revised in 2024 requiring an additional \$14.9 million for necessary annual work. The Asset Renewal Repair Fund will fund this through a combination of manageable short-term debt and limited rate increases. (*LTFP p.11*)
- Planned new asset and upgrade projects include Main Street upgrades for Hindley, Gouger, O'Connell, Melbourne and Hutt streets (*LTFP p.12, Table 3*)

Risks and opportunities (*LTFP pp.14–16*)

Unforeseen economic, political, environmental and market changes can positively or negatively impact long-term financial sustainability. Council monitors risks and opportunities including:

- Revenue growth (rates, fees/charges)
- State Government legislation impacting Council's ability to raise revenues
- Unexpected interest rate rises
- Uncertainty regarding State and Commonwealth grant funding
- Real estate market impacting sale of Council assets
- Inflation increasing material and wage costs
- Changing value of assets
- Council decisions

Sensitivity analysis ('what if' scenarios) (*LTFP pp.17–18*)

Different options were modelled to understand possible financial outcomes Council may need to plan for, including:

- Short term financial pressure caused by prioritising specific projects
- Different levels of planned renewal/replacement spending (Asset Renewal Funding Ratio)
- Different costs for significant infrastructure renewal projects
- Spreading Main Street upgrades over a longer timeframe, and completing them one at a time.

Key financial indicators (*LTFP pp.19–24, table p.32*)

Monitoring financial indicators helps manage financial risks to ensure financial sustainability. The nationally recognised indicators used for general financial health across the local government sector are:

- Operating Surplus Ratio
- Net Financial Liabilities Ratio
- Asset Renewal Funding Ratio.

Council keeps debt manageable through its Prudential Borrowing Limit based on:

- Asset Test Ratio
- Interest Expense Ratio
- Leverage Test Ratio
- Cashflow from Operations Ratio.

The 'traffic-light health check' is the Key Financial Indicators table on *LTFP p.32* which shows the expected financial position each year. It shows a sustainable financial position throughout the ten year LTFP, noting:

- Funding the Adelaide Bridge, Torrens Weir and Rundle UPark could push Cash Flow from Operations below the target range between 2027–28 to 2030–31 unless Council decisions and actions are taken.
- Council's borrowing limit is reached in 2030/31.

Financial statements (LTFP pp.25–31)

The financial statements show Council's financial position (assets, liabilities, and equity), financial performance (income and expenses) and cash flows. They are used by Council and its stakeholders to make financial decisions. Key points are that:

- A strong budget and sound financial management produce operating surpluses across the ten year LTFP (income higher than expenses).
- Value of Council assets should increase from \$1.8 billion to \$2.0 billion between June 2025 and June 2034.
- Council operations will generate enough cashflow to cover ongoing expenses and fund asset replacement. However, borrowings may be required to fund the Torrens Weir, Adelaide Bridge and Rundle UPark renewal projects.
- The end of 2024/25 funding position is forecast to require borrowing \$53.7 million.

