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CITY OF ADELAIDE

CITY FINANCE AND GOVERNANCE COMMITTEE

Agenda and Reports

for the Reconvened Special meeting on

Thursday, 2 October 2025

at 5.30 pm

in the Colonel Light Room, Adelaide Town Hall

Our Adelaide.
Bold.
Aspirational.
Innovative.

Members – The Right Honourable the Lord Mayor, Dr Jane Lomax-Smith
Councillor Dr Siebentritt (Chair)
Councillor Maher (Deputy Chair)
Councillors Abrahimzadeh, Cabada, Couros, Davis, Freeman, Giles, Martin, Noon and Snape

Agenda

Item **Pages**

1. Acknowledgement of Country

At the opening of the City Finance and Governance Committee meeting, the Chair will state:

'Council acknowledges that we are meeting on traditional Country of the Kaurna people of the Adelaide Plains and pays respect to Elders past and present. We recognise and respect their cultural heritage, beliefs and relationship with the land. We acknowledge that they are of continuing importance to the Kaurna people living today.

And we also extend that respect to other Aboriginal Language Groups and other First Nations who are present today.'

2. Apologies and Leave of Absence

Leave of Absence -

Councillors Cabada, Giles and Siebentritt

Apology -

The Right Honourable the Lord Mayor, Dr Jane Lomax-Smith

3. Declaration of Conflict of Interest

4. Deputations

5. Reports for Recommendation to Council

6. Closure

Agenda Item 5.1

2025/26 - 2034/35 Long Term Financial Plan - Draft for Public Consultation

Thursday, 2 October 2025

Special City Finance and Governance Committee

Strategic Alignment - Our Corporation

Program Contact:
Natalie Johnston, Associate Director Finance & Procurement

Public

Approving Officer:
Anthony Spartalis, Chief Operating Officer

EXECUTIVE SUMMARY

This report presents the Draft 2025/26 - 2034/35 Long Term Financial Plan for the Committee's consideration for the purposes of public consultation.

The *Local Government Act 1999* (SA) (Act) requires that a council must develop and adopt a Long Term Financial Plan (LTFP), for a period of at least 10 years (s122 (1a) (a)) which is reviewed annually (S122 (4) (a)).

This LTFP takes account of the 2025/26 adopted Business Plan and Budget (BP&B) as the base for its projections, building upon the work undertaken for the Asset Management Plans, and City of Adelaide Strategic Plan 2024-2028. It has been developed with regard to Council's adopted financial principles, Council decisions and the best available economic information. It is therefore a tool to guide decision-making in relation to future financial sustainability.

The Draft LTFP includes:

- A base operating surplus position over the life of the plan
- All Key Financial Indicators are within target ranges except for cashflows from operations between 2030/31 – 2032/33 due to an outlay on significant renewals
- A gradual return of the Asset Renewal Funding Ratio (ARFR) over 8 years to achieve 100% from 2031/32 onwards.
- Continuation of the Asset Renewal Repair Fund (ARRF) to fund the annual increase of $14.9 million from 2025/26 associated with the recently adopted Asset Management Plans (AMPs).
- AMPs are funded through operating revenue but in recognition of the need to balance the community's capacity to pay while ensuring community expectations are met, this LTFP assumes the use of short term borrowings to fund the ARRF.
- Significant renewals are required in the mid-long term of the LTFP in accordance with our AMPs. These assets by nature are intergenerational, and as such it is intended to fund them from borrowings and continue to advocate for external funding contributions (the previous LTFP assumed unsecured external funding of $42 million).

RECOMMENDATION

The following recommendation will be presented to Council on 14 October 2025 for consideration

<u>THAT THE CITY FINANCE AND GOVERNANCE COMMITTEE RECOMMENDS TO COUNCIL</u>

<u>THAT COUNCIL</u>

1. Approves the Draft 2025/2026 – 2034/35 Long Term Financial Plan document contained in Attachment A to Item 5.1 on the Agenda for the Special meeting of the City Finance and Governance Committee held on 2 October 2025 for the purpose of public consultation.

2. Approves a 21 day Public Consultation period in accordance with the *Local Government Act (1999)* (SA), commencing at 9.00am on Wednesday 15 October 2025 and concluding at 11.59pm on Tuesday 4 November 2025.
3. Notes the long term financial sustainability of the Long Term Financial Plan 2024/25 to 2033/34 based on the adopted assumptions.
4. Authorises the Chief Executive Officer to make any necessary changes to the draft 2025/26 Long Term Financial Plan document 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 2024-2028 Strategic Plan	Strategic Alignment – Our Corporation The Long Term Financial Plan is one of the City of Adelaide's legislatively required Strategic Management Plans. It is a fundamental part of responsible management and reporting of City finances, and underpins the City's financial sustainability.
Policy	The Draft 2025/26 to 2034/35 Long Term Financial Plan has been prepared in accordance with the 2025/26 Business Plan and Budget and endorsed Financial Policies.
Consultation	21 days consultation is recommended, rather than the six weeks for Strategic Management Plan documents outlined in the current CoA Community Consultation Policy. The proposed shorter consultation period is recommended as the community has been recently and extensively consulted on the 2025/26 Business Plan and Budget, and critical long-horizon documents underpinning the LTFP – specifically six Infrastructure and Asset Management Plans during late 2023 and early 2024, and the Strategic Plan 2024-2028. A public consultation on the Draft Long Term Financial Plan 2025/26 will open at 9.00am on Wednesday 15 October and close 11.59pm Tuesday 4 November 2025.
Resource	The 2025/26 BP&B and Draft 2025/26 to 2034/35 Long Term Financial Plan identifies how Council's resources will be allocated in meeting the 2025/26 deliverables and objectives of the Strategic Plan.
Risk / Legal / Legislative	Development of a Long Term Financial Plan is a requirement of the *Local Government Act 1999* (SA).
Opportunities	Public consultation is a key part of the LTFP providing the community with an opportunity to provide feedback on the draft. Community members can provide feedback on issues that affect them with the commitment of Council to provide pathways for their input.
25/26 Budget Allocation	Not as a result of this report
Proposed 26/27 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
25/26 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) (Act) requires that a council must develop and adopt a Long Term Financial Plan (LTFP), for a period of at least 10 years (s122 (1a) (a)) which is reviewed on an annual basis (S122 (4) (a)).

2. Following the Local Government Reform the LTFP must be provided to the designated authority on or before 30 September in the relevant financial year. Council was reviewed by the Essential Services Commission of SA (ESCOSA) in 2024/25, which for the purposes of the LTFP is the designated authority.

3. As a result of the Central Ward Supplementary Election, the development of the 2025/26 LTFP was delayed to ensure the incoming Councillors were able to provide input into the LTFP.

4. The LTFP forms part of Council's suite of Strategic Management Plans (SMPs), along with the City of Adelaide Strategic Plan 2024-2028 (Strategic Plan), Asset Management Plans (AMPs) and City Plan 2036, which must be adopted within two years of being elected.

5. The Act requires a Council's SMPs to address:

   5.1. The sustainability of the Council's financial performance and position

   5.2. The maintenance, replacement or development needs for infrastructure within its area, and

   5.3. Identification of any anticipated or predicted changes that will have a significant effect upon the costs of the Council's activities/operations.

6. S122 (4a) (a) also requires an annual report from the Chief Executive Officer on the sustainability of the council's long-term financial performance and position.

7. At its 10 June 2025 meeting, Council resolved that the LTFP be presented to Council by the end of October 2025 as part of the approval of the Chief Executive Officer's Draft KPIs.

8. At the Council meeting dated 25 June 2025, Council adopted the 2025/26 annual Business Plan and Budget.

9. This LTFP takes account of the 2025/26 adopted BP&B as the base for its projections and builds upon the work undertaken for the annual Business Plan and Budget, Strategic Plan and AMPs. It has been developed with regard to Council's adopted financial principles, Council decisions and the best available economic information and is a tool to guide decision-making in relation to future financial sustainability.

10. The 2025/26 to 2034/35 LTFP is modelled on certain trends and assumptions, particularly:

    10.1. The LTFP assumes rate revenue increases in line with the Consumer Price Index (CPI), combined with growth of 1% associated with new rateable properties.

    10.2. Most expenses are escalated by CPI.

    10.3. CPI, which is forecast by various bodies, is the preferred escalator over Local Government Pricing Index (LGPI), which is a lag indicator.

    10.4. Current assumptions for CPI are based on SA Centre for Economic Studies forecasts, June 2025.

    10.5. Enterprise Agreements are used as the basis for salaries and wages increases, noting the differing timeframes associated with each agreement, with CPI used beyond agreement expiries.

    10.6. Interest rates are sourced from Reserve Bank of Australia Bond data – updated quarterly.

    10.7. Capital renewal expenditure reflects activity programmed within the AMPs, with a transition to 100% Asset Renewal Funding Ratio over an eight year period.

    10.8. Capital enhancements (new and upgrade) reflect Council's current commitment to deliver on Mainstreet Upgrades over the current term. The remaining funding outside of existing council decisions remains consistent with the 2024/25 LTFP.

    10.9. Significant asset renewals contemplated in the LTFP include the Adelaide Bridge, and Torrens Weir structure and Rundle UPark which have been updated to rehabilitate the assets to extend the useful lives (previous LTFP assumed full replacement of the Adelaide Bridge and Torrens Weir).

Statement of Comprehensive Income

11. The current and following ten years Statement of Comprehensive Income is included in **Attachment A**. The next four years are summarised below:

Statement of Comprehensive Income				
$'000s	**2025-26 Budget**	**2026-27 Plan**	**2027-28 Plan**	**2028-29 Plan**
Income				
Rates Revenues	154,908	164,079	174,823	181,556
Statutory Charges	17,809	18,254	18,710	19,178
User Charges	70,309	72,067	73,869	75,716
Grants, Subsidies and Contributions	4,896	4,349	4,458	4,569
Investment Income	171	175	179	184
Reimbursements	181	186	190	195
Other Income	694	712	729	748
Total Income	**248,969**	**259,822**	**272,959**	**282,146**
Expenses				
Employee Costs	90,792	94,142	96,496	98,908
Materials, Contracts & Other Expenses	84,413	90,941	93,203	95,918
Depreciation, Amortisation & Impairment	64,506	67,999	69,610	72,661
Interest Cost on borrowings	-	847	2,389	5,320
Finance costs - ROU Assets	717	2,422	2,422	2,422
Total Expenses	**240,428**	**256,351**	**264,120**	**275,229**
Operating Surplus / (Deficit)	**8,541**	**3,470**	**8,839**	**6,917**

12. The projected operating result for 2025/26 is a surplus of $8.541 million, an increase of $2.471million compared to the 2024/25 adopted LTFP projections for the same period.

12.1. The surpluses across the LTFP reflect a robust statement of financial sustainability derived from a positive underlying structural budget, which has been achieved through sound financial management and improved efficiency and performance in the provision of all services and asset management plans.

12.2. The underlying increases in rates and fee revenue are above the percentage increase in key operational costs, contributing to growth in surpluses.

12.3. Three key operational impacts affect the operating position throughout the life of the LTFP, namely:

12.3.1. The assumptions surrounding preparedness for the Adelaide Central Market Authority expansion resulting in a reduced operating position in 2026/27.

12.3.2. Returning revenue from re-opening of the redeveloped Central Market Arcade during 2026/27

12.3.3. Depreciation and interest costs associated with borrowings as Council continue to invest in new and upgraded projects (to meet the emerging needs of the community).

Statement of Financial Position

13. The Statement of Financial Position is included in **Attachment A**.

14. Net Council assets are forecast to increase from $2.028 billion at June 2026 to $2.177 billion in June 2035.

Statement of Cash Flows

15. The Statement of Cash Flows is included in **Attachment A**. The next four years are summarised below:

Statement of Cash flows				
$'000s	2025-26 Budget	2026-27 Plan	2027-28 Plan	2028-29 Plan
Cash Flows from Operating Activities				
Receipts				
Operating Receipts	247,861	258,914	271,860	281,377
Payments				
Finance Payments	(2,913)	(847)	(2,389)	(5,320)
Operating Payments to Suppliers and Employees	(171,901)	(183,689)	(189,495)	(194,956)
Net Cash provided by (or used in) Operating Activities	73,047	74,379	79,976	81,102
Cash Flows from Investing Activities				
Receipts				
Amounts Received Specifically for New/Upgraded Assets	8,018	2,631	4,669	-
Proceeds from Surplus Assets	18,500	-	-	-
Sale of Replaced Assets	500	500	500	500
Payments				
Expenditure on Renewal/Replacement of Assets	(67,937)	(70,940)	(72,165)	(74,657)
Expenditure on New/Upgraded Assets	(46,041)	(35,861)	(37,550)	(5,797)
Net Purchase of Investment Securities	-	-	-	-
Capital Contributed to Equity Accounted Council Businesses	(320)	(999)	(320)	(320)
Net Cash provided by (or used in) Investing Activities	(87,280)	(104,669)	(104,866)	(80,274)
Cash Flows from Financing Activities				
Receipts				
Proceeds from Borrowings	19,335	35,514	29,411	3,690
Payments				
Repayment from Borrowings	-	-	-	-
Repayment of Lease Liabilities	(5,102)	(5,224)	(4,521)	(4,518)
Net Cash provided by (or used in) Financing Activities	14,233	30,290	24,890	(828)
Net Increase (Decrease) in Cash Held	-	-	-	-
plus: Cash & Cash Equivalents at beginning of period	800	800	800	800
Cash & Cash Equivalents at end of period	**800**	**800**	**800**	**800**

15.1. Of note are the Proceeds from Sale of Surplus Assets, allocated to the Future Fund and offsetting the need to draw the full debt required to fund new and upgraded projects.

15.1.1. Note however that when funds in the Future Fund are required to invest in future projects, borrowing levels will reflect the level of debt that would have been carried by Council had it not been offset by the Future Fund.

16. The cash flow from operations is positive over the life of the LTFP, indicating that Council operations will generate enough cashflow to cover ongoing expenses and support the funding of asset replacement over time, noting however that borrowings may be required to fund significant renewal projects - the Torrens Weir, Adelaide Bridge and Rundle UPark.

17. Given the investment preferences of the Council and the commitment to Mainstreet Upgrades over the next four years (new and upgraded projects), it is appropriate to focus on the balance of borrowings rather than the cash balance.

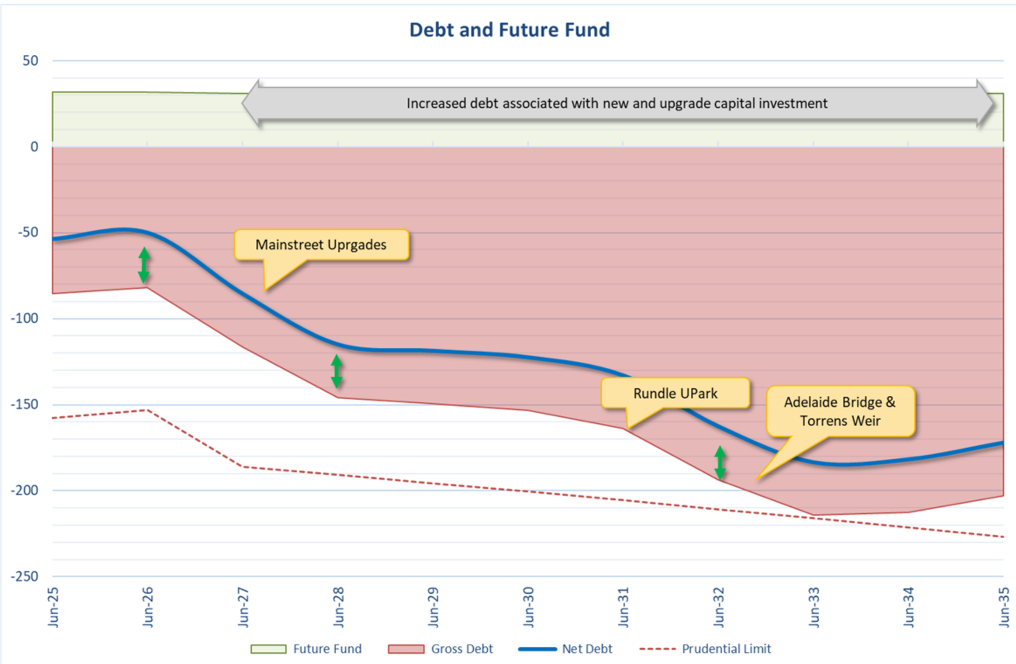
18. The net funding requirement at the end of 2025/26 as contained within the Uniform Presentation of Finances in **Attachment A** is $19.355 million, increasing our forecast borrowings to $50.074 million.

19. The 2024/25 LTFP forecast borrowings of $94.834 million as at 30 June 2026, with the revised LTFP presenting an improvement of $44.760 million. The movement is summarised below:

Borrowings Reconciliation	2024/25 Adopted Budget ($000's)	2024/25 Q3 Budget ($000's)	Movement ($000's)
Opening Cash/(borrowings) – Reconciliation via E-News (26/8/24)	(23,593)	1,635	25,228
Operating Surplus	9,367	9,367	0
Net outlays on Renewal of Assets	1,335	(4,812)	(6,147)
Net outlays on New/Upgraded Assets	(32,283)	(50,840)	(18,557)
Receipt of Long Term Lease Extension Payment	0	16,400	16,400
Cash payment for rental properties	(4,989)	0	4,989
Movement in Net Payables and Receivables	(3,514)	(2,489)	1,025
Forecast Borrowings as at 30 June 2025	**(53,677)**	**(30,739)**	**22,938**

Borrowings Reconciliation	2025/26 Adopted LTFP ($000's)	2025/26 Adopted Budget ($000's)	Movement ($000's)
Opening Cash/(borrowings)	(53,677)	(30,739)	22,938
Operating Surplus	6,070	8,541	2,471
Net outlays on Renewal of Assets	(2,975)	(2,931)	44
Net outlays on New/Upgraded Assets	(39,119)	(19,843)	19,276
Movement in Net Payables and Receivables	(5,133)	(5,102)	31
Forecast Borrowings as at 30 June 2026	**(94,834)**	**(50,074)**	**44,760**

20. A chart of the net funding position showing the gross debt, future fund and net debt ("offset balance") over the LTFP is shown below.



21. Borrowings are steadily increasing in subsequent years principally due to utilising borrowings to fund the new and upgraded capital program (noting that Council uses operating revenue to fund the renewal capital program).

22. Also note the increase in borrowings in years 6 to 8 where it is assumed that Council will fund the renewal costs associated with the Adelaide Bridge, Torrens Weir and Rundle UPark. Given the size of these significant renewals, the LTFP proposes funding them using borrowings to avoid large rate or other revenue increases to fund the works.

23. The LTFP also assumes transitioning from a 92.5% (2024/25) Asset Renewal Funding Ratio (ARFR) to 100% over eight years. This results in less operating revenue required to offset debt payments, contributing to an overall increase in the net funding position.

Capital Investment

24. The Asset Renewal Funding Ratio is shown in **Attachment A**. An ARFR of 100% is forecast to be achieved from 2031/32 onwards, ensuring that assets are being replaced at the same rate as they are wearing out, supporting Council's long term financial sustainability.

25. The adopted 2024/25 LTFP assumed forward allocation of $23.2 million on new and upgraded assets to balance the delivery of infrastructure within prudential borrowing limits. The revised LTFP maintains this forward allocation at the same level.

26. The Essential Services Commission SA (ESCOSA) Advice to Local Government provided in 2024/25 reported that Council has no 'financial cushion' for periods within the 2024/25 LTFP, with Council borrowing to its prudential borrowing limit. The revised LTFP projects that Council will operate within its prudential borrowing limit across the 10-years, including any spend associated with the Future Fund.

Sensitivity Analysis

27. In order to test the LTFP assumptions, sensitivity analyses have been undertaken. Only those with material impacts have been included, noting the sensitivities related to CPI and interest rate variations are immaterial in relative terms.

28. Asset Renewal Funding Ratio (ARFR)

    28.1. The draft 2025/26 LTFP assumes a transition to 100% ARFR over eight years, primarily to reduce the short term impact on rate payers of the increased funding required through the recently adopted AMPs. The following analysis compares the ARFR transition over eight years against funding 100% in 2026/27, showing the relative impact on rates revenue. The impact of increasing the ARFR to 100% in 1 year is a 2.8% increase to rates revenue above CPI.

Renewal Impact on Rate Revenue	2026-27		2027-28		2028-29		2029-30		20230-31		2031-32		Total Increase	
$000's	$	%	$	%	$	%	$	%	$	%	$	%	$	%
ARFR Transition over 1 year	4,096	2.8%	-	-	-	-	-	-	-	-	-	-	4,096	2.76%
ARFR Transition over 8 years	705	0.5%	704	0.4%	704	0.4%	705	0.4%	704	0.4%	1,058	0.6%	4,581	2.70%
Variance	**3,391**	**2.3%**	**(704)**	**(0.4%)**	**(704)**	**(0.4%)**	**(705)**	**(0.4%)**	**(704)**	**(0.4%)**	**(1,058)**	**(0.6%)**	**-485**	**0.06%**

29. Significant Renewals

    29.1. The LTFP reflects significant renewals required in accordance with our AMPs in the mid-long term. These assets by nature are intergenerational, and as such, it is intended to fund them through borrowings. This will eliminate the burden on existing rate payers, and smooth the cost over those who will benefit from the assets.

    29.2. The 2024/25 LTFP assumed the significant renewals are funded through external contributions, in addition to borrowings. Based on the current investigations undertaken on these assets, the assumptions in the draft 2025/26 LTFP have reduced the funding requirement and removed the unsecured external grant contributions.

    29.3. If external funding is secured to renew these significant assets, either a reduction in borrowings will occur, and / or additional funding will be available for new and upgraded assets.

30. Mainstreet Upgrades

    30.1. In the 2023/24 Budget, Council committed to funding the delivery of five Mainstreet upgrades in the current term of Council. The LTFP allocation is $62.6 million for new and upgraded assets, limiting the funding available to deliver on other new and upgraded non-Mainstreets projects.

    30.2. The option to defer the delivery of these upgrades to one Mainstreet at a time is available, while planning and designing the next upgrade as the current upgrade is delivered. This will provide capacity to deliver other priorities in Council's adopted strategies, including the Strategic Plan and Integrated Climate Strategy.

$000's	Previous Year's Budget	2025-26 Budget	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	Total 10 years
Current Mainstreet Allocation												
Hindley Street Upgrade	460	480	6,640	6,640	-	-	-	-	-	-	-	**14,220**
Gouger Street Upgrade	126	2,209	9,001	3,164	-	-	-	-	-	-	-	**14,500**
O'Connell Street Upgrade	1,000	612	4,135	9,203	-	-	-	-	-	-	-	**14,950**
Melbourne Street Upgrade	100	1,850	1,683	2,867	-	-	-	-	-	-	-	**6,500**
Hutt Street Upgrade	(29)	465	4,330	7,684	-	-	-	-	-	-	-	**12,450**
Total Current Mainstreet Allocation	**1,657**	**5,616**	**25,789**	**29,558**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**62,620**
Deferral Option												
Hindley Street Upgrade	460	-	-	480	6,640	6,640	-	-	-	-	-	**14,220**
Gouger Street Upgrade	126	-	-	-	2,209	9,001	3,164		-	-	-	**14,500**
O'Connell Street Upgrade	1,000	-	-	-	-	-	612	4,135	9,203	-	-	**14,950**
Melbourne Street Upgrade	100	-	-	-	-	-	-		1,850	1,683	2,867	**6,500**
Hutt Street Upgrade	(29)	465	4,330	7,684	-	-	-	-	-	-	-	**12,450**
Total Deferral Option		**465**	**4,330**	**8,164**	**8,849**	**15,641**	**3,776**	**4,135**	**11,053**	**1,683**	**2,867**	**62,620**
Variance		**5,151**	**21,459**	**21,394**	**(8,849)**	**(15,641)**	**(3,776)**	**(4,135)**	**(11,053)**	**(1,683)**	**(2,867)**	**-**

31. Upgrade to Park Lands Buildings

31.1. During the 2024/25 BP&B process, Council made a commitment to invest 1.5% of Rates Revenue to Upgrade buildings within the Park Lands, equating to $25.5 million in today's dollars from years 2-10 of the LTFP. This funding allocation is in addition to the Renewal of the buildings contained within the AMPs.

31.2. Table below compares a 1.5% of Rates Revenue against a 1.0% of Rates Revenue over the same period.

Upgrade to Park Land Buildings Impact on Rate Revenue	2026-27		2027-28		2028-29		2029-30		20230-31		2031-32		2032-33		2033-34		2034-35		Total Increase	
$000's	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
1.5% Rates Revenue	2,361	1.5%	2,520	1.5%	2,619	1.5%	2,721	1.5%	2,827	1.5%	2,942	1.5%	3,045	1.5%	3,151	1.5%	3,262	1.5%	25,447	13.50%
1.0% Rates Revenue	1,574	1.0%	1,680	1.0%	1,746	1.0%	1,814	1.0%	1,885	1.0%	1,961	1.0%	2,030	1.0%	2,101	1.0%	2,174	1.0%	16,965	9.00%
Variance	**787**	**0.5%**	**840**	**0.5%**	**873**	**0.5%**	**907**	**0.5%**	**942**	**0.5%**	**981**	**0.5%**	**1,015**	**0.5%**	**1,050**	**0.5%**	**1,087**	**0.5%**	**8,482**	**4.50%**

Financial Indicators

32. The key financial indicators (KFIs) required to be reported by councils are the:

32.1. Operating Surplus Ratio

32.2. Net Financial Liabilities Ratio

32.3. Asset Renewal Funding Ratio (ARFR)

33. In addition to the required KFIs, Council has adopted additional KFIs to measure its long term sustainability. These are the:

33.1. Asset Test Ratio

33.2. Interest Expense Ratio

33.3. Leverage Test Ratio

33.4. Cashflow from Operations Ratio

34. The KFIs shown in **Attachment A** demonstrate an improving financial position in the short term and maintaining a sustainable financial position in key components throughout the 10 year period of the plan. However, the following should be noted:

34.1. The Operating Surplus Ratio fluctuates in the short term as a result of the Central Market Arcade Redevelopment. Over the mid-long term, the ratio steadily improves.

34.2. Increased borrowings from continued investment in the City increases the Net Financial Liabilities and Asset Test Ratio indicators from 2031/32. In the 2024/25 LTFP, the Prudential Borrowing Limit was reached in the same year. This suggested that the investment in new and upgraded capital could not be sustained without changes in other parts of the LTFP (for example, additional assistance to fund the significant renewal projects). The draft 2025/26 LTFP has seen a significant improvement, with both ratios maintained within the target limits.

34.3. The ARFR is transitioning to 100% over eight years, achieving 100% from 2031/32 onwards.

34.4. Cash Flow from Operations are negatively impacted by the funding of significant renewal projects – the Adelaide Bridge, Torrens Weir and Rundle UPark from 2030/31.

35. The next four years are summarised below:

Financial Indicator	Explanation	Target	2025-26	2026-27	2027-28	2028-29
Operating Surplus Ratio	Operating surplus as a percentage of operating revenue	0%-20%	3.4%	1.3%	3.2%	2.5%
Net Financial Liabilities	Financial liabilities and a percentage of operating income	Less than 80%	35%	49%	58%	58%
Asset Renewal Funding Ratio	Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans	90%-110%	94%	95%	96%	97%
Asset Test Ratio	Borrowings as a percentage of total saleable property assets	Maximum 50%	16%	23%	30%	30%
Interest Expense Ratio	Annual interest expense relative to General Rates Revenue (less Landscape Levy)	Maximum 10%	1.5%	2.8%	3.3%	4.0%
Leverage Test Ratio	Total borrowings relative to General Rates Revenue (Less Landscape Levy)	Maximum 1.5 years	0.3	0.5	0.7	0.7
Cash Flow fom Operations Ratio	Operating income as a percentage of Operating Expenditure plus expenditure on renewal/replacement of assets	Greater than 100%	102%	102%	103%	103%
Borrowings	Borrowings as a percentage of the Prudential Borrowing Limit	Prudential Limit $m	152.9	186.2	190.9	195.6
		Borrowings $m	50.1	85.6	115.0	118.7
		%	33%	46%	60%	61%
Operating Position	Operating Income less Expenditure	$2m - $10m	8.5	3.5	8.8	6.9
Future Fund	Proceeds from the sale of Council assets to fund new income generating assets or new strategic capital projects	N/A	31.8	30.9	30.9	30.9

Consultation Process

36. Council will comply with section 122(6) of the Act to facilitate residents, ratepayers, businesses and other key stakeholders' feedback for Strategic Management Plans and "… adopt a process or processes to ensure that members of the public are given a reasonable opportunity to be involved in the development and review of its strategic management plans."

37. The current City of Adelaide Community Consultation Policy specifies a six week consultation period for Strategic Management Plan documents (including the LTFP). However in this case a 21 day period is recommended by Administration because of the extensive consultation which has already occurred.

38. The community has been recently and extensively consulted on the 2025/26 Business Plan and Budget, and the critical long-horizon documents underpinning the LTFP – specifically six AMPs during late 2023 and early 2024, and the Strategic Plan.

39. A 21 day consultation period satisfies the requirements of section 122 and 50 of the Act.

40. A targeted 21 day period of consultation would allow substantive feedback but avoid the risk of engagement exhaustion with little further additional input.

41. Consultation will focus on our proposed priorities and projects including:

    41.1. The rate of return to 100% ARFR

    41.2. Confirm community preferences around Mainstreets and Park Lands buildings investments.

42. Consultation will open at 9am Wednesday 15 October 2025 and close at 11.59pm Tuesday 4 November 2025.

Next Steps

43. Present the draft 2025/26 LTFP to the Audit and Risk Committee on 17 October 2025 as part of the Public Consultation process.

44. At its meeting of 18 November 2025, provide for noting to the City Finance and Governance Committee Provide a report that summarises community feedback received through consultation.

45. At its meeting of 18 November 2025, seek City Finance and Governance Committee recommendation for Council approval for the adoption of the LTFP, including any updates incorporated from the consultation, at the 25 November 2025 Council meeting.

46. Update the AMPs to reflect the proposed changes to the Capital Renewal Program represented in the LTFP.

ATTACHMENTS

Attachment A – Draft 2024/25 LTFP

- END OF REPORT -

LONG TERM FINANCIAL PLAN

2025-2026 TO 2034-2035

CITY OF ADELAIDE

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EXECUTIVE SUMMARY

The City of Adelaide's Long Term Financial Plan (LTFP) is a ten year forecast of Council's financial performance and position. The plan is based on Council's current Strategic Plan 2024-2028, and reflects anticipated service levels and social, economic and political indicators. The LTFP is one of Council's Strategic Management Plans and is integral to Council's Strategic Framework and financial planning.

The LTFP assists Council to monitor the City of Adelaide's financial sustainability and Council's ability to deliver services and maintain / upgrade the City's infrastructure fairly and equitably 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 considered, and the measures used to manage and monitor the Council's longer term financial sustainability.

Council has recently reviewed the LTFP within the context of the 2025/26 Business Plan and Budget (BP&B) process and considered a number of factors identified during the budget development process.

Of particular note is this Council's recognition of our past financial position and the need for continued financial discipline while investing in the city. This is reflected in a projected operating surplus of $8.541 million and capital investment in excess of $114 million.

Key outcomes include:

- A base operating surplus position over the life of the plan
- All Key Financial Indicators (KFIs) are within target ranges, except for Cashflow from Operations between 2030/31 – 2032/33, due to the outlay on significant renewals
- The continuation of a gradual return of the Asset Renewal Funding Ratio (ARFR) over eight years to achieve 100% from 2031/32 onwards
- Continuation of the Asset Renewal Repair Fund (ARRF) to fund the annual increase of $14.9 million associated with the recently adopted Asset Management Plans (AMPs). Whilst AMPs are funded through operating revenue, in recognition of the need to balance the community's capacity to pay while ensuring community expectations are met, this LTFP assumes the use of short term borrowings to fund the ARRF from 2025/26 to 2027/28
- Significant renewals are required in the mid-long term of the LTFP, in accordance with our AMPs. These assets by nature are intergenerational, and as such it is intended to fund them through borrowings and continue to advocate for external funding contributions (the previous LTFP assumed unsecured external funding of $41.7 million which has now been removed).

The projections indicate that the City of Adelaide is currently financially sustainable and can remain so for the forecast period covered by the 2025/26 to 2034/35 LTFP. In all cases, Council remains within the limits for each key financial indicator, except for the Cashflow from Operations ratio which exceeds the target band resulting from the need to fund Significant Renewals.

The plan highlights matters where Council decisions can impact future financial sustainability. Long term financial sustainability is therefore subject to ongoing decisions and discipline, particularly (but not limited to):

- Ensuring decisions are consistent with Council's adopted financial principles
- Continued growth in revenue, through both rates and commercial activities, at or above the rate of growth in expenses
- Commitment to investment in new and upgrade assets in line with prudential borrowing limits
- Use of the Future Fund for particular projects and initiatives.

STRATEGIC CONTEXT

Under the *Local Government Act 1999* (SA) Council must develop and adopt Strategic Management Plans which identify 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:

- Strategic Plan 2024-2028
- Long Term Financial Plan
- Suite of Asset Management Plans
- City Plan 2036

The LTFP is a ten 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 confirms 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 and Corporate Planning Approach. It is built upon the 2025/26 Business Plan and Budget, the City of Adelaide's Strategic Plan 2024-2028 and Asset Management Plans.

The LTFP is updated annually to reflect the latest available information using the latest Business Plan and Budget as its base. Key outputs include a comprehensive set of financial indicators and forecast financial statements in accordance with legislative requirements.

City of Adelaide Strategic and Corporate Planning Approach

STATEMENT ON FINANCIAL SUSTAINABILITY

Financial Sustainability

The Australian Local Government Association's 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 with reference to 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 and commitments relative to its operational income
- **Asset Renewal Funding Ratio** which monitors the rate at which Council is renewing its assets relative to its use of the assets.[1]

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 detail in a later section.

Financial Principles and Finance Strategy

Council has adopted a set of financial principles to assist with future decision-making to support our long term financial sustainability. These principles seek to ensure an equitable approach to rating, fees and charges that match the cost of related Council services, a prudent approach to the use of borrowings and proceeds from the sale of assets, and sustainable investment in our infrastructure and delivery of services.

The financial principles guiding the LTFP include:

- Transparency in decision making.
- Adopting an approach to rates, fees and charges that is fair and equitable.
- Reflecting the community's service delivery needs.
- Continuing delivery of at least a minimum of the current suite of services and asset maintenance, indexed in line with Consumer Price Index (CPI).
- Adopting fees and charges that reflect the cost of services provided.
- Maintaining the current rating system.
- Maintaining an operating surplus.
- Capitalising on external funding, fast-tracking projects that attract such funding, and recognising the potential need for increased borrowings in order to respond to external funding opportunities which require matched funding.
- Considering new and different revenue streams and the approach to Council's commercial businesses to reduce reliance on existing revenue sources.
- Adjusting 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.

- Funding new or enhanced services, assets or maintenance that require an increase in operating costs from the adjustment of priorities, rate or other revenues, and/or through savings – *not* from borrowings.
- Basing capital renewal expenditure on asset management plans and prioritised based on audit condition and risk.
- Provisioning a future fund from proceeds of underperforming asset divestment, to invest in future revenue-generating assets.
- Considering the disposal, purchase and/ or repurposing of property assets to unlock the potential and future prosperity of the City, without incurring a financial loss.
- Using borrowings to fund new and upgrade projects (including major projects) and *not* to fund operations, expenses or renewal projects
- Using short term borrowings to fund the Asset Renewal Repair fund to ensure the increased spending required through recently revised Asset Management Plans is spread over a longer period, balancing community expectation and its capacity to pay, repaid through temporary sustainable rate rises over a fixed period.
- Generating a cash flow from operations ratio greater than 100%, whereby adequate cash is generated from operations to fund asset replacement over time, and to service principal and interest from associated new debt associated with new and upgraded assets.

Context for Budget Repair

The 2025/26 BP&B focuses on continuing to repair our budget. Historical financial pressures impacted our ability to renew assets, upgrade infrastructure and provide core community services.

Council, like other entities and households, has experienced significant increases in expenses and expenditure associated with inflation and the highest CPI levels experienced in recent times.

In 2024, Council adopted six Infrastructure and Asset Management Plans (IAMPs) which, on average, require an annual increase in funding of $14.9 million per annum (in today's dollars) compared to the previous AMPs. In line with Council's financial principles and local government goal practices, the AMPs are funded through operating revenue.

Property Strategy

Sale proceeds of assets identified through the Property Strategy have been used to establish a Future Fund, enabling Council to fund the future purchase of income generating assets and to invest in strategic capital projects.

This strategy outlines a detailed assessment approach for future property investigations, 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 which provide limited strategic, community and commercial value.
- Retention of property assets where no action is currently required.

Future Fund and Investment Policy

In 2021/22, Council endorsed the Future Fund and Investment Policy and separated out the Future Fund from the Treasury Policy. This clarified policy intent for Future Fund operation, defining how the Fund would be used for investment, and the factors to be considered for sound decision making.

Requests to use funds from the Future Fund require a business case clearly demonstrating that the financial return to Council outweighs the present value of future financing costs. Council approval is required for all requests to use these funds.

The balance of the Future Fund at the end of the 2025/26 financial year is forecast to be approximately $31.8 million, accumulated from proceeds of non-performing assets sold in line with the Strategic Property Review, and Future Fund and Investment Policy. This figure is subject to any transactions yet to be identified and subsequently approved by Council.

BASIS OF PREPARATION

This document presents the LTFP for the years 2025/26 to 2034/35. The basis of the LTFP is the 2025/26 Business Plan and Budget adopted by Council, the Strategic Plan 2024-2028, and Asset Management Plan projections for new, upgraded and renewed assets for 2024/25 to 2033/34.

The LTFP is a projective report developed and adopted in consultation with Council each year, based on known information at a point in time. As such the review process of the LTFP is iterative and can change as new or updated information is presents.

In projecting forward performance, the LTFP considers:

- Council's Strategic Plan 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 service delivery plans
- 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:

- Rate revenue growth is in line with forecast inflation, in addition to growth from new developments and significant alterations and additions
- Increase in fees and charges is in line with forecast inflation
- Salaries and wages forecasts are based on current enterprise agreements and, upon expiry, the inflation forecast will apply as the assumed increase
- Other revenue and expenditure increases in line with forecast inflation
- Interest rates reflect market expectations
- Capital renewal expenditure is in line with the Asset Management Plans

Further detail regarding these and other assumptions is outlined below.

Forecast Inflation

The South Australian Centre for Economic Studies (SACES) forecasts are the source for the projected Consumer Price Index (CPI) in the 2025/26 BP&B. The LTFP from 2026/27 uses SACES annual forecasts where available, defaulting to the Reserve Bank of Australia midpoint within the target range of 2%-3%. These reputable data sources ensure assumption consistency across the life of the plan, and the SACES state-based projection increases LTFP forecast precision and relevance. Refer to the Key Assumptions (Indices) section.

Rates

The 2025/26 LTFP assumes rate revenue increases (excluding growth) are in line with CPI and can be achieved through a combination of valuations and rate-in-the-dollar adjustments.

Years 2-10 of the LTFP currently assume an annual rates revenue increase of between 3.5%-6.1% through a combination of:

- Growth from new developments and capital improvements of 1.0%
- An uplift in property valuations and/or a change in the rate in the dollar to achieve 2.5% growth in existing rates revenue, in line with the current price index forecast
- An increase of 2.1% over the short term to balance the need to meet the community expectations with their capacity to pay
- An increase of 0.4%-0.6% to fund the gradual increase in the Asset Renewal Funding ratio over eight years.

The application of CPI as a rate of valuation increase is relevant as the annual assessed value is based on income derived from a property and, generally, most property incomes are either indexed each year or increased by a fixed percentage linked to CPI.

Rates income is dependent upon three primary variables:

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

The 2025/26 annual budget changed the dollar rate to generate the exact level of rate income determined necessary to meet operational requirements. A mass valuation was undertaken across the City and North Adelaide for the 2025/26 financial year, which increased rate revenue by 4.3% (including the growth component). This was then increased to 6.9% by 2.6% through an increase in the rate in the dollar. The increase funded the ARRF 2.2% and ARFR increase 0.4%.

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

These assumptions are monitored as further information on the consumer price index and property valuations becomes available.

Fees and Charges

There are three principal types of fees charged by Council:

- General fees and charges set by statute (via the State Government)
- 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 authority or body.

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 quantum of 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 UPark car parks and North Adelaide Golf Course, will be subject to market conditions and commercial considerations on a year by year basis. However, for the LTFP, increases have been aligned to the movement in the price index.

Grants, Subsidies and Contributions

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.

Employee Costs

Salaries and wages forecasts are based on current and/or expected enterprise agreement outcomes. Increase is assumed for all enterprise agreements in line with agreed enterprise agreements. Where no agreement exists, due to expiry, the increase assumption is based on CPI. 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

City of Adelaide is responsible for the delivery of a range of service offerings to its ratepaying community and visitors alike. Council delivers these services through its 17 Programs and three wholly owned subsidiaries (Adelaide Central Market Authority; Adelaide Economic Development Agency; Kadaltilla/Adelaide Park Lands Authority). The LTFP assumes that service delivery remains unchanged and is delivered at the same, consistent levels assumed in the 2025/26 annual budget. Any changes to service levels are required to be resolved by Council and will impact the LTFP in the future should changes to the service have financial implications.

North Adelaide Golf Course

The State Government has introduced new legislation (*North Adelaide Public Golf Course Act 2025*) which is an Act to facilitate the development of a new North Adelaide Golf Course (NAGC), to provide for its ongoing use as a championship golf course and public facility, and for other purposes. Under this legislation, the assets within the project site, will transfer to the designated Minister at the prescribed handover date.

The assets within the project site are currently under the care and control of Council. The revised LTFP and AMP have removed the renewal of assets related to NAGC and John E Brown Park (Park 27A). The ongoing responsibility of the operations of NAGC are unknown, as such, the operating position assumes the service delivery of the daily operations of the Golf Course will continue over the life of the plan.

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.

Asset Management Plans (AMPs), 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 optimal asset lifecycles and sustainability. The ten-year AMPs will also consider new infrastructure needs to meet future community service expectations in a sustainable manner.

Forecast expenditure in the LTFP is presently based on the 2024 AMPs. Asset Renewal costs for the life of the LTFP are $702 million (in today's dollars), with the majority of spend allocated to infrastructure of $605 million and the remainder on corporate or commercial based assets as detailed below.

AMPs are to be funded through operating revenue, and by recognising the need to balance the community's capacity to pay while ensuring community expectation is met, the LTFP represents a gradual return to 100% ARFR over eight years from 2024/25 to 2031/32, primarily as a result of the increased funding required through the recently adopted AMPs.

Whilst the AMPs include all forecast renewal expenditure, there are significant renewals identified within the AMP over the next ten years. This section and the table below exclude them for the purposes of identifying funding pathways to ensure intergenerational equity.

Table 1: Summary of 10-Year Asset Renewal program

10 Year Asset Renewal Program $'000s	100% AMP Un-indexed	Renewal Program Un-indexed	Renewal Program Indexed
Buildings	109,940	107,301	119,553
Lighting & Electrical	53,045	51,772	57,683
Park Lands & Open Space	27,469	26,810	29,871
Transport	286,707	279,826	311,776
Urban Elements	51,613	50,375	56,126
Water Infrastructure	91,289	89,098	99,271
Total Infrastructure Renewals	**620,064**	**605,182**	**674,280**
Delivery Resources	36,534	35,657	39,729
Plant, Fleet & Equipment Replacement	63,077	61,563	68,593
Total Renewal & Replacement of Assets	**719,675**	**702,403**	**782,601**

Significant Renewals

It is worth noting that mid-long term, the LTFP reflects significant assets that will require renewal in accordance with our AMPs. The current assumption within the LTFP is that Levels of Service will remain the same.

It is also assumed that all significant renewals will be funded 100% by Council.

Adelaide Bridge

The Transportation AMP assumes that the Adelaide Bridge will be renewed on a like-for-like basis with existing load bearing. This once in a generation renewal will place substantial pressure on the existing ratepayer base. Ongoing structural audits are being undertaken in conjunction with an options analysis to provide more detailed approaches and costs.

For the purposes of the LTFP, it has been updated to assume a rehabilitation of the bridge with an increase to the bridge load limit to 75% of SM1600 load, with Council funding 100% (2024/25 LTFP assumed replacement with existing load bearing, with Council funding 75% of the renewal based on existing grant funding programs available but not yet secured).

This position paves a way forward for continued advocacy with other levels of government to increase the load limit.

Torrens Weir Structure

The Water Infrastructure AMP assumes that the Torrens Weir Structure will be renewed on a like-for-like basis. This once in a generation renewal will place substantial pressure on the existing rate payer base. As such, ongoing structural audits are being undertaken in conjunction with options analysis to provide more detailed information on potential approaches and costs.

For the purposes of the LTFP, it has been updated to assume a rehabilitation of the global weir structure to extend the remaining economic life of the structure by 50 years, with Council funding 100% (2024/25 LTFP assumed like-for-like replacement, with Council funding 33% of the renewal based on existing grant funding programs available but not yet secured).

Rundle UPark

The Building AMP assumes that the UPark will be renewed on a like-for-like basis. The previous term of Council removed the like-for-like renewal from the LTFP on the basis that it would undertake an EOI process to explore joint venture opportunities that would realise the property's development potential, and that the EOI process would consider adaptable reuse opportunities.

Whilst the future of the site is still to be determined, Council resolved in 2025 to reinstate the renewal of the UPark and associated income and expenditure into the LTFP. The renewal is assumed to be an extension of its useful life, rather than a replacement. A structural condition audit will determine risks, timing and associated costs with extending the useful life of the building, however for the purpose of the LTFP, a $15 million allocation has been included.

Table 2: Significant Renewals Costs and Timing

2025/26 LTFP - Significant Renewals $'000s	Financial Year	Un-indexed	Indexed	External Funding	Net Outlay
Adelaide Bridge	2025/26 & 2029/30 - 2032/33	17,502	20,199	-	20,199
Torrens Weir Structure	2025/26-2026/27 & 2029/30 - 2032/33	23,740	27,164	-	27,164
Rundle Upark	2030/31 – 2031/32	15,000	17,063	-	17,063
Total 2025/26 Significant Renewals		**56,242**	**64,425**	-	**64,425**
2024/25 LTFP - Significant Renewals $'000s	**Financial Year**	**Un-indexed**	**Indexed**	**External Funding**	**Net Outlay**
Adelaide Bridge	2027/28 - 2028/29	60,000	65,550	(15,000)	50,550
Torrens Weir Structure	2028/29-2029/30	40,000	44,700	(26,666)	18,034
Rundle Upark	2030/31 – 2031/32	15,000	17,138	-	17,138
Total 2024/25 Significant Renewals		**115,000**	**127,388**	**(41,666)**	**85,722**
Net LTFP Improvement		**58,758**	**62,963**	**(41,666)**	**21,297**

Asset Renewal Repair Fund

Council has recognised that maintaining an Asset Renewal Funding Ratio (ARFR) of below 100% for an extended period equates to an underinvestment in its assets and infrastructure. In 2024, the Council updated its AMPs, identifying an increase in funding requirement of $14.9 million per annum when compared to the previous AMPs and LTFP. This funding shortfall gave rise to the Asset Renewal Repair Fund (ARRF).

The AMPs, in line with adopted principles, are funded through operating revenue. The 2025/26 LTFP continues to recognise the need to balance the community's capacity to pay while ensuring community expectation is met. As a result, Council has resolved to transition to a 100% ARFR over an eight-year period, reaching 100% in 2031/32. In addition, short term borrowings will be used to fund the ARRF, to ensure the increase spend required through the revised Asset Management Plans are smoothed through sustainable rate increases, mitigating the immediate burden that would otherwise be incurred by current ratepayers.

New and Upgraded Assets

New and Upgraded Assets, including property transactions and developments such as Central Market Arcade redevelopment and Mainstreet Upgrades, have been incorporated in the LTFP where a Council decision or commitment to progress the project has been made.

The total spend on identified new and significant upgrades for the life of the LTFP is $168 million, as detailed below.

The 2024/25 to 2033/34 LTFP adjusted the Capital Program in the outer years to fit within current Prudential Borrowing Limits (after considering all other LTFP components). Any forward commitment is subject to a Business Case approved by Council. This resulted in no “financial cushion” available to Council and was a focus area identified within the Essential Services Commission SA (ESCOSA) Advice to Local Government provided in 2024/25. The 2025/26 LTFP maintains the forward allocation of $23.2 million, but does not increase the program to create capacity within the current Prudential Borrowing Limits.

During the 2024/25 BP&B process, Council made a commitment to invest 1.5% of Rates Revenue to Upgrade buildings within the Park Lands, equating to $31.9 million in today’s dollars over the life of the LTFP.

Where capital expenditure is in excess of $4 million (escalated in line with the Prudential Management Policy), prior to commencement, approval is subject to a prudential report being presented and considered by Council to understand the impact on the LTFP.

Depreciation, Amortisation and Impairment

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

Amortisation and impairments are determined by condition audits and revaluations. No specific forward assumptions have been factored into the LTFP but any adjustments will be incorporated into the base budget and LTFP each year, if and when necessary.

Table 3: New and Significant Upgrade Projects

Projects	Financial Year	$’000s
Central Market Arcade Redevelopment	2025/26	1,000
Hindley Street Upgrade *	2025/26 - 2027/28	13,760
Gouger Street Upgrade *	2025/26 - 2027/28	14,374
O'Connell Street Upgrade *	2025/26 - 2027/28	13,950
Melbourne Street Upgrade *	2025/26 - 2027/28	6,400
Hutt Street Upgrade *	2025/26 - 2027/28	12,479
Brown Hill Keswick Creek	2025/26 - 2034/35	3,200
Aquatic Centre Community Playing Field	2025/26	5,658
School Safety Implementation Project	2025/26 - 2026/27	955
Franklin Street Pedestrian Crossing	2025/26 - 2026/27	620
Minor Works Building – Security Upgrades	2025/26 - 2027/28	450
West Pallant Street Improvements	2025/26 - 2026/27	93
Public Realm Greening Program	2025/26	3,932
UPark Central Market – Parking Guidance System	2025/26 - 2026/27	900
Flinders Street Housing	2025/26 - 2026/27	1,000
Community Sports Building Redevelopment - Park 21 West *	2025/26	4,178
Community Sports Building Redevelopment - Park 27B *	2025/26	3,493
Upgrade to Park Lands Buildings (1.5% Rates Revenue)	2025/26 - 2034/35	24,273
Other ^	2025/26	13,284
Project Delivery Costs	2025/26 - 2034/35	20,708
Assumed forward Commitment	2025/26 - 2034/35	23,178
Total New and Upgraded Expenditure		**167,885**
Confirmed Extarnal Funding	2025/26 - 2027/28	15,318
Net Capital Contribution		**152,567**

Interest and Borrowings

Council’s services, projects and infrastructure works are predominantly funded through rates, fees and charges, grants and subsidies. Borrowings are principally utilised for new and upgrade infrastructure projects, including city shaping projects such as the redevelopment of Central Market Arcade, significant community infrastructure and commercially focused projects with a financial return on investment.

For significant renewals, such as Adelaide Bridge and the Torrens Weir, debt may have to be utilised to deliver these projects. The LTFP assumes that Council funds these projects by drawing on debt. As such, Council’s debt is set to increase significantly in the years in which this expenditure is forecast to occur. To mitigate the significant financial impact of these two projects, Council will actively seek funding assistance with these projects.

City of Adelaide has utilised the Reserve Bank of

Australia data as a source for projecting interest rates for the purposes of the LTFP. The rates are reviewed quarterly and are based on the latest information and indicators.

Council's Subsidiaries

City of Adelaide has three wholly owned subsidiaries: Adelaide Central Market Authority; Adelaide Economic Development Agency; and Kadaltilla/Adelaide Park Lands Authority, and an equity share in Brownhill & Keswick Creeks Stormwater Board.

The LTFP assumes that service delivery of the subsidiaries will remain unchanged and is delivered at the same, consistent levels assumed in the 2025/26 annual budget.

Capital, funding and operating costs required for the Adelaide Central Market Authority expansion have been assessed for amounts and timing from 2025/26 onwards and have been incorporated into the LTFP. Increased operating revenues and expenses are assumed once the expanded Market begins to operate in 2026.

RISKS AND OPPORTUNITIES

Although the LTFP 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 in the following year. Any changes to the growth forecast will impact on the outer financial years.

In 2025/26 Council sought valuations across the entire city. As such, rate revenue increased by 7.0% (including growth, ARRF and ARFR increases). This has elevated the base rate revenue and had a commensurate impact on revenue over the life of the LTFP.

Not withstanding this, it is crucial that revenue keeps pace with increases in costs to ensure that Council can continue to deliver services at current levels.

Council Action:

Market indicators, combined with analysis from the Council rates team and external property valuers, will be closely monitored and assumptions for rates growth will be updated with the latest available data.

Issue 2: Government Legislation

The LG reform has introduced a Rates Oversight scheme monitored by the Essential Services Commission (ESCOSA). The potential impact of such legislation is still to be gauged, however it could impact Council's capacity to increase rates in response to emerging financial challenges. ESCOSA undertkook their review of the City of Adelaide in 2024/25, the findings and City of Adelaide Response can be found in its 2025/26 Business Plan and Budget www.cityofadelaide.com.au/budget

Council Action

To continue to work with ESCOSA, the 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

During 2023/24, patronage across the City returned to pre-COVID-19 levels. In the 2025/26 annual budget, approximately 35% of Council's income is derived from fees and charges, including on-street parking, parking expiations and off street parking. Through the COVID-19 pandemic, Council experienced a loss in this revenue stream, where it became apparent how reliant Council was on this income source to deliver its services.

Council Action:

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

Issue 4: Interest rates

Interest rates which appear to have stabalised, are at levels above the historical low experienced over the last few years as the Reserve Bank of Australia sought to stimulate the economy to ward of the negative effects of the global pandemic and are now using sustained higher interest rates to control inflation.

Interest rates are expected to continue to remain stable given the Reserve Bank has reached its target for inflation of between 2-3%.

With the investment mindset of the current Council, debt levels are expected to increase and as such, changes in interest rates could have either a beneficial or negative impact on the LTFP.

Council Action:

The 2025/26 BP&B assumed an interest rate of 5.15%. Interest rate forecasts can be seen in the Key Assumptions (Indices) section: Interest Rate Projections. Notwithstanding this, the risk of potential increases in interest rates will be monitored and mitigated where possible in accordance with Council's Treasury Policy.

Issue 5: External Funding

The LTFP has been prepared on the basis that Council's operating income is 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 the assumption is that Council will provide 100% funding. This is a conservative position for Council and leaves an opportunity to ensure the burden of funding these projects are transparent to the community and allows for discussion with other levels of Government for consideration.

Council Action:

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

Issue 6: Delivery of Property Strategy and Action Plan

The LTFP includes the delivery of the Property Strategy and Action Plan endorsed by Council. This Action Plan is based around divesting under-performing assets and allocating the proceeds to the Future Fund.

The delivery of this plan is subject to variables, and in particular market conditions. The 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 have been significant and continue to have a lingering impact. Government stimulus initiatives pushed prices higher resulting from higher demand. This was exacerbated by the war in the Ukraine with the flow-on effects being felt globally, particularly with regard to energy-reliant commodities and products.

Whilst increases are easing, the cost of materials hit 20-year highs, with some material costs presenting between 20%-40% higher 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 still heavily weighted in favor of the vendors.

And while costs increased significantly, wages did not immediately follow suit. However, the pressure on governments to manage these two significant factors in the economy have been increasing and are a risk to sustainability. There is an expectation that wages will start to trend upwards however this is minimal based on current data. The ability for Council to influence these is limited and as a result City of Adelaide will continue to be a price taker which could result in increased costs for some time to come, particularly in the short to medium term of the LTFP.

Council Action:
Develop and maintain procurement policies, practices and procedures that are directed towards:

- obtaining value for money in the expenditure of public money

- providing for ethical and fair treatment of Tenderers
- ensuring probity, accountability and transparency in procurement operations.

Issue 8: Asset Valuations

The cost of materials noted above may also impact the value of Council's assets. Council undertakes Asset Valuations on a regular basis and within a five-year period in line with Legislation. Where asset valuations increase, it is a result of the cost to replace and construct those assets. This has an impact on Council's AMPs and operating position through the renewal of assets and annual depreciation expense.

Council Action:

While legislation dictates that asset revaluations must be performed every five years, Council has commenced an annual desktop revaluation process through an indexation of unit rates to smooth any large increases between valuations. These unit rates will also be utilised to update the AMPs. This will ensure that both the LTFP through depreciation, and AMP through renewals are funded through rates revenue at the appropriate level.

SENSITIVITY ANALYSIS

In order to test the assumptions contained within the LTFP, a range of sensitivity analysis have been undertaken. Only those with material impacts have been included, noting the sensitivities related to CPI and interest rate variations are immaterial in relative terms. For example, a 1% movement in CPI does not have a material impact on the financials and hence to the users of the LTFP, as both income and expenditure are inflated by CPI across the LTFP.

Asset Renewal Funding Ratio (ARFR)

The 2024/25 adopted LTFP assumed a transition to 100% ARFR over eight years from 2024/25 to 2031/32, primarily as a result of the increased funding required through the recently adopted AMPs, to reduce the short term impact on ratepayers. Table 4 compares the ARFR transition over eight years against funding 100% in 2026/27, showing the relative impact on rates revenue. The impact of increasing the ARFR to 100% in one year is a 2.8% increase to rates revenue above CPI.

AMPs are to be funded through operating revenue, and by recognising the need to balance the community's capacity to pay while ensuring community expectation is met, increasing the ARFR to 100% in conjunction with the ARRF would increase the rates revenue by 7.4% (inclusive of CPI).

Significant Renewals

As identified within this document, in the mid-long term, the LTFP reflects significant renewals required in accordance with our AMPs. These assets by nature are intergenerational, and as such, it is intended to fund them through borrowings. This will eliminate the burden on existing rate payers, and smooth the cost over those who will benefit from the assets.

If external funding is secured to renew these significant assets, then either a reduction in borrowings, and / or additional funding will be available for new and upgraded assets.

Mainstreets

In the 2023/24 Budget decision, Council committed to funding the delivery of five Mainstreet Upgrades within the current term of council. The allocation within the LTFP is $62.6 million within new and upgrade assets, which limits the funding available to deliver on other new and upgraded projects outside of the commitment to Mainstreets.

One option available is to defer the delivery of these upgrades to one Mainstreet at a time, planning and designing the next upgrade as the current upgrade is delivered. This will provide capacity to deliver on other priorities within council's adopted strategies, including the Strategic Plan and Integrated Climate Strategy.

Table 4: Impact of Transitioning to 100% ARFR over 8 Years

Renewal Impact on Rate Revenue	2026-27		2027-28		2028-29		2029-30		20230-31		2031-32		Total Increase	
$000's	$	%	$	%	$	%	$	%	$	%	$	%	$	%
ARFR Transition over 1 year	4,096	2.8%	-	-	-	-	-	-	-	-	-	-	4,096	2.76%
ARFR Transition over 8 years	705	0.5%	704	0.4%	704	0.4%	705	0.4%	704	0.4%	1,058	0.6%	4,581	2.70%
Variance	**3,391**	**2.3%**	**(704)**	**(0.4%)**	**(704)**	**(0.4%)**	**(705)**	**(0.4%)**	**(704)**	**(0.4%)**	**(1,058)**	**(0.6%)**	**-485**	**0.06%**

Table 5: Effect of Spreading Mainstreets Program

$000's	Previous Year's Budget	2025-26 Budget	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	Total 10 years
Current Mainstreet Allocation												
Hindley Street Upgrade	460	480	6,640	6,640	-	-	-	-	-	-	-	**14,220**
Gouger Street Upgrade	126	2,209	9,001	3,164	-	-	-	-	-	-	-	**14,500**
O'Connell Street Upgrade	1,000	612	4,135	9,203	-	-	-	-	-	-	-	**14,950**
Melbourne Street Upgrade	100	1,850	1,683	2,867	-	-	-	-	-	-	-	**6,500**
Hutt Street Upgrade	(29)	465	4,330	7,684	-	-	-	-	-	-	-	**12,450**
Total Current Mainstreet Allocation	**1,657**	**5,616**	**25,789**	**29,558**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**62,620**
Deferral Option												
Hindley Street Upgrade	460	-	-	480	6,640	6,640	-	-	-	-	-	**14,220**
Gouger Street Upgrade	126	-	-	-	2,209	9,001	3,164		-	-	-	**14,500**
O'Connell Street Upgrade	1,000	-	-	-	-	-	612	4,135	9,203	-	-	**14,950**
Melbourne Street Upgrade	100	-	-	-	-	-	-		1,850	1,683	2,867	**6,500**
Hutt Street Upgrade	(29)	465	4,330	7,684	-	-	-	-	-	-	-	**12,450**
Total Deferral Option		**465**	**4,330**	**8,164**	**8,849**	**15,641**	**3,776**	**4,135**	**11,053**	**1,683**	**2,867**	**62,620**
Variance		**5,151**	**21,459**	**21,394**	**(8,849)**	**(15,641)**	**(3,776)**	**(4,135)**	**(11,053)**	**(1,683)**	**(2,867)**	**-**

Upgrade to Park Lands Buildings

During the 2024/25 BP&B process, Council made a commitment to invest 1.5% of Rates Revenue to Upgrade buildings within the Park Lands, equating to $25.5 million in today’s dollars from years 2-10 of the LTFP. This funding allocation is in addition to the Renewal of the buildings contained within the AMPs. Table 6 compares a 1.5% of Rates Revenue against a 1.0% of Rates Revenue over the same period.

Table 6: Impact of 1.5% Rates Revenue to Upgrade Park Lands Buildings

Upgrade to Park Land Buildings Impact on Rate Revenue	2026-27		2027-28		2028-29		2029-30		20230-31		2031-32		2032-33		2033-34		2034-35		Total Increase	
$000's	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
1.5% Rates Revenue	2,361	1.5%	2,520	1.5%	2,619	1.5%	2,721	1.5%	2,827	1.5%	2,942	1.5%	3,045	1.5%	3,151	1.5%	3,262	1.5%	25,447	13.50%
1.0% Rates Revenue	1,574	1.0%	1,680	1.0%	1,746	1.0%	1,814	1.0%	1,885	1.0%	1,961	1.0%	2,030	1.0%	2,101	1.0%	2,174	1.0%	16,965	9.00%
Variance	**787**	**0.5%**	**840**	**0.5%**	**873**	**0.5%**	**907**	**0.5%**	**942**	**0.5%**	**981**	**0.5%**	**1,015**	**0.5%**	**1,050**	**0.5%**	**1,087**	**0.5%**	**8,482**	**4.50%**

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 employed by the City of Adelaide. These are:

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

Council also considers an additional four indicators to review the ability to borrow in line with its 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, orange when near being outside of the target range 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.

It is important to understand that any stand alone one year 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. For example, significant one-off items can have an impact in a given year without affecting the ongoing sustainability of Council.

Operating Surplus

This indicator represents the difference between day-to-day income and expenses for a period. A council's long-term financial sustainability depends upon ensuring that, on average over time, its expenses are less than associated revenues. If a council is not generating an operating surplus in most periods then it is unlikely to be operating sustainably. The target for the City of Adelaide is to achieve a surplus of between $2m and $10m in any given year.

The chart below shows the impacts of key assumptions within the LTFP.

In particular assumptions relating to preparedness for the Adelaide Central Market expansion result in a reduced operating position in 2026/27 in addition to the assumption to continue to invest in new and upgraded projects (to meet the emerging needs of the community) results in a higher level of assets, and related borrowings.

Chart 1: Operating Position

As such, increased depreciation (from a higher asset base) and interest costs (from higher borrowings) see expenses growing at a faster rate than revenue (which is largely based on CPI increases).

Underpinning current and future sustainability, Council projects operating surpluses over the life of the LTFP.

Operating Surplus Ratio

Definition: Operating surplus as a percentage of operating revenue

What is being measured: This indicator represents the percentage by which total revenue varies from day to day operating expenses. Financial sustainability is indicated where a council consistently achieves operating surpluses 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.

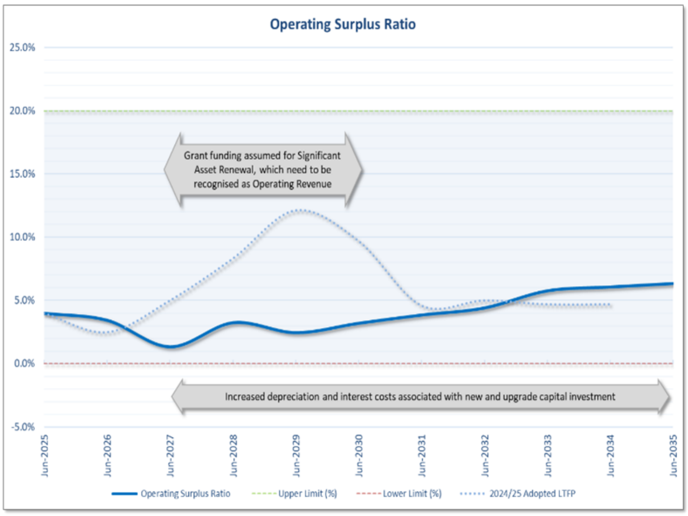
Target: The *Local Government Act 1999* (SA) target is to achieve an average operating surplus ratio between 0% and 10% over any five-year period. However, as a Capital City Council, the City of Adelaide has significant responsibilities in improving its public realm and considers that an average operating surplus ratio between 0% and 20%, over any five-year period, is a more appropriate target. A result in excess of this may indicate that Council is setting rates and/or other fees and charges at levels well in excess of expenses and this has negative intergenerational equity implications.

In addition, 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.

Explanation of LTFP Projected Results: The ratio sits within target ranges over the life of the LTFP, reflecting sustainable surpluses based on as increase to base rating revenue to fund renewals, followed by CPI increases thereafter. The underlying structural budget is sustainable over the life of the LTFP.

In particular, this LTFP sees much smoother, and more conservative and achievable outcomes whereby external grant funding associated with significant renewals has been removed based on the latest investigations. Accounting standard dictate that this capital-related income must be recognised as operating revenue, distorting the operating position in the periods in which they are received.

Chart 2: Operating Surplus Ratio



Net Financial Liabilities

This indicator represents the money owed to others less money held, invested or owed to Council.

A council's indebtedness should be managed to ensure its liabilities and associated costs can be met without the prospect of disruptive service cuts and/or excessive rate increases (ie without impinging on financial sustainability). There is in essence no right or wrong target level for net financial liabilities (defined as total liabilities less financial assets) as this depends on infrastructure plans. The ideal target is that net financial liabilities are no greater than annual operating revenue and not less than zero.

Net Financial Liabilities Ratio

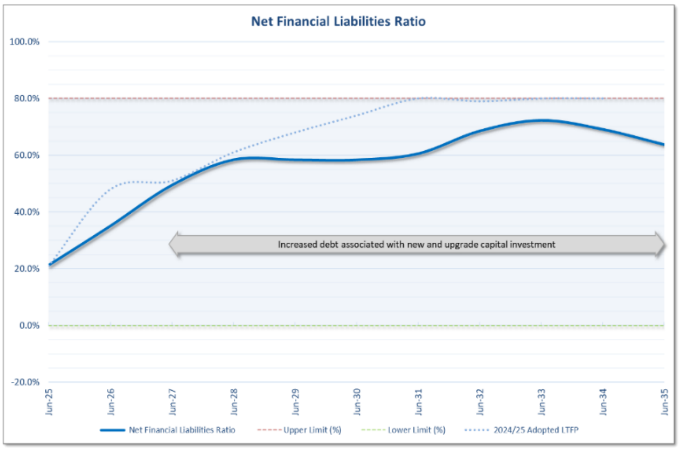
Definition: Financial liabilities as a percentage of operating income

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 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 its means and cannot generate the income required to service assets and operations.

Target: The LGA recommends that the target for Net Financial Liabilities should be greater than zero (and less than 100%, that is, the amount owed is equal to or less than total annual income). 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. This could leave a council open to accusations that it is overcharging ratepayers relative to its funding needs.

The more conservative target set by City of Adelaide is that liabilities as a percentage of total operating revenue will not exceed 80%.

Chart 3: Net Financial Liabilities Ratio



Explanation of LTFP Projected Results: City of Adelaide's net financial liabilities are within the prescribed target for the life of the plan. Lower ratios in the short term highlight low levels of debt, steadily increasing over the life of the LTFP reflecting increased borrowings to deliver on Council's commitment to invest in new and upgraded assets and fund the significant renewals.

Note that Council's new and upgrade capital program includes an allocation which is not yet committed and can be adjusted within existing prudential limits to respond to emerging needs.

Any increase in contributions towards the significant renewals will allow Council to either maintain a lower level of debt and/or invest more in new and upgrade projects.

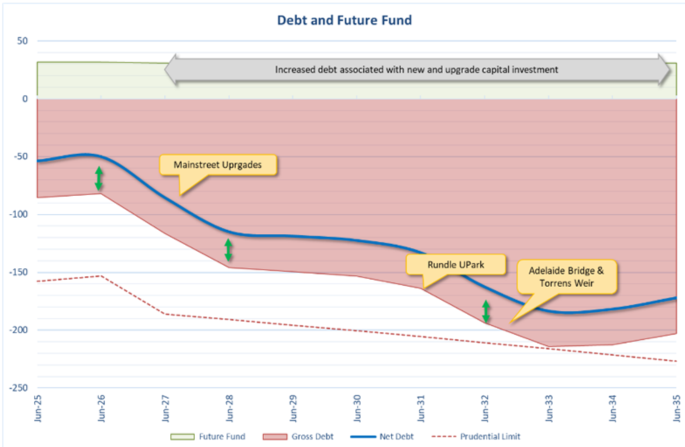
An improvement in current borrowing levels and reduced expenditure expected for significant renewals sees an improved long-term position, significantly below the 80% target.

The level of borrowings is projected to be within acceptable prudential limits, assisting Council to maintain long-term sustainability. Typical prudential limits set by financial institutions as part of covenants associated with loans are around 80% of asset values. Council has therefore set a conservative limit of 50% of saleable property assets (see below), providing additional comfort in excess of generally accepted banking norms.

It should be noted that the Council has created a Future Fund that 'ring fences' proceeds from the sale of surplus or underperforming assets, to reinvest into revenue generating assets. The funds generated from asset sales effectively offset the level of borrowings Council would otherwise incur had the assets not been disposed. Accordingly, Council pays less interest over time, incurring interest on a lower 'offset' balance of borrowings.

Note that, were Council to fully draw on the Future Fund, its level of borrowing would still fall within prudential limits.

Chart 4: Projected Debt and the Future Fund



Asset Renewal Funding Ratio (ARFR)

Definition: Expenditure on asset renewals as a percentage of forecast expenditure required as per 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 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 or at a level in excess of that set in the asset management plans. Adoption of a target ratio between 90% and 110%, is in line with the *Local Government Act 1999* (SA).

Explanation of LTFP Projected Results: It is assumed that over the life of the LTFP, asset renewals will be funded in line with the Infrastructure & Asset Management Plans. In the previous term, Council resolved to set the ARFR (previously the Asset Sustainability Ratio) at 90%. This term of Council recognises the potential impact of this decision and the possible under-investment in assets and infrastructure and, as such, the LTFP assumes transitioning the ARFR from 90% to 100% over eight years. Averages for asset renewal reflect an even performance over the life of the plan. The ratio from 2031/32 onwards represents the transition from 90% to 100%. This ratio should be continually monitored as asset management plans are reviewed and updated.

The ARFR trajectory in this LTFP is consistent with the previously adopted LTFP.

Prudential Limits (Borrowings)

Definition

- Asset Test Ratio: Borrowings as a percentage of total saleable property assets
- Interest Expense Ratio: Annual interest expense relative to General Rates Revenue (less Landscape Levy)
- Leverage Test Ratio: Total borrowings relative to General Rates Revenue (less Landscape Levy) expressed as the number of years of General Rates Revenue required to repay borrowings

What is being measured: The maximum level of debt is prescribed by Council by way of prudential limits. While Council does not place a monetary limit on the level of borrowings: an upper limit is determined through its financial indicators. When borrowing, Council will consider these indicators in terms of total borrowings, and the ability to service the interest incurred and debt repayments.

Target: The Treasury Policy reviewed in 2025 ensures Council's ability to manage cash and borrowings in accordance with prescribed limits.

The Prudential limits set by 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.

Explanation of LTFP Projected Results: City of Adelaide's borrowings are within target levels across the period of the Long Term Financial Plan.

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

The increasing ratio illustrated below reflects the cumulative impact of utilising debt to deliver on Council's commitment to invest in the City, in addition to debt required to fund significant renewals (that is, the Torrens Weir, Adelaide Bridge and Rundle UPark). This has limited the ability to deliver new and upgraded assets from 2031/32 and still remain within the target ratio. The sale and development of property assets will impact prudential limits, and hence the Asset Test Ratio, in periods where transactions occur.

Note however, an improvement in current borrowing levels and reduced expenditure expected for the significant renewals sees an improved outlook compared to the previously adopted LTFP, notably 10% below the prudential limit of 50%, thereby creating a financial cushion in mid to long-term, addressing one of the concerns in the ESCOSA review.

Chart 5: Asset Test Ratio

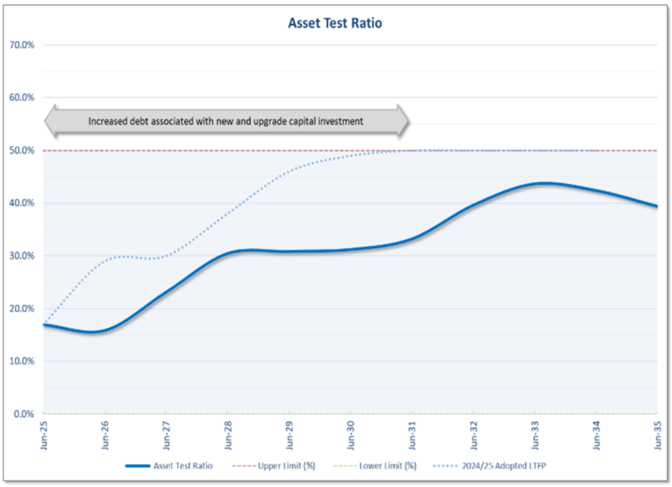
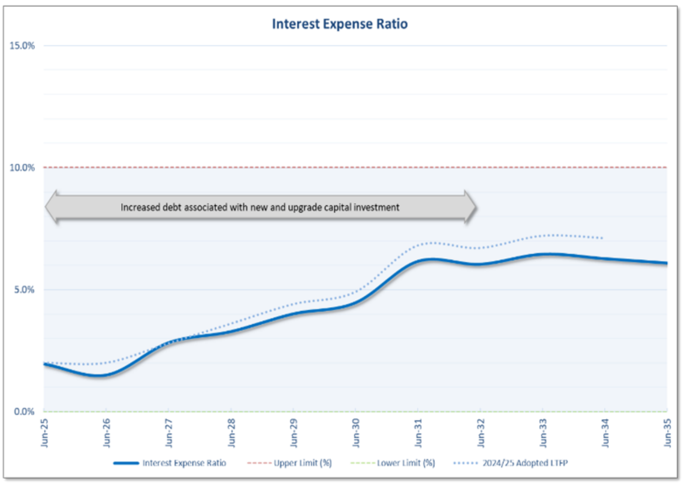


Chart 6: Interest Expense Ratio

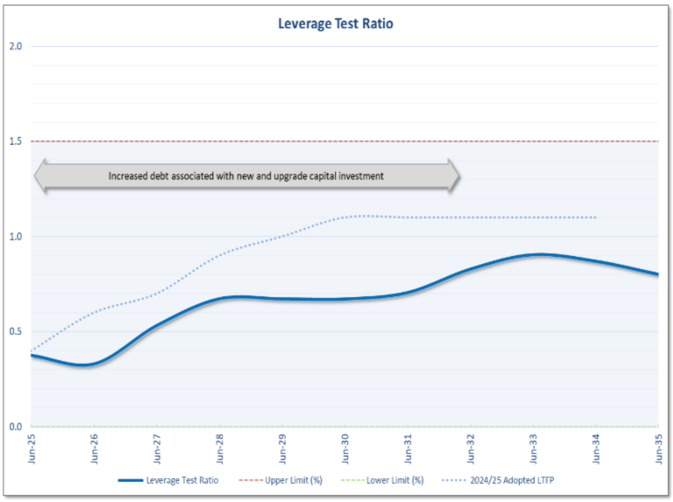


Similarly, the steady increase in borrowings sees the

Interest Expense Ratio for the life of the plan increasing, albeit sitting comfortably within the target range, and an improvement compared to the previous LTFP, beginning to reduce from 2032/33.

The Leverage Test Ratio indicates the time it would take to repay borrowings from general rates revenue. The plan supports Council's ability to repay the debt if called upon from less than 1½ year's rates revenue in any year of the plan, and tracks in line with the other two prudential borrowing indicators.

Chart 7: Leverage Test Ratio



Again, the outlook is much improved compared to the previous LTFP.

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, in addition to expenditure on delivering services.

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.

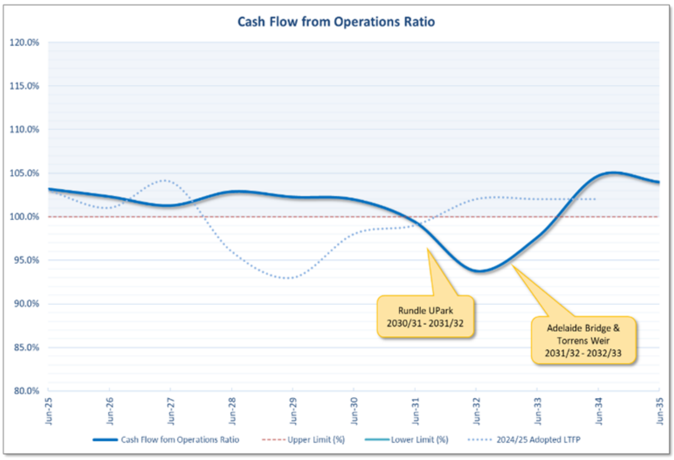
Target: A result greater than 100% suggests Council's operations will generate enough cashflow to support the funding of asset replacement over time.

Explanation of LTFP Projected Results: Most years of the LTFP project a positive result. Years six to eight of the plan reflect the 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. This is not to suggest deficiency in renewal, but rather highlights 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 which benefit the wider State and Adelaide metropolitan area.

The underlying structural cashflow (adjusting for expenditure on significant renewals) delivers an average projection between 100% and 105%, suggesting Council's cashflow is sustainable.

Chart 8: Cashflow from Operations Ratio



Notably, the latest investigations on the Weir and Bridge suggest a lower level of expenditure and at a later date. Notwithstanding the removal of grant funding associated with funding these assets, the impact of reduced outlay sees a similar ration minimum maintain, positively at a later date.

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 and 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, which includes the proceeds and repayment of borrowings.

Uniform Presentation of Finances

The primary objective of the Uniform Presentation of Finances is to ensure that all 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 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 is defined as the cost of an asset spread over the useful life of the asset, and 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.

Note that significant renewals are allowed for in the annual depreciation however the expenditure made in the periods required will see a significant mismatch between depreciation and annual expenditure in that period.

Net Outlays on Existing Assets also includes proceeds from the sale of replaced assets (e.g. plant and fleet).

The Net Outlays on New and Upgraded Assets represents the capital investment on new and upgraded assets (including investment property) and amounts received specifically for new and upgraded assets (e.g. Grant funding).

It also includes 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 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.

FINANCIAL STATEMENTS

Statement of Comprehensive Income										
$'000s	**2025-26 Budget**	**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**
Income										
Rates Revenues	154,908	164,079	174,823	181,556	188,546	195,778	203,616	210,667	217,964	225,514
Statutory Charges	17,809	18,254	18,710	19,178	19,658	20,149	20,653	21,169	21,698	22,241
User Charges	70,309	72,067	73,869	75,716	77,608	79,549	81,537	83,576	85,665	87,807
Grants, Subsidies and Contributions	4,896	4,349	4,458	4,569	4,683	4,800	4,920	5,044	5,170	5,299
Investment Income	171	175	179	184	189	193	198	203	208	213
Reimbursements	181	186	190	195	200	205	210	215	221	226
Other Income	694	712	729	748	766	786	805	825	846	867
Total Income	**248,969**	**259,822**	**272,959**	**282,146**	**291,651**	**301,460**	**311,940**	**321,699**	**331,771**	**342,167**
Expenses										
Employee Costs	90,792	94,142	96,496	98,908	101,381	103,916	106,514	109,176	111,906	114,703
Materials, Contracts & Other Expenses	84,413	90,941	93,203	95,918	98,719	101,610	104,595	107,675	110,855	114,138
Depreciation, Amortisation & Impairment	64,506	67,999	69,610	72,661	74,265	75,909	77,594	79,321	81,091	82,905
Interest Cost on borrowings	-	847	2,389	5,320	5,547	6,013	7,085	4,597	5,402	6,347
Finance costs - ROU Assets	717	2,422	2,422	2,422	2,422	2,422	2,422	2,422	2,422	2,422
Total Expenses	**240,428**	**256,351**	**264,120**	**275,229**	**282,335**	**289,870**	**298,209**	**303,191**	**311,676**	**320,516**
Operating Surplus / (Deficit)	**8,541**	**3,470**	**8,839**	**6,917**	**9,316**	**11,590**	**13,730**	**18,508**	**20,096**	**21,650**
Physical Resources Received Free of Charge	-	-	-	-	-	-	-	-	-	-
Asset Disposal & Fair Value Adjustments	(0)	-	-	-	-	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	8,018	2,631	4,669	-	-	-	-	-	-	-
Net Surplus / (Deficit)	**16,559**	**6,101**	**13,508**	**6,917**	**9,316**	**11,590**	**13,730**	**18,508**	**20,096**	**21,650**
Changes in Revaluation Surplus - I,PP&E	-	27,000	-	-	-	-	-	-	-	-
Total Other Comprehensive Income	-	27,000	-	-	-	-	-	-	-	-
Total Comprehensive Income	**16,559**	**33,101**	**13,508**	**6,917**	**9,316**	**11,590**	**13,730**	**18,508**	**20,096**	**21,650**

FINANCIAL STATEMENTS

Statement of Financial Position										
$'000s	2025-26 Budget	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
ASSETS										
Current Assets										
Cash and Cash Equivalents	800	800	800	800	800	800	800	800	800	800
Trade & Other Receivables	20,847	21,755	22,854	23,623	24,418	25,239	26,117	26,934	27,777	28,647
Inventories	741	750	750	750	750	750	750	750	750	750
Total Current Assets	22,388	23,305	24,404	25,173	25,968	26,789	27,667	28,484	29,327	30,197
Non-Current Assets										
Trade & Other Receivables	755	812	731	658	592	533	479	432	388	350
Equity Accounted Investments in Council Businesses	4,706	5,705	6,025	6,345	6,665	6,985	7,305	7,625	7,945	8,265
Investment Property	3,197	4,823	4,943	5,067	5,193	5,323	5,456	5,593	5,733	5,876
Infrastructure, Property, Plant & Equipment	2,134,740	2,200,541	2,240,646	2,248,439	2,258,733	2,278,056	2,318,564	2,355,137	2,370,724	2,379,825
Total Non-Current Assets	2,143,398	2,211,880	2,252,345	2,260,509	2,271,183	2,290,897	2,331,805	2,368,786	2,384,790	2,394,315
TOTAL ASSETS	2,165,786	2,235,185	2,276,749	2,285,681	2,297,151	2,317,686	2,359,471	2,397,270	2,414,117	2,424,512
LIABILITIES										
Current Liabilities										
Trade & Other Payables	24,280	29,842	31,635	32,762	33,914	35,088	36,314	33,620	31,487	29,374
Provisions	17,381	17,816	18,261	18,718	19,186	19,665	20,157	20,661	21,177	21,707
Borrowings (Lease Liability)	5,264	3,314	3,314	3,314	3,314	3,314	3,314	3,314	3,314	3,314
Total Current Liabilities	46,926	50,972	53,210	54,794	56,413	58,067	59,784	57,595	55,978	54,395
Non-Current Liabilities										
Trade & Other Payables	15,732	15,732	15,398	15,398	15,398	15,398	15,398	15,398	15,398	15,398
Borrowings	50,074	85,588	114,999	118,689	122,481	133,028	162,620	183,499	181,804	172,069
Provisions	2,109	2,162	2,216	2,271	2,328	2,386	2,446	2,507	2,570	2,634
Borrowings (Lease Liability)	22,658	19,344	16,030	12,716	9,402	6,088	2,774	3,314	3,314	3,314
Total Non-Current Liabilities	90,573	122,825	148,643	149,074	149,609	156,900	183,238	204,718	203,086	193,415
TOTAL LIABILITIES	137,499	173,797	201,853	203,868	206,022	214,967	243,022	262,313	259,064	247,809
Net Assets	2,028,287	2,061,388	2,074,896	2,081,813	2,091,129	2,102,719	2,116,449	2,134,957	2,155,053	2,176,703
EQUITY										
Accumulated Surplus	824,521	831,533	845,041	851,958	861,274	872,864	886,594	905,102	925,198	946,848
Asset Revaluation Reserves	1,171,995	1,198,995	1,198,995	1,198,995	1,198,995	1,198,995	1,198,995	1,198,995	1,198,995	1,198,995
Future Reserve Fund	31,771	30,860	30,860	30,860	30,860	30,860	30,860	30,860	30,860	30,860
Total Council Equity	2,028,287	2,061,388	2,074,896	2,081,813	2,091,129	2,102,719	2,116,449	2,134,957	2,155,053	2,176,703

FINANCIAL STATEMENTS

Statement of Changes in Equity										
$'000s	2025-26 Budget	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
Balance at the end of previous reporting period	2,011,728	2,028,287	2,061,388	2,074,896	2,081,813	2,091,129	2,102,719	2,116,449	2,134,957	2,155,053
a. Net Surplus / (Deficit) for Year	16,559	6,101	13,508	6,917	9,316	11,590	13,730	18,508	20,096	21,650
b. Other Comprehensive Income	-	27,000	-	-	-	-	-	-	-	-
Total Comprehensive Income	16,559	33,101	13,508	6,917	9,316	11,590	13,730	18,508	20,096	21,650
Balance at the end of period	2,028,287	2,061,388	2,074,896	2,081,813	2,091,129	2,102,719	2,116,449	2,134,957	2,155,053	2,176,703

FINANCIAL STATEMENTS

Statement of Cash flows

$'000s	2025-26 Budget	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
Cash Flows from Operating Activities										
Receipts										
Operating Receipts	247,861	258,914	271,860	281,377	290,855	300,639	311,062	320,882	330,928	341,296
Payments										
Finance Payments	(2,913)	(847)	(2,389)	(5,320)	(5,547)	(6,013)	(7,085)	(4,597)	(5,402)	(6,347)
Operating Payments to Suppliers and Employees	(171,901)	(183,689)	(189,495)	(194,956)	(200,732)	(206,859)	(212,303)	(218,106)	(223,989)	(233,387)
Net Cash provided by (or used in) Operating Activities	73,047	74,379	79,976	81,102	84,576	87,766	91,674	98,179	101,537	101,562
Cash Flows from Investing Activities										
Receipts										
Amounts Received Specifically for New/Upgraded Assets	8,018	2,631	4,669	-	-	-	-	-	-	-
Proceeds from Surplus Assets	18,500	-	-	-	-	-	-	-	-	-
Sale of Replaced Assets	500	500	500	500	500	500	500	500	500	500
Payments										
Expenditure on Renewal/Replacement of Assets	(67,937)	(70,940)	(72,165)	(74,657)	(78,677)	(89,262)	(112,036)	(105,659)	(86,361)	(88,160)
Expenditure on New/Upgraded Assets	(46,041)	(35,861)	(37,550)	(5,797)	(5,882)	(5,970)	(6,066)	(10,235)	(10,317)	(3,846)
Net Purchase of Investment Securities	-	-	-	-	-	-	-	-	-	-
Capital Contributed to Equity Accounted Council Businesses	(320)	(999)	(320)	(320)	(320)	(320)	(320)	(320)	(320)	(320)
Net Cash provided by (or used in) Investing Activities	(87,280)	(104,669)	(104,866)	(80,274)	(84,379)	(95,052)	(117,922)	(115,714)	(96,498)	(91,826)
Cash Flows from Financing Activities										
Receipts										
Proceeds from Borrowings	19,335	35,514	29,411	3,690	3,792	10,547	29,592	20,879		
Payments										
Repayment from Borrowings	-	-	-	-	-	-	-	-	(1,695)	(9,735)
Repayment of Lease Liabilities	(5,102)	(5,224)	(4,521)	(4,518)	(3,989)	(3,262)	(3,344)	(3,344)	(3,344)	-
Net Cash provided by (or used in) Financing Activities	14,233	30,290	24,890	(828)	(197)	7,286	26,248	17,535	(5,039)	(9,735)
Net Increase (Decrease) in Cash Held	-	-	-	-	-	-	-	-	-	-
plus: Cash & Cash Equivalents at beginning of period	800	800	800	800	800	800	800	800	800	800
Cash & Cash Equivalents at end of period	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**

FINANCIAL STATEMENTS

Uniform Presentation of Finances										
$'000s	2025-26 Budget	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
Income										
Rates Revenues	154,908	164,079	174,823	181,556	188,546	195,778	203,616	210,667	217,964	225,514
Statutory Charges	17,809	18,254	18,710	19,178	19,658	20,149	20,653	21,169	21,698	22,241
User Charges	70,309	72,067	73,869	75,716	77,608	79,549	81,537	83,576	85,665	87,807
Grants, Subsidies and Contributions	4,896	4,349	4,458	4,569	4,683	4,800	4,920	5,044	5,170	5,299
Investment Income	171	175	179	184	189	193	198	203	208	213
Reimbursements	181	186	190	195	200	205	210	215	221	226
Other Income	694	712	729	748	766	786	805	825	846	867
Total Income	**248,969**	**259,822**	**272,959**	**282,146**	**291,651**	**301,460**	**311,940**	**321,699**	**331,771**	**342,167**
Expenses										
Employee Costs	90,792	94,142	96,496	98,908	101,381	103,916	106,514	109,176	111,906	114,703
Materials, Contracts & Other Expenses	84,413	90,941	93,203	95,918	98,719	101,610	104,595	107,675	110,855	114,138
Depreciation, Amortisation & Impairment	64,506	67,999	69,610	72,661	74,265	75,909	77,594	79,321	81,091	82,905
Interest Cost on borrowings	-	847	2,389	5,320	5,547	6,013	7,085	4,597	5,402	6,347
Finance costs - ROU Assets	717	2,422	2,422	2,422	2,422	2,422	2,422	2,422	2,422	2,422
Total Expenses	**240,428**	**256,351**	**264,120**	**275,229**	**282,335**	**289,870**	**298,209**	**303,191**	**311,676**	**320,516**
Operating Surplus / (Deficit) before Capital Amounts	**8,541**	**3,470**	**8,839**	**6,917**	**9,316**	**11,590**	**13,730**	**18,508**	**20,096**	**21,650**
Net Outlays on Existing Assets										
CapEx on Renewal & Replacement of Existing Assets	(67,937)	(70,940)	(72,165)	(74,657)	(78,677)	(89,262)	(112,036)	(105,659)	(86,361)	(88,160)
Finance lease payments for right of use assets on existing assets	(5,102)	(3,314)	(3,314)	(3,314)	(3,314)	(3,314)	(3,314)	(3,314)	(3,314)	(3,314)
add back Depreciation, Amortisation and Impairment	64,506	67,999	69,610	72,661	74,265	75,909	77,594	79,321	81,091	82,905
add back Proceeds from Sale of Replaced Assets	500	500	500	500	500	500	500	500	500	500
Net Outlays on Existing Assets	(8,032)	(5,754)	(5,369)	(4,810)	(7,226)	(16,167)	(37,256)	(29,152)	(8,084)	(8,069)
Net Outlays on New and Upgraded Assets										
Capital Expenditure on New and Upgraded Assets	(46,361)	(35,861)	(37,550)	(5,797)	(5,882)	(5,970)	(6,066)	(10,235)	(10,317)	(3,846)
add back Amounts received specifically for New and Upgraded Assets	8,018	2,631	4,669	-	-	-	-	-	-	-
add back Proceeds from Sale of Surplus Assets	18,500	-	-	-	-	-	-	-	-	-
Net Outlays on New and Upgraded Assets	(19,843)	(33,230)	(32,881)	(5,797)	(5,882)	(5,970)	(6,066)	(10,235)	(10,317)	(3,846)
Net Lending / (Borrowing) for Financial Year	**(19,335)**	**(35,514)**	**(29,411)**	**(3,690)**	**(3,792)**	**(10,547)**	**(29,592)**	**(20,879)**	**1,695**	**9,735**

KEY FINANCIAL INDICATORS

Financial Indicator	Explanation	Target	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	5 Year Average	10 Year Average
Operating Surplus Ratio	Operating surplus as a percentage of operating revenue	0%-20%	3.4%	1.3%	3.2%	2.5%	3.2%	3.8%	4.4%	5.8%	6.1%	6.3%	2.7%	4.0%
Net Financial Liabilities	Financial liabilities and a percentage of operating income	Less than 80%	35%	49%	58%	58%	57%	59%	67%	71%	67%	62%	51%	58%
Asset Renewal Funding Ratio	Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans	90%-110%	94%	95%	96%	97%	98%	99%	100%	100%	100%	100%	96%	98%
Asset Test Ratio	Borrowings as a percentage of total saleable property assets	Maximum 50%	16%	23%	30%	30%	31%	32%	39%	42%	41%	38%	26%	32%
Interest Expense Ratio	Annual interest expense relative to General Rates Revenue (less Landscape Levy)	Maximum 10%	1.5%	2.8%	3.3%	4.0%	4.5%	6.2%	6.0%	6.5%	6.3%	6.1%	3.2%	4.7%
Leverage Test Ratio	Total borrowings relative to General Rates Revenue (Less Landscape Levy)	Maximum 1.5 years	0.3	0.5	0.7	0.7	0.7	0.7	0.8	0.9	0.8	0.8	0.6	0.7
Cash Flow fom Operations Ratio	Operating income as a percentage of Operating Expenditure plus expenditure on renewal/replacement of assets	Greater than 100%	102%	102%	103%	103%	102%	100%	94%	98%	105%	104%	102%	101%
Borrowings	Borrowings as a percentage of the Prudential Borrowing Limit	Prudential Limit $m	152.9	186.2	190.9	195.6	200.5	205.5	210.7	215.9	221.3	226.9	185.2	200.7
		Borrowings $m	50.1	85.6	115.0	118.7	122.5	133.0	162.6	183.5	181.8	172.1	98.4	132.5
		%	33%	46%	60%	61%	61%	65%	77%	85%	82%	76%	52%	65%
Operating Position	Operating Income less Expenditure	$2m - $10m	8.5	3.5	8.8	6.9	9.3	11.6	13.7	18.5	20.1	21.7	7.4	12.3
Future Fund	Proceeds from the sale of Council assets to fund new income generating assets or new strategic capital projects	N/A	31.8	30.9	30.9	30.9	30.9	30.9	30.9	30.9	30.9	30.9	31.0	31.0

KEY ASSUMPTIONS (INDICES)

Consumer Price Index (SA)

Rate %	2025-26 Budget	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
CPI (SA)	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Interest Rates

Rate %	2025-26 Budget	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
Interest Rate	5.2%	4.7%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%

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.