

Our Corporation

2025/26 Long Term
Financial Plan (LTFP)

Roadmap including
Key Assumptions,
Parameters, Levers

15 August 2025
Chief Operating Officer



2025/26 LTFP Roadmap

Date	Forum	Role	Topic
15 August	ARC (Workshop)	Discuss	Building the LTFP Roadmap + High level parameters and projections (current LTFP)
19 August	CFG (Report)	Note	LTFP Roadmap
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9 September (Special)	CFG (Workshop)	Discuss	Workshop 1 - Operating Budget - Baseline, Revenue Assumptions, Service Changes, & Strategic Projects
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25 September (Special)	CFG (Report)	Endorse	Draft LTFP for consultation
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2025/26 LTFP Roadmap

LTFP shaped by:

- 2024/28 Strategic Plan
- AMPs
- 2025/26 Business Plan & Budget
- City Plan
- Other strategies and plans:
 - Housing Strategy
 - Homelessness Strategy
 - Integrated Climate Strategy
 - Economic Development Strategy
 - Integrated Transport Strategy (inc School Safety Review)
 - Heritage Strategy
 - Adelaide Park Lands Management Strategy

Key Discussion Points

What are ARC
Members'
views...

regarding
funding of
significant
renewals?

What are ARC
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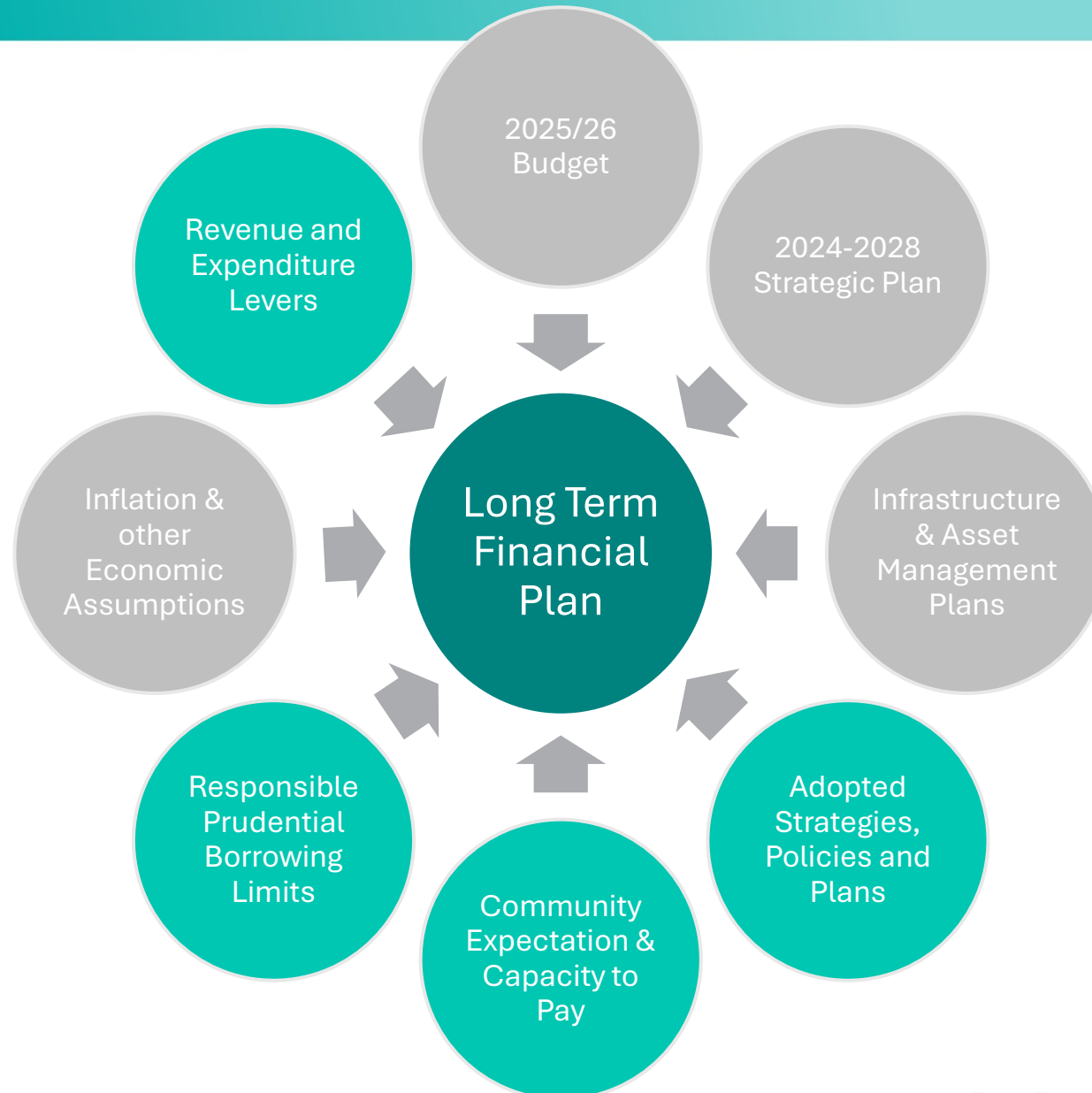
What are ARC
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on the 1.5%
rate revenue
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community
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Basis of Preparation



The 4 Funding Elements

Four areas to be funded, consistent with the budget:

- Operating Budget
- Strategic Projects
- Asset Renewal Capital Program
- New and Upgrade Capital Program

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

Operating Budget

\$'000s	2025-26 Adopted Budget			2025-26 per Adopted LTFP			
	Operating	Projects	Total Adopted Budget	Operating	Projects	Total LTFP	Variance
Income							
Rates Revenues	154,908	0	154,908	154,896	0	154,896	12
Fees and Charges	87,948	170	88,118	86,341	0	86,341	1,777
Grants, Subsidies and Contributions	4,243	653	4,896	4,646	0	4,646	250
Other Income	1,047	0	1,047	1,218	0	1,218	(171)
Total Income	248,146	823	248,969	247,101	0	247,101	1,868
Expenses							
Employee Costs	89,686	1,106	90,792	88,853	0	88,853	(1,939)
Materials, Contracts & Other Expenses	72,906	5,175	78,081	71,063	6,694	77,757	(324)
Sponsorships, Contributions and Donations	5,467	865	6,332	6,334	0	6,334	2
Depreciation, Amortisation & Impairment	64,506	0	64,506	64,462	0	64,462	(44)
Finance Costs	717	0	717	3,626	0	3,626	2,909
Total Expenses	233,282	7,146	240,428	234,337	6,694	241,031	603
Operating Surplus / (Deficit)	14,864	(6,323)	8,541	12,764	(6,694)	6,070	2,471
Net Outlays on Existing Assets							
Capital Expenditure on Renewal & Replacement of Existing Assets		(67,937)	(67,937)		(67,936)	(67,936)	(1)
<i>add back</i> Depreciation, Amortisation and Impairment		64,506	64,506		64,462	64,462	44
<i>add back</i> Proceeds from Sale of Replaced Assets		500	500		500	500	0
Net Outlays on Existing Assets		(2,931)	(2,931)		(2,975)	(2,975)	44
Net Outlays on New and Upgraded Assets							
Capital Expenditure on New and Upgraded Assets		(46,361)	(46,361)		(39,119)	(39,119)	(7,242)
<i>add back</i> Amounts received specifically for New and Upgraded Assets		8,018	8,018		0	0	8,018
<i>add back</i> Proceeds from Sale of Surplus Assets		18,500	18,500		0	0	18,500
Net Outlays on New and Upgraded Assets		(19,843)	(19,843)		(39,119)	(39,119)	19,276
Net Lending / (Borrowing) for Financial Year	14,864	(29,097)	(14,233)	12,764	(48,788)	(36,024)	21,791
Borrowings			50,074			94,834	44,760

Key assumptions:

- Maintain operating surplus
- Rate revenue increases
- Inflation & interest charges
- Service changes
- Depreciation
- Renewals in line with Asset Management Plans

Operating Surplus

The Operating Surplus needs to be at a level to fund:

- New debt servicing
- 1.5% new and upgrade funding for community buildings in the parklands
- Rate revenue growth from new developments

**Operating Surpluses need to be
maintained**

Rate revenue is increased based on the following:

- CPI
- Growth from new developments
- Asset Renewal Funding Ratio increase (over 8 years)
- Asset Renewal Repair Fund (over 3 years)

**Rate revenue is needed to sustainably
fund asset renewals and services**

Inflation & Interest Rates

Adopted LTFP

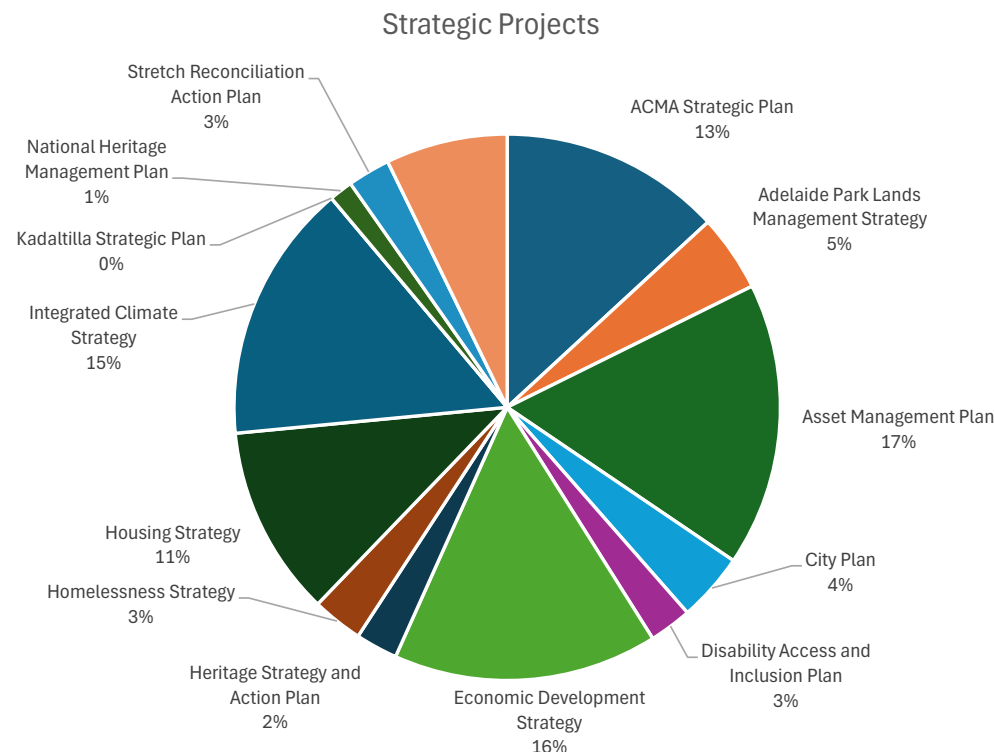
Rate %	2025-26 Budget	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan	2030-31 Plan	2031-32 Plan	2032-33 Plan	2033-34 Plan	2034-35 Plan
CPI (SA)	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Interest Rate	4.50%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%

Current Assumption

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)	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Interest Rate	5.15%	4.65%	4.45%	4.45%	4.45%	4.45%	4.45%	4.45%	4.45%	4.45%

Strategic Projects

Endorsed Strategies/Plans	Expenditure \$'000	% of Project Pool (as per 25/26 BP&B)
ACMA Strategic Plan	939	13%
Adelaide Park Lands Management Strategy	325	5%
Asset Management Plan	1,200	17%
City Plan	290	4%
Disability Access and Inclusion Plan	180	3%
Economic Development Strategy	1,118	16%
Heritage Strategy and Action Plan	178	2%
Homelessness Strategy	215	3%
Housing Strategy	806	11%
Integrated Climate Strategy	1,100	15%
Kadaltilla Strategic Plan	-	-
National Heritage Management Plan	100	1%
Stretch Reconciliation Action Plan	180	3%
Other Strategies	515	7%
Total (net of related revenue)	7,146	100%



Balance needed to equitably fund initiatives for adopted strategies

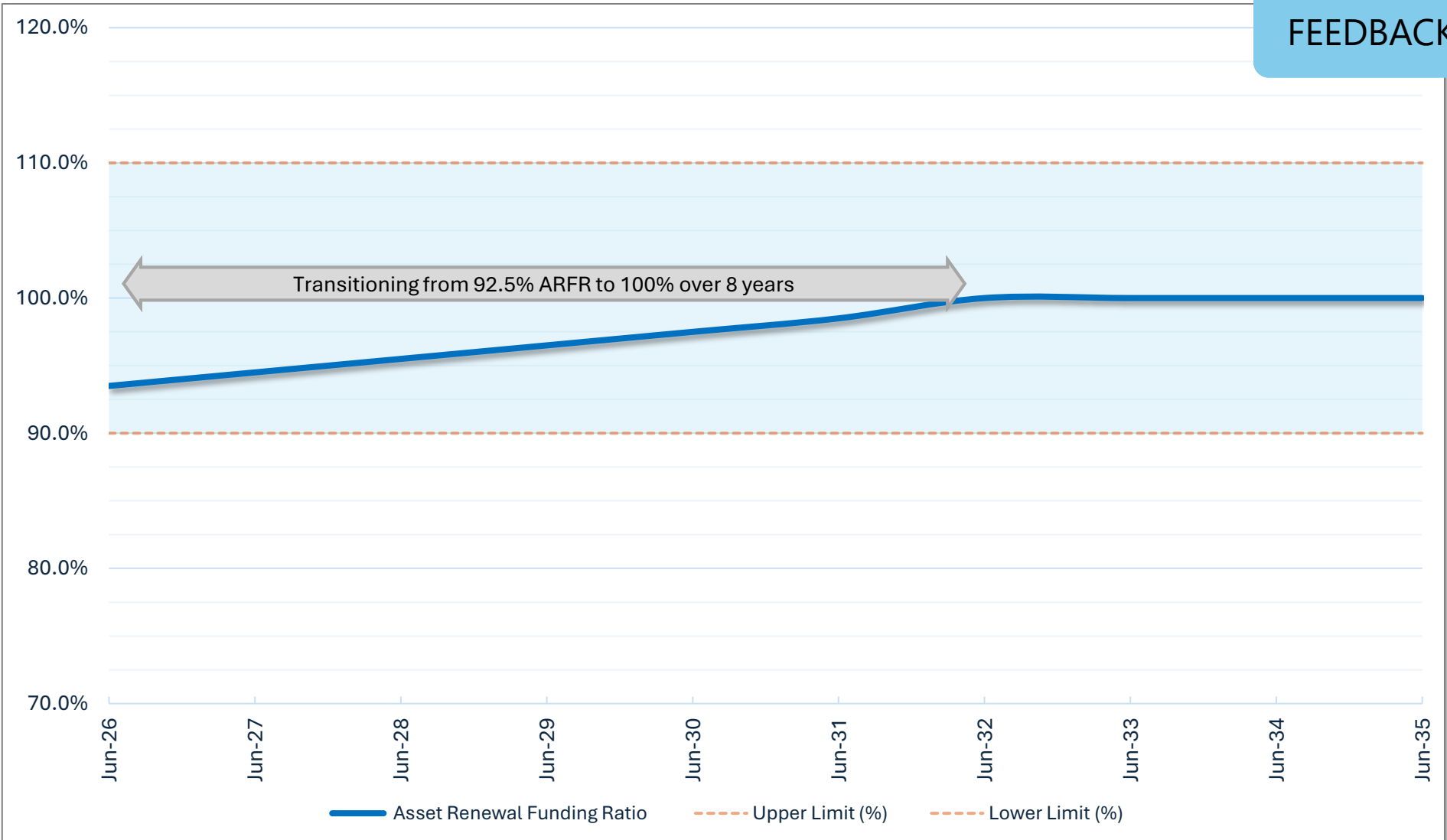
Asset Renewal Program

Key considerations:

- Maintain transitioning ARFR to 100% over an 8-year period
- Update AMPs to reflect the transition
- Confirm funding assumptions for significant renewals
- Treatment of North Adelaide Golf Course

Asset Renewal Funding Ratio (ARFR)

FEEDBACK



Asset Management Plans

Asset Class*	(\$'000)						
	AMP 2025/26		Adopted LTFP 2025/26 Budget		Adopted 2025/26 Budget		Variance
	Budget	ARFR	Budget	ARFR	Budget	ARFR	Budget
Asset Renewal Delivery Resource	6,308	100%	5,898	93.5%	5,898	93.5%	-
Buildings	11,261	100%	10,529	93.5%	15,115	134.2%	(4,586)
Lighting & Electrical	5,305	100%	4,960	93.5%	4,960	93.5%	-
Park Lands & Open Space	3,019	100%	2,823	93.5%	1,600	53.0%	1,223
Plant, Fleet & Equipment	3,653	100%	3,415	93.5%	3,715	101.7%	(300)
Transport	28,823	100%	26,950	93.5%	24,489	85.0%	2461
Urban Elements	5,162	100%	4,826	93.5%	3,624	70.2%	1,202
Water Infrastructure	9,129	100%	8,536	93.5%	8,536	93.5%	-
TOTAL	72,659	100%	67,936	93.5%	67,937	93.5%	(1)

* Excludes Significant Renewals

Significant Renewals

- Current adopted LTFP assumes both Adelaide Bridge and Torrens Weir renewed in line with adopted AMPs - partially funded by external grants (not yet secured)
- Rundle UPark's life extended to 2029/30 – AMP to be updated to reflect this

Significant Renewals	Financial Year	Total Expenditure (\$'000s)	External Funding (\$'000s)	Net Expenditure (\$'000s)
Adelaide Bridge	2027/28 - 2028/29	60,000	(15,000)	45,000
Torrens Weir Structure	2028/29 – 2029/30	40,000	(26,666)	13,334
Rundle UPark*	2030/31 – 2031/32	15,000	-	15,000

*Total renewal cost = \$60m; \$15m extends life to end of current leases (current adopted assumption)

Significant Renewals

- These significant renewals are “once in a generation” projects - funding levers beyond operating revenue alone should be considered:
 - Advocacy and external grant funding
 - Asset ownership
 - Borrowings (fixed principal and interest structure)

**Confirm current assumptions to extend,
renew, replace or upgrade**

New and Upgraded Assets

Council's current adopted LTFP has committed funding to:

- Mainstreet Revitalisation Upgrades
- Central Market
- Adelaide Aquatic Centre Community Playing Field
- 1.5% rates revenue to upgrade buildings in the Park Lands (in addition to Renewals)
- Forward commitment of \$23.2m from 2028/29, to fit within the current Prudential Borrowing Limits
- Brownhill and Keswick Creek - \$320k annual commitment

New and Upgraded Assets

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

- Surplus cash from operating and renewal activities
- External grant funding
- Borrowings
- Prioritising commitment

Confirm current assumptions for new and upgraded assets

Risks and Opportunities

- Council rate revenue growth
- Government priorities (State and Commonwealth)
- Interest rates
- Inflationary pressures - wages and materials
- Securing external funding
- Delivery of Property Strategy and Action Plan
- Delivery of endorsed Strategies not yet fully funded
- Asset valuations
- COP31 event
- North Adelaide Golf course changes
- Prudential Borrowing Limits

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**Thank you –
questions or comments?**

What is the LTFP?

- The Long Term Financial Plan (LTFP) is a 10 year forecast of Council's financial performance and position based on its strategic plans, anticipated service levels and social, economic and political indicators.
- It provides guidance to support Council decision-making and confirm Council's financial capacity to deliver services, maintain assets and achieve its strategic objectives in a financially sustainable manner.
- The LTFP is a projected report based on information known at the time. As such the review process of the LTFP is iterative and will change as new or updated information is presented.
- Legislatively, Council must adopt a LTFP within the first two years of being appointed. CoA's approach is to develop and adopt the LTFP in consultation with Council each year, and review it quarterly to reflect the latest available information.
- Key outputs include a comprehensive set of financial indicators and forecast financial statements in accordance with legislative requirements.

Financial Sustainability

PRE- READING

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

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

It is based on the premise that:

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

Basis of Preparation

PRE- READING

Projecting forward, the LTFP considers:

- The 2025/26 budget, which forms the 'base' year, with assumptions applied to subsequent years, adjusted for known structural changes
- Council's 2024-2028 Strategic Plan, Infrastructure and Asset Management Plans, and adopted Strategies, including planned investment in new projects and infrastructure
- The social, economic and political environment, including indicators such as population growth, inflation and interest rates
- Anticipated changes in future service levels that reflect the needs and expectations of the community
- Funding and expenditure levers available to Council, including revenue and financing guidelines, such as Council's Rating Policy and Treasury Policy
- Revenue opportunities and cost drivers, including the impact of climate change and other factors on the city
- A rigorous assessment of Council's current financial position and financial sustainability

Financial Principles

Council has endorsed the following Financial Principles:

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

Financial Principles cont...

PRE- READING

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

Key Assumptions

Underpinning this LTFP

PRE- READING

The current adopted LTFP incorporates the following assumptions and parameters:

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

Asset Renewal & Asset Management Plans

PRE- READING

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

Asset Renewal Funding Ratio

PRE- READING

- The Asset Renewal Funding Ratio (ARFR) represents expenditure on asset renewals as a percentage of forecast expenditure required as per the asset management plans.
- It illustrates whether existing assets are being replaced or renewed at the rate they are being consumed and ensures consistent service delivery as determined by the Infrastructure and Asset Management Plans.
- The revised AMPs determine the renewal requirement based on condition of the asset as well as the service levels approved by Council.
- The Local Government Act 1999 (SA) recommends a target ratio between 90% and 110%. That is, council needs to renew between 90-110% of what is required within the AMPs for that given year
- The current adopted LTFP assumes a gradual ARFR increase from 93.5% in 2025/26 to 100% by 2030/31

Borrowings

PRE- READING

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

Prudential Limits

PRE- READING

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

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

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

Treasury Policy

PRE- READING

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

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

Treasury Policy cont...

PRE- READING

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

Risks and Opportunities

PRE- READING

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

Key risks

PRE- READING

Examples of key risks include:

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

Opportunities

PRE- READING

Examples of opportunities include:

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