

# Adoption of the 2020-2021 Business Plan and Budget

ITEM ## 05/08/2020  
The Committee

Strategic Alignment - Enabling Priorities

**Program Contact:**  
Sonjoy Ghosh, AD Information Management 8203 7655

2019/02431  
Public

**Approving Officer:**  
Clare Mockler, Deputy CEO & Director Culture

## EXECUTIVE SUMMARY

The 2020-2021 Business Plan and Budget is the annual operational and financial planning document for the City of Adelaide. It describes the Key Activities for the year, alongside the services, projects and infrastructure that the City of Adelaide plans to deliver and how it plans to allocate its budget. It also provides an overview of Council's rating policies and how the Business Plan and Budget delivers on our strategic plan.

The 2020-2021 Business Plan and Budget has been formed post a broad engagement process with our community through the development of our 2020-2024 Strategic Plan and a series of detailed discussions with Council since February 2020 regarding financial priorities for Council along with the financial implications and response to COVID-19. The Audit Committee has been engaged throughout the process and have provided regular advice in response to the financial implications of COVID-19.

In developing the 2020-2021 Business Plan and Budget, Council has demonstrated its commitment to long term financial sustainability and building capacity to respond to emerging challenges such as those presented by COVID-19. Key outcomes of the process have included the review of its Treasury Policy, which has enabled the establishment of a "Future Fund" reserve to ensure proceeds from the sale of Council assets are reinvested in future income generating assets or to invest in strategic capital projects, and an increase to its prudential borrowing limits to ensure Council has capacity to respond to emerging opportunities. Additionally, Council has committed to reducing its annual operating expenditure in the budget and long term financial plan by \$20 million.

The Recovery Principles endorsed by Council in June will guide its future decision making and support its long term financial sustainability. These principles seek to ensure an equitable approach to rating, a prudent approach to the utilisation of borrowings and proceeds from the sale of assets, and sustainable investment in our infrastructure and delivery of services.

Public Consultation was conducted from 2 July to 23 July 2020 with feedback considered by Council on 28 July 2020. Council received over 100 surveys and written submissions from City ratepayers, residents and users about the importance and performance of our services, where to prioritise investment and what financial levers Council should consider to improve our financial position. This feedback will help inform our decisions about how our services will be delivered in the future.

In response to COVID-19, the City of Adelaide demonstrated leadership with its \$4 million City Support package, and its partnership with Business SA for its City Business Support Package to assist the city business community's journey from recovery to growth and prosperity. In June and July Council considered what further financial assistance it could provide for its tenants and rate payers. On 14 July Council resolved to offer small business lessees (SMEs) in Council-owned buildings, Adelaide Central Market tenants, and sporting and community lease / licence holders, a 50% deferral in rent and licence fees for the first quarter of 2020-2021. It also resolved to extend its COVID-19 rates financial hardship provisions to 31 December 2020.

The final proposed changes to the 2020-2021 Budget were presented in a Committee Workshop on 28 July 2020 and are incorporated within this 2020-2021 Business Plan and Budget.

This report also requests the approval of the addition of one new fee to the Fees and Charges Schedule for 2020-2021 financial year which was not captured in the Council resolution on 23 July 2020 to continue with the fees and charges for the 2019-20 schedule for the 2020-2021 financial year.

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The following recommendation will be presented to the special Council meeting to be convened on 13 August 2020 for consideration

That Council:

1. Adopts the 2020-2021 Business Plan and Budget as indicated in Attachment A to Item # on the Agenda for the special Council meeting to be convened on 13 August 2020 having considered all submissions made during the public consultation period.
  2. Adopts the Budget for the year ending 30 June 2021 included in Attachment A to Item # on the Agenda for the special Council meeting to be convened on 13 August 2020 comprising all financial statements and other information as required by the Local Government (Financial Management) Regulations 2011.
  3. Resolves to borrow the funding requirement of \$35.5m for the 2020-2021 Budget.
  4. Adopts the Long Term Financial Plan as set out on pages 74 to 78 of Attachment A to Item # on the Agenda for the special Council meeting to be convened on 13 August 2020.
  5. Authorises the Chief Executive Officer to make any necessary changes to the final 2020-2021 Business Plan and Budget document arising from this meeting, together with any editorial amendments and finalisation of the document's formatting and graphic design.
  6. Approves the new fee for 'Advertising costs incurred due to Public Consultation' as detailed in the Report to be added to the Fees and Charges Schedule for 2020-2021 financial year.
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# IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Enabling Priorities</b> The deliverables and objectives set out in the 2020-2021 Business Plan and Budget document are directly aligned to the delivery of year 1 of the 2020-2024 City of Adelaide Strategic Plan
Policy	The 2020-2021 Business Plan and Budget has been prepared in accordance with Council's current Long-Term Financial Plan assumptions and endorsed Financial Policies. The approved public consultation was undertaken in accordance with Council's Public Communication and Consultation Policy.
Consultation	A public consultation process on the 2020-2021 Business Plan and Budget commenced on Thursday 2 July 2020 and concluded on Thursday 23 July 2020.
Resource	The 2020-2021 Business Plan and Budget identifies how Council's resources will be allocated in meeting the 2020-2021 deliverables and objectives of the 2020-2024 Strategic Plan.
Risk / Legal / Legislative	Council's 2020-2021 Business Plan and Budget is developed in accordance with section 123 of the <i>Local Government Act 1999</i> (the Act), and sections 6 and 7 of the Local Government (Financial Management) Regulations 2011.
Opportunities	Public consultation is a key part of the Business Plan and Budget process. The Business Plan and Budget provides a pathway for community members to share their input and feedback with Council on those issues that affect them and the services they most value.
19/20 Budget Allocation	Not as a result of this report
Proposed 20/21 Budget Allocation	The 2020-2021 Business Plan and Budget provides the proposed budget for the 2020-2021 financial year.
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
20/21 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. Preparation of the 2020-2021 Business Plan and Budget commenced in November 2019 and a timetable for its consideration and adoption was presented at the Committee Workshop on 25 February 2020. This timetable allowed for Committee Workshops in March and April, public consultation in May, and adoption in June ahead of the new financial year on 1 July 2020.
2. Since mid-March 2020, Council has been engaged in numerous, detailed conversations about the City of Adelaide's financial position in the context of the unforeseen, significant impact of COVID-19 on our City, our finances, and our community. Further work on the 2020-2021 Budget was deferred until the full financial implications on Council's operations and finances could be assessed.
3. On 30 April 2020, the Minister for Transport, Infrastructure and Local Government issued variations to the *Local Government Act 1999*, under the emergency powers of section 302B of *the Act*, to extend the timeframe for adoption of an annual business plan and budget to 30 November 2020 for the 2020-2021 financial year.
4. On 5 May 2020, a revised timeline was presented as a part of the CEO's Briefing on the City of Adelaide's Recover + Reimagine project which proposed consideration and adoption of the 2020-2021 Business Plan and Budget by November 2020, aligning with State and Federal Government budgets which have been deferred to October 2020. Council also considered its 2020-2021 Quarter Three Financial and Performance Report which outlined the immediate and anticipated impact of COVID-19 on our finances and action taken to identify savings and support our City residents and businesses.
5. On 28 May 2020, at a Special Committee Workshop on the 2020-2021 Business Plan and Budget, Council heard that under Section 153(5) of *the Act*, Council cannot declare general rates until it has adopted its annual business plan and its budget. Deferring the declaration of rates to November would have significant cash flow implications, compounding the financial impact of COVID-19. A revised timetable was presented which proposed a prudent, two-stage approach:
  - 5.1 Stage 1: Council considers an Expenditure Framework, Fees and Charges, and revised Treasury Policy by 30 June 2020. The Expenditure Framework incorporates operational expenditure based on the draft 2020-2021 Business Plan and Budget, reprioritised strategic projects and infrastructure works from 2019-2020 and new, time critical strategic projects and infrastructure works for Quarter 1 of the 2020-2021 financial year. This approach is consistent with advice from the LGA that an Approved Expenditure Framework is required if the 2020-2021 Business Plan and Budget is adopted after 30 June 2020.
  - 5.2 Stage 2: Council considers a draft Business Plan and Budget by 30 June 2020 for public consultation in July 2020 and adoption by the end of August 2020. This is in accordance with section 123(8) of the *Local Government Act 1999* which requires an annual business plan and budget to be adopted between 31 May and 31 August for the ensuing financial year.
  - 5.3 This two-stage approach enabled the continuation of essential services and the delivery of key projects for the community until the 2020-2021 Business Plan and Budget was to be adopted in August 2020, following public consultation. This will enable Council rates notices for the first quarter of the financial year to be issued by the end of August 2020, with the first instalment due at the end of September 2020.

## Business Plan

6. The 2020-2021 Business Plan and Budget outlines a range of key activities, services, projects, and infrastructure to be delivered in 2020-2021.
7. Key Activities
  - 7.1 These have been outlined in accordance with our 2020-2024 Strategic Plan Community Outcomes: Thriving Communities, Strong Economies, Dynamic City Culture, Environmental Leadership and supported by Enabling Priorities.
  - 7.2 The Key activities have been prioritised based on the Strategic Plan Key Actions as endorsed by Council on the 10 March 2020 and will be measured and reported on in our annual report in accordance with our Strategic Planning Framework. These activities are a snapshot of the highlights for the year ahead.

## 8. Services and Projects

- 8.1 The City of Adelaide delivers a broad range of services to our community. These services bring our strategic plan to life, ensure we deliver on essential community needs, fulfil our duties as a Capital City Council and enable our community and organisation to thrive.
- 8.2 The 2020-2021 Business Plan and Budget presents over 90 services across ten service categories. Each service category defines the value we provide to the community and the strategic plan alignment. The addition of the service budgets provides a level of transparency and clearly articulates what services are delivered to our community and the resources and projects that make up our operating budget.

## 9. Infrastructure and Capital Works

- 9.1 The infrastructure and capital work projects form the basis for our asset management renewal program and were developed as part of the business plan and budget process. Infrastructure and capital works projects outlined for delivery within the 2020-2021 Financial year include:

- 9.1.1 New and continued major projects totalling \$22.1m
- 9.1.2 New and significant upgrade infrastructure totalling \$3.6m
- 9.1.3 Infrastructure renewal and essential works totalling \$22.8m

A proportion of these projects have been re-timed from the 2019-2020 financial year into 2020-2021.

## Budget

10. In light of COVID-19 and the impacts on Council's revenue and expenditure, Recovery Principles have been developed to ensure our long term financial sustainability and the ongoing delivery of services and projects for our community. These principles are for Council to utilise when making decisions related to: the setting of rates; fees and charges; the utilisation of borrowings; proceeds from the sale of assets; future investment and infrastructure; government partnerships; and the review of Council's services. The Recovery Principles were endorsed by Council on 30 June 2020 and are included in Attachment C.
11. The budget is based on discussions and feedback from Committee (of Council) Workshops on 3 December 2019, 25 February 2020, 28 May 2020, 15 June 2020 and 28 July 2020, including:
  - 11.1 Freezing the rate in the dollar for 2020-2021 for the seventh consecutive year
  - 11.2 Holding non-commercial fees and charges at existing levels (2019-20 amounts) from 1 July 2020 to 30 June 2021
  - 11.3 The reset of the Infrastructure and Capital Works Program to focus on the delivery of infrastructure renewals and the completion of the 2019-20 program.
12. Income from rates is forecast to increase by 2.2% due to a 0.9% valuation uplift and 1.3% growth in new developments, noting that the rate in the dollar has been frozen for the seventh consecutive year.
13. Council's operating income has been significantly impacted by COVID-19 in 2019-20. User fees and charges are forecasted to reduce by \$20m in 2020-2021. This is primarily attributable to the impact of COVID-19 on:
  - 13.1 The utilisation of on street parking
  - 13.2 The revenue generating capacity of the UParks
  - 13.3 Aquatic Centre Operations including the temporary closure
  - 13.4 Cancellation and postponement of events due to social distancing restrictions
  - 13.5 Property income due to an anticipated increase in vacancies.
14. In response to the significant impact of COVID-19 on Council's income, we have taken steps to constrain operational expenditure. The 2020-2021 Budget and revised Long Term Financial Plan incorporates a forecast reduction in ongoing operating expenditure of \$20m, reflecting the Council Decision on 22 April 2020 that the CEO outline options for a \$20m reduction in operating expenditure during the 2020-2021 financial year. The 2020-2021 budget also includes a provision for potential one-off costs of \$14.4m associated with realigning our organisational structure.
15. The forecast borrowing requirement for 2020-2021 is (\$35.5m) while the forecast operating deficit is (\$33.3m). Borrowings at 30 June 2021 are forecast to be \$91.1m which is within the prudential borrowing limits.
16. The 2020-2021 Budget incorporates \$4.456m of funding to the Adelaide Central Market Authority for capital works. Given the recent announcement of the new Board for the Authority, we will work with the new Chair and Board around the timing and prioritisation of the funding requests for capital works.

17. In accordance with section 123(3)(b) of the Act, we followed the relevant steps in our public consultation policy to facilitate community feedback on the draft Business Plan and Budget.
18. The final proposed changes to the 2020-2021 Budget were presented in a Committee Workshop on 28 July 2020 and are incorporated within this 2020-2021 Business Plan and Budget.

### **Fees and Charges**

19. On 23 June 2020 Council resolved to continue with the fees and charges for the 2019-20 schedule for the 2020-2021 financial year (1 July 2020 to 30 June 2021).
20. This resolution did not facilitate the introduction of one new fee proposed for 2020-2021. The new fee that requires Council approval is for on-charging 'Advertising costs incurred due to Public Consultation' as detailed in the table below.

Fee ID	Ref	Fee Description	Units	Fee 2019-2020	Fee 2020-2021	Notes
2287	New	Advertising Costs Incurred due to Public Consultation	per advert	New	Price on application	New Fee (on-charge public consultation advertising costs)

### **Consultation Process**

21. Public consultation on the draft 2020-2021 Business Plan and Budget commenced on Thursday 2 July 2020 and concluded on Thursday 23 July 2020. Public consultation included a virtual Public Meeting on the evening on Tuesday 21 July 2020 which provided an opportunity for members of the community to present their submissions to Council if they wished to.
22. The consultation process sought feedback from target audiences including our creatives, young people, entrepreneurs and key stakeholders that we have previously engaged with as well as those that participated in strategic planning workshops. Feedback was also be proactively sought from our customers and ratepayers by our Customer Experience Team.
23. Proactive communications seeking input and for people to have their say were shared with:
  - 23.1 All ratepayers on our e-database
  - 23.2 Over 500 stakeholders, organisations, groups and community members from the Strategic Plan consultation
  - 23.3 The over 10,000 registered Your Say Adelaide users, plus thousands more people from other Council marketing databases
  - 23.4 The general public through our Libraries, Community Centres, Customer Centre, Digital Screens in the public realm and social media channels
24. Over 100 submissions were received, made up of 109 surveys and 8 written submissions. When asked how they used the City:
  - 24.1 75 people said they used the city to play (leisure, recreation, dining)
  - 24.2 70 people said they used the city to shop
  - 24.3 59 people said they used the city to live
25. Surveys sought feedback on Key Activities, the importance and performance of services, where to prioritise investment and what financial levers council should consider:
  - 25.1 94% of respondents were supportive of all or some of the Key Activities
  - 25.2 Most important: Economic Growth; Waste; Natural Resources and Environmental Services
  - 25.3 Least important: Regulatory Services; Corporate Support Services; Commercial Operations
  - 25.4 Best performing: Waste; Natural Resources and Environmental Services; Arts, Community Development; and Civic Services.
  - 25.5 Worst performing: Economic Growth; Policy and Planning Services
  - 25.6 More investment: Economic Growth; Infrastructure and Asset Management
  - 25.7 Less investment: Corporate Support Services; Regulatory Services
  - 25.8 Financial levers to consider: Invest in new revenue streams; utilise borrowings for major projects and new infrastructure, unfreeze the rate in the dollar.

26. A summary and detailed copy of what was heard from our consultation was received and noted by Council on 28 July 2020.

#### **Further Financial Assistance for City businesses and residents**

27. In July Council considered options to provide further financial assistance to businesses and residents financially impacted by COVID-19 restrictions. On the 14 July 2020 Council resolved to:
- 27.1 Offer small business lessees (SMEs) in Council-owned buildings, Adelaide Central Market tenants and sporting and community lease / licence holders a 50% deferral in rent and licence fees for the first quarter of 2020-2021 (1 July 2020 to 30 September 2020).
  - 27.2 Extend the COVID-19 rates hardship assistance measures available to all City ratepayers on application, as outlined below:
    - 27.2.1 Postponement of payment for the 1st quarter rates (issued 19-21 August and due 30 September 2020) for three months until 31 December 2020
    - 27.2.2 No fines or interest to be charged on any 1st quarter outstanding rates (due 30 September 2020) until 31 December 2020
    - 27.2.3 Fines and interest to be suspended on all historic rates outstanding until 31 December 2020
    - 27.2.4 Repayment arrangements (weekly, fortnightly or monthly), based on an agreed amount
    - 27.2.5 No new debt recovery action to be instigated for any business that enters into a financial arrangement with Council (including any pre-existing debt).
28. The cash flow implications of these measures have been incorporated in the final changes to the 2020-2021 Budget.

#### **Legislative Requirements**

29. The 2020-2021 Business Plan and Budget has been developed in accordance with section 123 of the *Local Government Act 1999* (the Act), and sections 6 and 7 of the Local Government (Financial Management) Regulations 2011.

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## ATTACHMENTS

### **Attachment A – 2020-2021 Business Plan and Budget**