CITY OF
TEA TREE GULLY
*Naturally Better*

# 2026–2027 ANNUAL BUSINESS PLAN + BUDGET

The City of Tea Tree Gully recognises this City's considerable natural and cultural heritage, including thousands of years of Traditional Custodianship by the Kaurna people and the more recent contributions from all who live here.

We build on this heritage today by respecting and listening to each other, being receptive to new ideas and acting wisely for the current and future well-being of our community.

# Summary of changes

## from the draft plan to the final 2026–2027 Annual Business Plan

- Growth from the increase in property development in the draft ABP was 0.6%. The final growth figure for the year is 0.93%. This has resulted in an increase of $333,000 to the Material, Contracts and Other expenditure to offset an uplift in the waste collection cost for 2025–2026. The Operating Surplus has remained the same.
- On 26 May 2026 in the report Quarter Three Budget Review for Financial Year Ending 30 June 2026, Council resolved to carry forward $1.435m of income and $14.278m of expenditure into the 2026–2027 Annual Business Plan as projects carried forward from the 2025–2026 year. These have been included in the program in their respective categories.

| **Summary of capital project changes** | Revenue | Expenditure | Net |
|---|---|---|---|
| 2026–2027 Draft ABP capital projects | $3,890,000 | $33,196,800 | $29,306,800 |
| 2025–2026 Q3 carried forward projects | $1,435,000 | $14,277,500 | $12,842,500 |
| **2026–2027 Final ABP capital program** | **$5,325,000** | **$47,474,300** | **$42,149,300** |

*Cover: Solandra Reserve, Modbury North*

## The City of Tea Tree Gully's Annual Business Plan and Budget are key documents in our overall planning framework, and set out our projects, services and programs for the financial year and how we intend to finance them.

The Annual Business Plan and Budget have been developed through an extensive process of consultation and review by Elected Members, council staff and consultation with the community.

These documents support our long-term strategic direction, which is outlined in Council's Strategic Plan 2030, as well as our Long Term Financial Plan and asset management plans.

The Annual Business Plan is designed to meet the legislative requirements of the *Local Government Act 1999*.

For more information call 8397 7444 or visit **cttg.sa.gov.au/abp**

# Contents


| | |
|---|---|
| **Introduction** | **6** |
| **City profile** | **8** |
| **Strategic direction** | **10** |
| **Measuring our performance** | **16** |
| **Continuing services** | **19** |
| **Capital works program** | **22** |
| **Infrastructure Asset Management Plans** | **28** |
| **Funding the Annual Business Plan** | **31** |
| **Financial statements** | **34** |
| **Rates** | **42** |
| **Financial indicators** | **51** |
| **Appendix A: ESCOSA report** | **54** |
| **Appendix B: Council response to ESCOSA report** | **77** |
| **Appendix C: 2027–2036 Long Term Financial Plan** | **80** |

# Introduction

This year's budget balances careful spending with exciting strategic investments to make our City an even better place to live, support local jobs and businesses and build a stronger community.

Backed by a $47.5 million capital works budget, residents can look forward to seeing a wide range of major projects delivered, with upgrades to buildings, parks and roads.

Recognising the importance of community wellbeing, new clubrooms for the Tea Tree Gully Sporting Club and Tea Tree Gully Croquet Club are on the way, along with upgrades to the Waterworld Aquatic Centre.

More than $9 million will be invested in improving open spaces. Projects include transforming Elliston Reserve (Highbury) into a destination playspace, developing Maxlay Reserve (Modbury Heights) with two new playgrounds and a dog park, and upgrading courts at Modbury Tennis Club (Ridgehaven). Playgrounds at Marwick (Greenwith) and Hartog Reserves (Fairview Park) will also be upgraded. Council thanks the State Government for financial contributions to some of these projects.

A significant portion of the 2026–2027 capital program is focused on transport and movement infrastructure, which is one of the Council's largest and most critical asset classes. More than $7.1 million is allocated to renewing local roads across a wide range of suburbs to maintain safety and accessibility.

Targeted investment in key road corridors and city entry points is also planned, with works on Golden Grove Road (Greenwith) and Milne Road (Modbury Heights) to improve connectivity.

Popular community events, such as A Day in the Gully, Civic Park Carols and Touch a Truck, will continue to bring people together and strengthen community connections.

Alongside new initiatives, day-to-day services and programs continue to be funded: waste collection, verge maintenance, the library and community centres. Internal crews will undertake new plantings, mulching and surface treatment to achieve ongoing improvement of open spaces.

This year's budget has been guided by Council's Strategic Plan 2030, which sets out a long-term vision for a healthy, safe, prosperous, connected, vibrant and liveable city.

To fund these priorities in 2026–2027, rates will increase by 5.5% (excluding growth), which equates to about an extra $2.23 a week for a median residential property.

With local government elections to be held later this year, we take this opportunity to thank our current elected members for their leadership and service.

We are grateful to CEO Ryan McMahon, staff, volunteers and the community for their ongoing support.

We hope this document gives you a clear understanding of our commitment to making our City an even better place to live, work and play.

# City profile

A snapshot of key information about our City, including geographical, economic, demographic and event data.

**9,521 ha**
total land area

**1,305 ha**
open space

**606**
parks and reserves

**66%**
urban area

**33%**
rural area

**124**
playgrounds

**100,000**
street trees

**22.29%**
tree canopy cover

**579 km**
sealed roads

**1,234 km**
kerbs and gutters

**584 km**
sealed footpaths

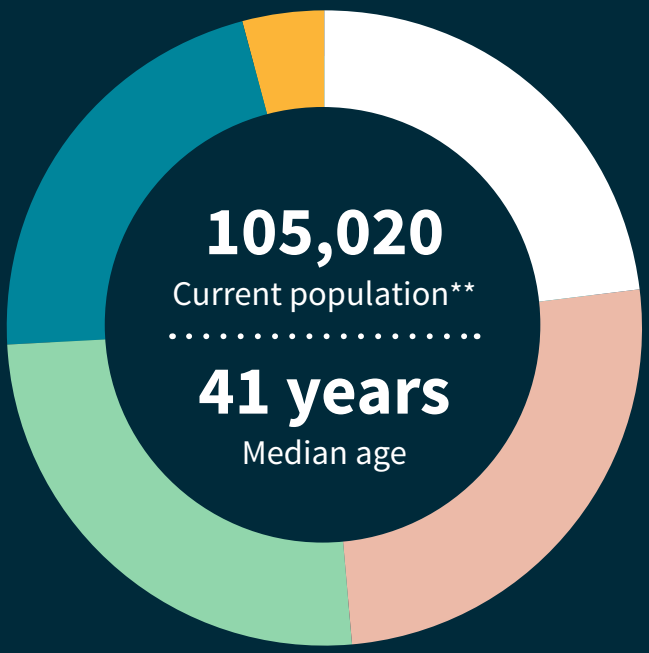
**98 km**
unsealed footpaths

**41,032**
dwellings*

**2.4**
people per household*

**6,264**
active trading businesses

**$4.2b**
Gross Regional Product




**29,188**
families

**15.11%**
undertaking voluntary work

**27.3%**
of residents born overseas

**49.5%**
with tertiary qualifications

- 0–19 years (23.1%)
- 20–39 years (30.5%)
- 40–59 years (25.8%)
- 60–79 years (21.3%)
- 80+ (5.1%)

**27**
major events held

**212,523**
Waterworld attendances

**12,960**
tonnes of food and organic material diverted from landfill and turned into compost

**1,125**
Mini Muncher kitchen caddies distributed to residents

**3.9m**
kerbside bin collections

**45,327**
volunteer hours completed

**333,981**
total library attendance

**2,482**
program sessions and events offered

**76,109**
program and event attendance across the City

**36**
community engagement activities

* *2021 Census*
** *2025 Remplan*

# Strategic direction

## Council employs a suite of strategic management plans to establish priorities, guide decision-making, and inform annual business planning and budgeting.

Central to this framework is the Strategic Plan 2030, the Council's key guiding document. It sets out our vision and goals for the City of Tea Tree Gully community, including residents, workers, and visitors. The plan builds upon our previous successes in improving the city, boosting the economy, enhancing public spaces, and fostering a high quality of life in a resilient and connected community.

The wellbeing of our community is central to the plan. It focuses on fostering a healthy, vibrant, and fulfilling lifestyle for all. The plan is organised around five key aspirations, each supported by specific objectives:

- Community
- Economy
- Environment
- Places
- Leadership

To achieve these goals, we recognise the need to adopt innovative thinking, demonstrate strong leadership, and collaborate meaningfully with state and federal governments, local businesses, and our communities.

Council formally adopted the Strategic Plan 2030 on 8 October 2024, building on the foundations laid by the previous plan.

To support ongoing improvement and adaptability, we've also developed the Organisation Plan 2030. This internal plan focuses on enhancing how we operate, and is structured around four core themes:

- Customer care
- Trust
- Teamwork
- Growth

As we work towards our long-term vision, the 2026–2027 Annual Business Plan and Budget outlines the key projects, programs, and services that will bring these strategic objectives to life.

# 1. Our Community

## We create opportunities for people to connect with one another and to their local community.

| | OUR ASPIRATIONS | OUR INDICATORS |
|---|---|---|
| 1.1 | Our programs, events and services are accessible, inclusive and adaptable to meet community needs | • Number of initiatives delivered which respond to the needs of the community<br>• Perception of community services accessibility |
| 1.2 | Diversity is welcomed and celebrated | • Number of programs, events and services pitched at diverse target groups<br>• Population increase<br>• Progress of of Disability Access and Inclusion Plan |
| 1.3 | People feel a sense of belonging, inclusion and connection | • Number of art and culture initiatives<br>• Number of participants in community programs, events and services reporting increased levels of connectedness |
| 1.4 | The safety and wellbeing of our community is a priority | • Number of volunteering opportunities<br>• Number of people engaging in physical activity within the City<br>• Number of initiatives that provide opportunities for social connection<br>• Personal Wellbeing Index Score |

# 2. Our Economy

We support a thriving local economy where businesses are successful and people have access to a range of employment and education opportunities.

| OUR ASPIRATIONS | | OUR INDICATORS |
|---|---|---|
| 2.1 | Our centres are vibrant with Modbury Precinct as the region's key activity centre | • Index score for strategic themes in bi-annual Modbury Precinct Performance Report |
| 2.2 | Our economy is innovative, prosperous and diverse and is underpinned by sustainable population growth | • Number of initiatives which support local business<br>• Diversity of our industry profile<br>• Gross Domestic Product |
| 2.3 | Our community has leadership and employment capabilities | • Number of initiatives that build community capacity<br>• Number of initiatives implemented from economic development plan |

# 3. Our Environment

We are leaders in how we manage and care for our environment, we minimise the impacts of climate change, protect our community from public and environmental health risks, and actively promote sustainable and healthy living.

| OUR ASPIRATIONS | | OUR INDICATORS |
|---|---|---|
| **3.1** | Biodiversity areas, green spaces and tree canopy are valued, enhanced and protected | • Trend of green coverage on land under Council's care and control<br>• Hectares revegetated |
| **3.2** | We prastice the responsible and sustainable use of resources | • Mains water usage<br>• Number of renewable energy initiatives delivered<br>• Waste diverted from landfill<br>• Progress of environmental management framework |
| **3.3** | We are resilient to extreme weather events, bushfires and environmental risks | • Stormwater management plans developed for key watercourses<br>• Number of hazard reduction and mitigation initiatives |

# 4. Our Places

We create places where people enjoy living and spending time because they are appealing, safe, accessible and interesting.

| OUR ASPIRATIONS | | OUR INDICATORS |
|---|---|---|
| **4.1** | Our public places are attractive, adaptable and fit for purpose | • Progress of Main Roads and Gateways project<br>• Maintenance in accordance with service levels |
| **4.2** | Our City has a diversity of housing | • Number of new dwellings and diversity of dwelling typologies approved (including affordable housing)<br>• Number of new residents |
| **4.3** | Our neighbourhoods are well planned, safe, connected and accessible with a focus on active methods of travel | • Community satisfaction with footpaths and local roads<br>• Use of public transport<br>• Investment in upgrades to improve access to play spaces and council facilities<br>• Play spaces which have inclusive elements<br>• Number of initiatives implemented from the City Masterplan |

# 5. Our Leadership

## We are trusted to make good decisions that are in the best interests of our community.

| | OUR ASPIRATIONS | OUR INDICATORS |
|---|---|---|
| 5.1 | Our service provision is sustainable and adaptable | • Operating surplus ratio<br>• Number of continuous improvement initiatives and service reviews |
| 5.2 | We have an innovative approach to customer service that provides a positive customer experience and adapts to changing needs | • Net promoter score<br>• Customer satisfaction with services delivered by Council |
| 5.3 | Our engagement is meaningful and we keep our community informed about Council initiatives | • Opportunity to have your say<br>• Communications reach |
| 5.4 | Our planning and decision-making is evidence based, consistent and focused on outcomes for the future | • Measure growth of the maturity of our data)<br>• Value of initiatives delivered as identified in asset management plans<br>• Number of priority advocacy projects receiving attention from other levels of government |

# Measuring our performance

Our success is determined by how effectively we meet the objectives outlined in both our Strategic Plan and Organisation Plan.

To monitor our progress, we use a range of performance indicators aligned with our strategic goals. These indicators are evaluated through our annual community survey, with outcomes reported in our Annual Report.

Alongside these indicators, we also use a range of financial metrics to assess organisational performance. Details of these measures can be found on pages 51–53.

## Measures of success

| Wellbeing indicators | 2024–2025 Result | 2026–2027 Target |
|---|---|---|
| Overall community wellbeing score | 75.9 | 75.0 |
| Resident satisfaction with their life as a whole | 63% | 65% |
| Resident satisfaction with how safe they feel | 68% | 71% |
| Resident satisfaction with feeling part of the community | 42% | 46% |
| Resident agreement with opportunities to have their say | 57% | 57% |
| Diversity is welcomed and celebrated in the City of Tea Tree Gully | 78% | 75% |
| The City of Tea Tree Gully is a good place to raise a family | 94% | 95% |
| The City of Tea Tree Gully is a good place to grow old | 86% | 88% |
| The City of Tea Tree Gully is a place of growth and prosperity | 76% | 86% |
| **Capital works indicators** | | |
| Capital works projects completed by 30 June each financial year | TBA | 90% |
| I feel safe being out in parks and public spaces in my local community | 82% | 86% |
| **Customer service indicators** | | |
| Overall resident satisfaction with Council communications | TBA | 66% |
| Enquiry resolution at the first point of contact | TBA | 86% |

CEREAL
FOOD & ORGANICS
RECYCLING

# Continuing services

We continue to deliver a broad range of services, programs and infrastructure to meet community needs and comply with our obligations under the *Local Government Act 1999*.

In accordance with the Act and other applicable legislation, councils are responsible for delivering a number of essential services, including:

- Regulatory functions such as development planning, building control and fire safety
- Setting rates and preparing business and financial plans, including long-term strategic and asset management plans
- Managing public infrastructure, including roads, footpaths, open spaces, lighting and stormwater systems
- Providing waste collection and street cleaning services
- Delivering environmental health services, including inspections, immunisations and pest control.

These core services contribute to community wellbeing and also support Council's financial sustainability. The revenue they generate helps reduce the pressure on rates while allowing us to invest in new projects and initiatives that benefit our City and its residents.

## Infrastructure management

Services include:

- Roads, footpaths and shared-use paths
- Streetscape maintenance
- Public lighting
- Stormwater management
- Traffic management and street signage
- Community halls and buildings
- Playgrounds
- Cycling and walking trails
- Cemeteries
- Works depot administration
- Graffiti removal (provided by our volunteers).

## Waste and recycling

Services include:

- Kerbside collection of household waste, recyclables and green organics
- Hard waste collections on call
- Enviro Care green waste drop-off events
- Public litter bins
- Illegal dumping.

## Trees, parks, sport and recreation

Services include:

- Reserve maintenance, planning and planting
- Sports and recreational facilities
- Street tree planting and maintenance
- Weed control
- Verge maintenance
- Waterworld Aquatic Centre.

## Community, health, aged and youth services

Services include:

- Community support and development
- Community programs
- Home care assistance
- Respite and Carer Support Program
- Youth services
- Reconciliation activities
- Immunisation
- Community engagement
- Justice of the Peace (provided by our volunteers)
- Awards, sponsorships and grants.

## Economic development, regulatory services, environment and planning

Services include:

- City planning
- Building approvals and inspections
- Urban design and planning advice
- Business support and advisory
- Investment attraction
- Health services
- Food premises inspections
- By-laws, permits and access control
- Traffic management and street signage
- Parking management
- Animal and pest control
- Fire prevention
- Creek management.

## Community events, arts and heritage

Services include:

- Community events and celebrations
- Performing and visual arts
- Placemaking
- Citizenship ceremonies.

## Community facilities

Services include:

- Library services
- Lifelong learning programs
- Facility hire (casual and long-term)
- Road and Cycle Safety Centre
- Conferences, events and accommodation.

## Governance, communications and administration

Services include:

- Corporate governance
- Policy development and review
- Financial management and services
- Information management and services
- Customer services
- People and capability
- Volunteer services
- Internal and external communications
- Media liaison and marketing
- Procurement and contract management.

BANJO
HARVARD

# 2026–2027 Capital works program

| Capital works | Revenue $ | Expenditure $ | Net $ |
|---|---|---|---|
| **Road resealing and renovation** | | | |
| Tasman Avenue (Wandana Avenue to North East Road), Gilles Plains | - | 370,000 | 370,000 |
| Road Renovation and Resealing – CWMS | - | 192,000 | 192,000 |
| Esk Street (Tatiara Drive to Launceston Avenue), Banksia Park | - | 16,000 | 16,000 |
| Tatiara Drive (Marsha Drive to End), Banksia Park | - | 120,000 | 120,000 |
| Arrow Avenue (Cottenham Road to Greensview Road) (CWMS), Banksia Park | - | 459,000 | 459,000 |
| Elsworth Drive (Cottenham Road to Arrow Avenue) (CWMS), Banksia Park | - | 313,000 | 313,000 |
| Keystone Avenue (Anders Avenue to Grand Junction Road), Hope Valley | - | 691,000 | 691,000 |
| Kean Avenue (Heysen Avenue to Keystone Avenue), Hope Valley | - | 180,000 | 180,000 |
| Emilie Street (Keystone Avenue to End), Hope Valley | - | 20,000 | 20,000 |
| Mitchell Avenue (Valley Road to Duncan Crescent), Highbury | - | 215,000 | 215,000 |
| Lorraine Terrace (Mitchell Avenue to Beckman Avenue), Highbury | - | 41,000 | 41,000 |
| Anson Avenue (Beckman Drive to Honeysuckle Drive), Highbury | - | 50,000 | 50,000 |
| Ardtornish Street (Grand Junction Road to Jacobsen Crescent), Holden Hill | - | 77,000 | 77,000 |
| Tokay Court (Alicante Avenue to End), Wynn Vale | - | 52,000 | 52,000 |
| Yaralinda Street (Lutana Grove to 19 Yaralinda Street), Dernancourt | - | 101,000 | 101,000 |
| Rosa Court (Yaralinda Street to End), Dernancourt | - | 41,000 | 41,000 |
| Acacia Avenue (Larch Street to Myrtle Road), Dernancourt | - | 157,000 | 157,000 |
| Larch Street (Tristania Terrace to Acacia Avenue), Dernancourt | - | 31,000 | 31,000 |
| Halcyon Avenue (Target Hill Road to Bowmore Street), Greenwith | - | 484,000 | 484,000 |
| Pantowora Drive (Carlsson Drive to 9A Pantowora Drive), Hope Valley | - | 125,000 | 125,000 |
| Trim Drive (Mattinson Road to Elm Street), Ridgehaven | - | 84,000 | 84,000 |
| Mertz Court (Ninnis Court to End), Greenwith | - | 92,000 | 92,000 |
| Gaylard Crescent (79 Gaylard Crescent to Maughan Avenue), Redwood Park | - | 66,000 | 66,000 |
| Rehn Court (Dillon Street to End), Redwood Park | - | 35,000 | 35,000 |
| Callemondah Road (Parsons Road to Karingal Road), Dernancourt | - | 59,000 | 59,000 |
| Alexis Street (Trentbridge Road to Italia Street), Hope Valley | - | 57,000 | 57,000 |
| Road Design 2027–2028 Financial Year | - | 170,000 | 170,000 |

| Capital works | Revenue $ | Expenditure $ | Net $ |
|---|---|---|---|
| One Tree Hill Road Embankment Reconstruction | - | 200,000 | 200,000 |
| Valiant Road Reconstruction Design Works | - | 250,000 | 250,000 |
| Road Resealing and Renovation | - | 1,000,000 | 1,000,000 |
| One Tree Hill Road Upgrade Design | - | 1,400,000 | 1,400,000 |
| | **-** | **7,148,000** | **7,148,000** |
| **Roads to Recovery** | | | |
| Steventon Drive (Elizabeth Street to Haines Road [including parking bays]), Banksia Park | - | 1,100,000 | 1,100,000 |
| Golden Grove Road (The Golden Way to Rifle Range Road), Greenwith | - | 1,200,000 | 1,200,000 |
| Elysium Drive (Gleeson Court to Madeline Court), Wynn Vale | - | 300,000 | 300,000 |
| Milne Road (Golden Grove Road to McIntyre Road) | - | 600,000 | 600,000 |
| | **-** | **3,200,000** | **3,200,000** |
| **Re-sheeting unsealed roads** | | | |
| Melville Road (One Tree Hill Road to End), Gould Creek | - | 50,000 | 50,000 |
| | **-** | **50,000** | **50,000** |
| **Footpath and DDA upgrades** | | | |
| Target Hill Road (Bus Stop 66 [south side] to Green Valley Drive), Greenwith | - | 39,000 | 39,000 |
| Aries Avenue (Sirius Avenue to End), Hope Valley | - | 39,000 | 39,000 |
| Golden Grove Road (Kingfisher Wetlands to Bus Stop 48 [west side]), Modbury Heights | - | 82,000 | 82,000 |
| Golden Grove Road (Maughan Avenue to McPharlin Avenue), Redwood Park | - | 103,000 | 103,000 |
| Hampshire Crescent (Norfolk Avenue to Flockhart Avenue), Valley View | - | 85,000 | 85,000 |
| Jacobsen Crescent (Valiant Road to Laneway 36 Jacobsen Crescent), Holden Hill | - | 98,000 | 98,000 |
| Kurrali Street (Callitris Avenue to Wongabeena Drive), Surrey Downs | - | 60,000 | 60,000 |
| Laneway at 17 & 19 Willson Road (Willson Road to Stanley Way), Gilles Plains | - | 40,000 | 40,000 |
| Monarch Drive (Walford Court to Sunbird Court), Salisbury Heights | - | 26,000 | 26,000 |
| Norfolk Avenue (Flockhart Avenue to Hampshire Crescent), Valley View | - | 33,000 | 33,000 |
| Roger Pitt Street (McNamara Street to Truscott Street), Modbury Heights | - | 85,000 | 85,000 |
| Springwood Avenue (Grenfell Road to Lugarno Street), Redwood Park | - | 21,000 | 21,000 |
| Stirling Walk (Sherwood Drive to Carnarvon Avenue), Redwood Park | - | 62,000 | 62,000 |
| Tennant Court (Asgard Drive to Marshall Place), Golden Grove | - | 36,000 | 36,000 |

| Capital works | Revenue $ | Expenditure $ | Net $ |
|---|---|---|---|
| Wahroonga Avenue (Perth Avenue to Knightsbridge Avenue), Valley View | - | 100,000 | 100,000 |
| Whittaker Drive (Altola Avenue to Connie Street), Modbury | - | 60,000 | 60,000 |
| Willow Street (Eva Avenue to Cooinda Avenue), Redwood Park | - | 21,000 | 21,000 |
| Zircon Crescent (Amber Road to Barracks Road), Highbury | - | 45,000 | 45,000 |
| Bus Stop and Shelter Upgrades | - | 65,000 | 65,000 |
| DDA Upgrades and Connection | - | 130,000 | 130,000 |
| | **-** | **1,230,000** | **1,230,000** |
| **Unsealed footpaths** | | | |
| Montague Road (Von Braun Crescent to McIntyre Road), Modbury North | - | 33,000 | 33,000 |
| Silveracre Pass (Gransden Parade to Silveracre Reserve), Greenwith | - | 22,000 | 22,000 |
| Neville Reserve (Anthony Road to Playground), Modbury North | - | 25,000 | 25,000 |
| Brassington Reserve Eastern Boundary (Burford Crescent to Brassington Avenue), Redwood Park | - | 8,000 | 8,000 |
| Brassington Reserve Northern Boundary (McEwin Avenue to 5 Burford Crescent), Redwood Park | - | 13,000 | 13,000 |
| Hotham Road (Leeds Avenue to End), Hope Valley | - | 27,000 | 27,000 |
| Gifford Reserve (Whitlam Street to Gifford Reserve), St Agnes | - | 17,000 | 17,000 |
| Valley View Reserve (Canterbury Crescent) (Carlisle Crescent to Flockhart Avenue), Valley View | - | 29,000 | 29,000 |
| Mackay Reserve (Shackleton Court to Target Hill Road), Golden Grove | - | 12,000 | 12,000 |
| Greenway Reserve (Opposite 14 Greenway Drive to Hancock Road), Surrey Downs | - | 18,000 | 18,000 |
| Memorial Oval (west side of the oval), Tea Tree Gully | - | 22,000 | 22,000 |
| Wannsee Road (Carnoustie Avenue to 22 Selangor Avenue), Fairview Park | - | 6,000 | 6,000 |
| Laneway at 559 Yatala Vale Road (Anona Way to Yatala Vale Road), Fairview Park | - | 9,000 | 9,000 |
| Unsealed footpaths works to be determined | - | 159,000 | 159,000 |
| | **-** | **400,000** | **400,000** |
| **Lighting** | | | |
| Sports lighting – North East Hockey Club | - | 740,000 | 740,000 |
| | **-** | **740,000** | **740,000** |
| **Water and drainage** | | | |
| Holden Hill Stormwater Improvements – Stage 1 | - | 32,000 | 32,000 |
| Pedare Village Park (Sherry Court) – Irrigation System Renewal, Wynn Vale | - | 5,000 | 5,000 |
| Hyde Park Reserve – Irrigation System Renewal, Wynn Vale | - | 5,000 | 5,000 |
| Modbury Skate Park and Adventure Playground | - | 3,500 | 3,500 |

| Capital works | Revenue $ | Expenditure $ | Net $ |
|---|---|---|---|
| Modbury Sports Area (Ashley Avenue to creek) – Drainage Upgrade, Ridgehaven | - | 9,000 | 9,000 |
| Pedare Reserve/Tolley Court – Creek Redesign, Wynn Vale | - | 68,000 | 68,000 |
| Pumping Station for Recycled Water for Grenfell Road (RW), Wynn Vale | - | 39,000 | 39,000 |
| Hope Valley Cemetery | - | 44,000 | 44,000 |
| Golden Grove Cemetery | - | 55,000 | 55,000 |
| Creek Remediation – Pedare Reserve (Tolley Court) | - | 250,000 | 250,000 |
| Creek Remediation – Jubilee Reserve | - | 70,000 | 70,000 |
| Stormwater Improvements – Yatala Vale Road (Hamilton Road) | - | 70,000 | 70,000 |
| Stormwater Improvements – Littler Drive (Casper Street and Cotton Street) | - | 150,000 | 150,000 |
| Irrigation System Renewals – various sites | - | 1,000,000 | 1,000,000 |
| Irrigation Equipment Renewals – various | - | 100,000 | 100,000 |
| Reclaimed Water Improvements – various | - | 310,000 | 310,000 |
| | **-** | **2,210,500** | **2,210,500** |
| **Traffic management and signage** | | | |
| Milne Road Traffic Works | - | 19,000 | 19,000 |
| Hillside Avenue – Intersection Upgrade Design | - | 6,000 | 6,000 |
| Signage – Advisory and Regulatory Replacements | - | 270,000 | 270,000 |
| Signage – Community and Various Site Replacements | - | 100,000 | 100,000 |
| Hillside Avenue, Highbury Intersection Upgrade of Lower North East Road | - | 200,000 | 200,000 |
| Emu Crossing – Modbury West Primary School | - | 30,000 | 30,000 |
| Pedestrian Refuge Island – Balmoral Road and Vingara Drive | - | 40,000 | 40,000 |
| Traffic Investigations (School and Safety Improvements) – Milne Road | - | 30,000 | 30,000 |
| Bus Shelter Installation – Stop 78B Golden Grove Road – East Side | - | 20,000 | 20,000 |
| Bus Shelter Installation – Stop 44 Wright Road – South Side | - | 20,000 | 20,000 |
| Emu Crossing Installation – Mercedes Drive (Kildare College) | - | 40,000 | 40,000 |
| | **-** | **750,000** | **750,000** |
| **Open space – sporting, park and playground upgrades** | | | |
| Elysium Reserve Playground, Golden Grove | - | 220,000 | 220,000 |
| Coulls Reserve Playground, Highbury | - | 350,000 | 350,000 |
| Pinewood Reserve, Golden Grove | - | 300,000 | 300,000 |
| Whinnen Reserve, St Agnes | - | 340,000 | 340,000 |
| Maxlay Reserve Upgrade – Stage 1, Modbury Heights | - | 480,000 | 480,000 |
| Holden Hill Precinct, Holden Hill | - | 1,100,000 | 1,100,000 |
| Illyarrie Reserve, Surrey Downs | - | 130,000 | 130,000 |
| Fencing Projects – Various | - | 170,000 | 170,000 |

| Capital works | Revenue $ | Expenditure $ | Net $ |
|---|---|---|---|
| Shared Fencing Projects – Various | - | 30,000 | 30,000 |
| Outdoor Furniture Projects – Various | - | 100,000 | 100,000 |
| Marwick Reserve, Greenwith Playground Upgrade | - | 495,000 | 495,000 |
| Hartog Reserve, Fairview Park Playground Upgrade | - | 495,000 | 495,000 |
| Court Reconstruction – Modbury Tennis Club (Eastern Courts) | - | 650,000 | 650,000 |
| Maxlay Reserve Stage 2, Modbury Heights | 490,000 | 990,000 | 500,000 |
| Elliston Reserve Upgrade, Highbury | 3,000,000 | 4,000,000 | 1,000,000 |
| | **3,490,000** | **9,850,000** | **6,360,000** |
| **City beautification works** | | | |
| Golden Way (Spring Hill Dr to Martindale Avenue), Golden Grove | - | 100,000 | 100,000 |
| The Golden Way (McIntyre Road to Palmyra Street), Modbury Heights | - | 220,000 | 220,000 |
| Main Roads and Gateways | - | 1,000,000 | 1,000,000 |
| Civic Park Garden Beds Landscaping | - | 400,000 | 400,000 |
| Famechon Crescent Beautification Works, Modbury North | - | 39,000 | 39,000 |
| Tree Screens – Target Hill Road (Halcyon Avenue to Thornton Drive), Greenwith | - | 150,000 | 150,000 |
| Tree Screens – The Golden Way (Lot 201 Clock Tower to Golden Grove Police Station), Golden Grove | - | 150,000 | 150,000 |
| | **-** | **2,059,000** | **2,059,000** |
| **Capital buildings renewal** | | | |
| Braeburn Reserve – Boardwalk Renewal | - | 12,000 | 12,000 |
| Building Renewals – Community Buildings | - | 122,000 | 122,000 |
| Building Renewals – Operational Buildings | - | 265,000 | 265,000 |
| Building Renewals – Recreational Buildings | - | 540,000 | 540,000 |
| Building Renewals – Sporting Buildings | - | 110,000 | 110,000 |
| Building Renewals – Waterworld Aquatic Centre | - | 505,000 | 505,000 |
| Golden Grove Recreation and Arts Centre Bathroom Renewal (Arts Centre Side) | - | 350,000 | 350,000 |
| | **-** | **1,904,000** | **1,904,000** |
| **Capital buildings – new and upgrades** | | | |
| DAIP Building Upgrades | - | 167,000 | 167,000 |
| Golden Grove Recreation and Arts Centre – Stage 2 Entry | - | 350,000 | 350,000 |
| Roof Safety Improvements | - | 19,000 | 19,000 |
| DAIP Building Upgrades – Various | - | 200,000 | 200,000 |
| Verandah Upgrade – Hope Valley Bowling Club | - | 100,000 | 100,000 |
| Parking Improvements – Gallery 1855 | - | 50,000 | 50,000 |
| Building Management System (BMS) Enhancements | - | 50,000 | 50,000 |
| Immunisation Clinic Vaccinating Rooms and Reception Area | - | 65,000 | 65,000 |

| Capital works | Revenue $ | Expenditure $ | Net $ |
|---|---|---|---|
| Civic Centre Ground Floor Parenting Room | - | 15,000 | 15,000 |
| Turramurra Recreation Centre Design | - | 150,000 | 150,000 |
| Ladywood Reserve Amenities Building, Modbury North Design | - | 250,000 | 250,000 |
| | **-** | **1,416,000** | **1,416,000** |
| **Strategic building projects** | | | |
| Building Future Project Fund | - | 1,648,000 | 1,648,000 |
| Projects to be Grant Funded | - | 1,951,000 | 1,951,000 |
| Waterworld Splashpad | - | 2,500,000 | 2,500,000 |
| Strategic Buildings* | - | 2,155,000 | 2,155,000 |
| Building Future Project Fund – Tea Tree Gully Croquet Clubrooms | - | 1,200,000 | 1,200,000 |
| | **-** | **9,454,000** | **9,454,000** |
| **Environmental projects** | | | |
| Public Place Bin Renewal | - | 140,000 | 140,000 |
| Solar Panel System and Battery Energy Storage System (BESS) | - | 100,000 | 100,000 |
| Kerbside Bin Renewal | - | 100,000 | 100,000 |
| | **-** | **340,000** | **340,000** |
| **Information technology** | | | |
| Civic Centre Chambers Audio Visual | - | 100,000 | 100,000 |
| CX Strategy – Mailing List Digitisation and Automation | - | 50,000 | 50,000 |
| Salesforce Optimisation – Customer Experience Enhancements | - | 40,000 | 40,000 |
| Civic Centre Audio Visual Replacements for Meeting Rooms | - | 240,000 | 240,000 |
| Governance Admin System | - | 40,000 | 40,000 |
| Infrastructure – Server and Storage Renewal | - | 1,640,000 | 1,640,000 |
| Infrastructure – Device Refresh Renewal | - | 550,000 | 550,000 |
| ITAMP Renewal | - | 150,000 | 150,000 |
| New AV System for Gallery 1855 | - | 31,200 | 31,200 |
| Wi-Fi at Surrey Downs Community Centre | - | 41,600 | 41,600 |
| ITSM (SolarWinds ticketing system) Replacement | - | 200,000 | 200,000 |
| | **-** | **3,082,800** | **3,082,800** |
| **Other** | | | |
| Elmers Site Management | - | 145,000 | 145,000 |
| Plant & Equipment Replacement Program | 1,835,000 | 3,405,000 | 1,570,000 |
| Security Equipment | - | 65,000 | 65,000 |
| | **1,835,000** | **3,615,000** | **1,780,000** |
| **Total capital works program 2026–2027** | **5,325,000** | **47,474,300** | **42,149,300** |

* Note: A portion of these funds will be used to commence the detailed design process for Tea Tree Gully Sporting Club Clubrooms.

# Infrastructure Asset Management Plans

Our Infrastructure Asset Management Plans are essential components of our Long Term Financial Plan. They guide how we plan, build, maintain and operate the assets that serve our community.

We manage approximately $2 billion worth of infrastructure on behalf of our community. To ensure these assets continue to meet service standards, we take into account our strategic goals, legal responsibilities, community expectations and available funding to manage them sustainably.

Together, our Asset Management Strategy and the suite of Infrastructure Asset Management Plans (IAMPs) provide a clear framework for delivering services both now and into the future.

Following community consultation, we updated the following IAMPs in late November 2024:

- Transport Asset Management Plan
- Buildings Asset Management Plan
- Open Space Asset Management Plan
- IT Asset Management Plan
- Plant and Fleet Asset Management Plan
- Water Asset Management Plan.

Each plan contains detailed information about the assets, outlines the services provided, and identifies the level of funding required to maintain these assets efficiently and cost-effectively.

Full copies of Council's IAMPs are available at **cttg.sa.gov.au**

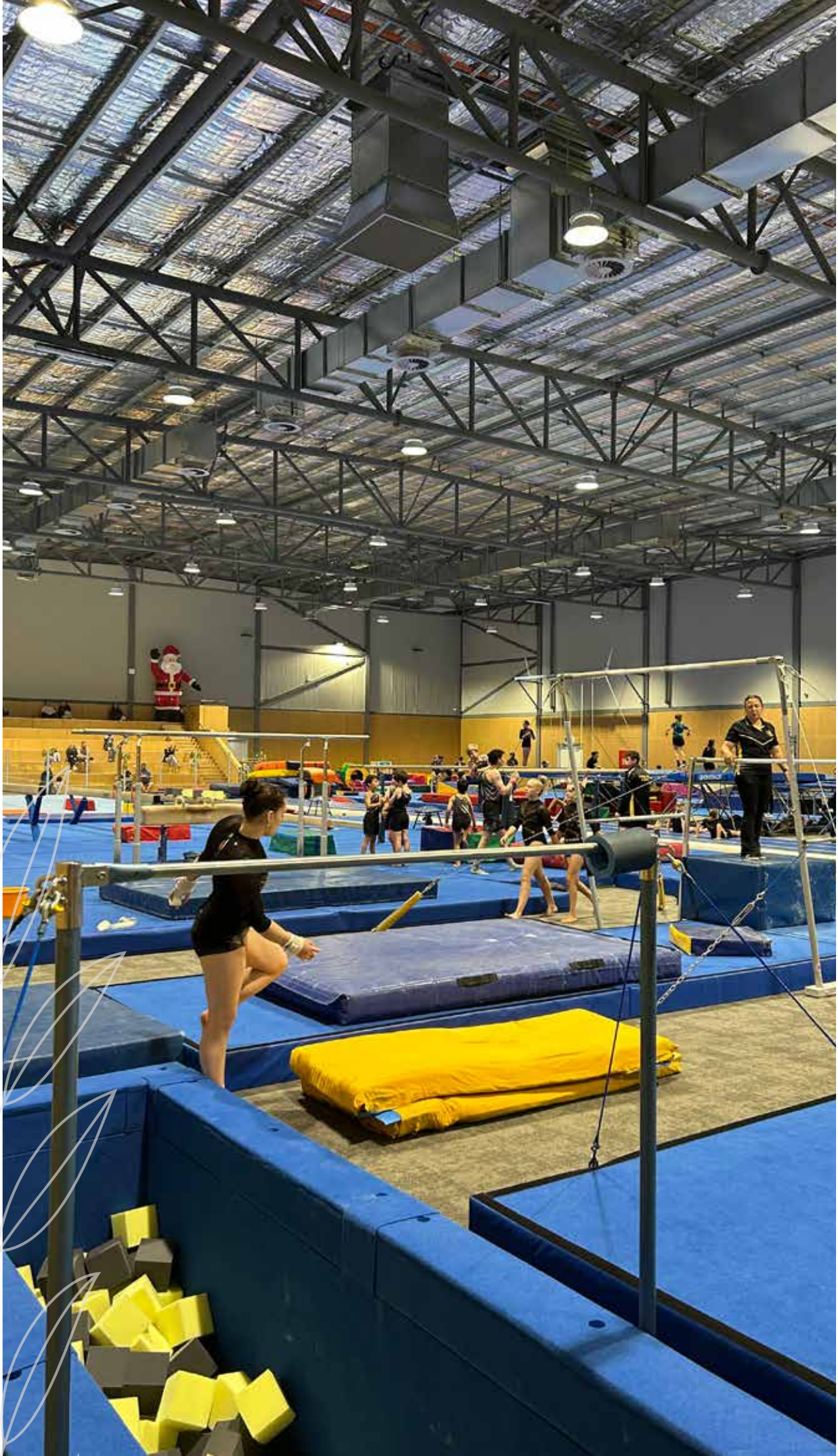
## Asset review and renewal

We conduct regular reviews of our asset portfolio to ensure alignment with our strategic goals. When assets are identified as surplus to Council or community needs, we seek community input before considering their sale. Proceeds from asset sales are reinvested into capital projects or upgrades in line with our Land Strategy and Long Term Financial Plan (LTFP).

When acquiring new assets, we evaluate:

- Our current budget position and any surplus or deficit
- Added costs such as depreciation, ongoing maintenance or loan interest
- The potential impact on our operating result
- Whether additional rates revenue would be required to support the purchase or upkeep
- The asset's age, expected lifespan and ability to meet service needs
- Discounted cash flow analysis, where relevant.

The sharp increase in construction costs has placed pressure on our asset renewal program. Over the coming years, we must expand our renewal investment to bring funding levels in line with the needs identified in our IAMPs.



# Funding the Annual Business Plan

Delivering on the priorities outlined in our Strategic Plan 2030, as well as the projects and services detailed in this Annual Business Plan, depends on securing sufficient funding.

**5.5%**

Total rate revenue increase in 2026–2027

Rates remain our primary source of income, accounting for around 82% of total revenue. These rates are set in accordance with our Financial Sustainability Policy and shaped by our Strategic Plan, Organisation Plan, Asset Management Plans and Long Term Financial Plan (LTFP).

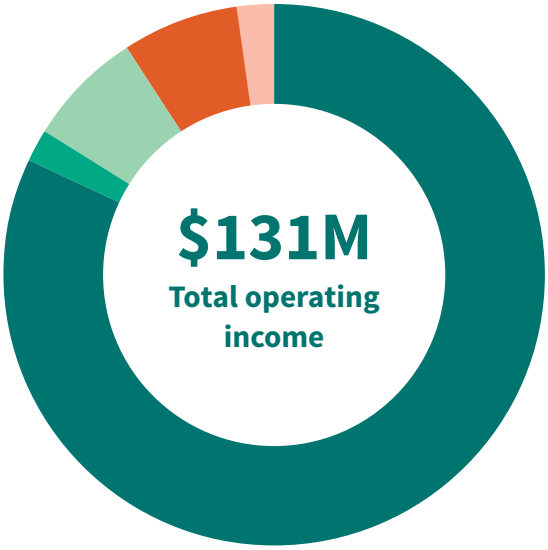
For 2026–2027, we propose a total rate revenue increase of 5.5% (excluding growth). This increase supports our commitment to maintaining financial sustainability and ensuring asset renewal aligns with our IAMPs. Construction industry costs have risen by 20–30% in recent years, and Council will need to continue adjusting revenue over the next three years to maintain infrastructure at required levels.

We expect to collect $107.56 million in general rate revenue (excluding rebates), an increase of 6% from the 2025–2026 figure of $101.11 million. This will be supplemented by $23.56 million from other income sources including user fees, government grants, investment earnings and borrowings.

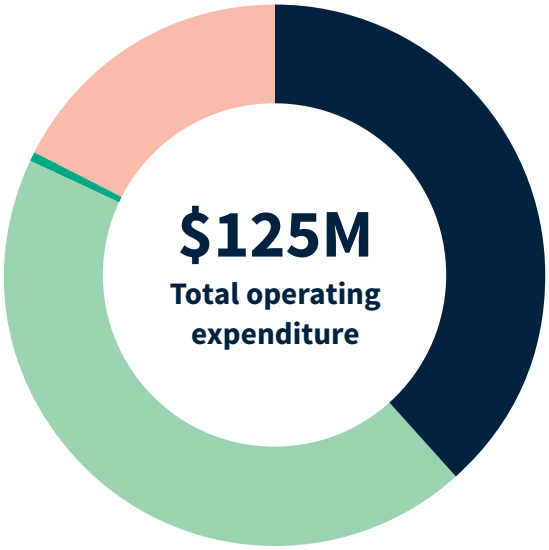
While we remain committed to keeping debt at sustainable levels, borrowing will continue to support infrastructure investment and service delivery. In 2026–2027, debt levels are forecast to exceed our target range of 25%–35% of operating income in the short term as we continue to adjust our capital program maximising growth opportunities. To support this, we have budgeted for a modest operating surplus of $5.75 million.

This surplus enables us to meet the objectives of our LTFP, which spans a 10-year outlook. The plan ensures responsible debt management while continuing to fund services, maintain infrastructure and support new initiatives aligned with our strategic direction.

Given ongoing global economic volatility and inflationary pressures, particularly with a high Consumer Price Index (CPI), future rate increases will need to reflect the economic environment to ensure continued financial health and long-term sustainability.




- Rates
- Statutory charges
- User charges
- Grants and subsidies
- Investment income
- Other




- Employee costs
- Materials, contracts and other expenses
- Financial charges
- Depreciation

## Significant influences and priorities

In developing the 2026–2027 Annual Business Plan and Budget, we carefully considered a range of economic and operational factors that influence our ability to deliver services and maintain infrastructure.

Key influences include:

- Ongoing annual increases in the State Government's Solid Waste Levy
- Rising costs of processing kerbside recycling and waste materials
- Adelaide Consumer Price Index (CPI) of 4.9% (as at March 2026)
- Local Government Price Index (LGPI) impacts
- The need to maintain and renew infrastructure such as roads, footpaths, stormwater systems, lighting, council buildings and public spaces
- Enterprise Bargaining Agreement (EBA) provisions
- Transitioning to a pay-as-you-go model for our digital and software systems
- Growing service and infrastructure demands, such as playground upgrades and community facility audits
- Maintenance of revitalised areas, including the Modbury Precinct and newly developed community facilities and open spaces.

The 2026–27 financial year presents an important opportunity for our community as we prepare for Local Government elections. These elections give ratepayers the chance to choose the representatives who best reflect their priorities and vision for the future. The associated election costs, as advised by the Electoral Commission of South Australia, are expected to equate to approximately a 0.8% increase in operating costs. This investment supports a transparent democratic process and ensures our community continues to have strong and accountable local leadership.

Council has recently adopted an Environmental Management Framework, supported by integrated water, energy and biodiversity strategies. Together, these initiatives directly support Council's vision for the City as 'a thriving community with a quality lifestyle that values its people and natural environment'. The framework will guide future priorities and decision making, ensuring strategic actions deliver long-term community and environmental benefits.

These initiatives reflect our ongoing commitment to sustainability, service quality and responsible financial planning.

# Financial statements

The 2026–2027 budget has been developed through a thorough process involving detailed analysis and input from both Elected Members and Council staff.

The budget reflects our commitment to financial sustainability, while acknowledging the increasing cost pressures affecting both Council operations and our community.

Our full financial statements are outlined below, with further explanations provided in the following pages.

| Statement of comprehensive income for the year ending 30 June 2027 | FY2025 Actuals $'000 | FY2026 Original budget $'000 | FY2026 Forecast budget $'000 | FY2027 Budget $'000 |
|---|---|---|---|---|
| **Income** | | | | |
| Rates | 97,064 | 101,108 | 101,108 | 107,555 |
| Statutory charges | 2,804 | 2,710 | 2,708 | 2,836 |
| User charges | 5,369 | 8,542 | 8,528 | 8,590 |
| Grants, subsidies and contributions – capital | 1,323 | 1,210 | 1,030 | 3,269 |
| Grants, subsidies and contributions – operating | 9,943 | 7,132 | 7,123 | 6,430 |
| Investment income | 385 | 20 | 320 | 20 |
| Reimbursements | 125 | 104 | 104 | 124 |
| Other revenues | 3,203 | 2,603 | 2,831 | 2,286 |
| **Total income** | **120,216** | **123,428** | **123,752** | **131,111** |
| **Expenses** | | | | |
| Employee costs | 40,437 | 45,104 | 44,206 | 47,641 |
| Materials, contracts and other expenses | 50,409 | 51,764 | 52,727 | 56,050 |
| Finance charges | 320 | 910 | 1,210 | 900 |
| Depreciation | 20,359 | 20,264 | 20,264 | 20,771 |
| **Total expenses** | **111,525** | **118,042** | **118,407** | **125,361** |
| **Operating surplus or (deficit)** | **8,691** | **5,386** | **5,346** | **5,749** |
| Net gain/(loss) on disposal or revaluation of assets | 1,464 | 2,300 | 865 | 0 |
| Capital grants | 16,796 | 6,250 | 8,575 | 3,490 |
| Capital contributions | 0 | 1,800 | 2,356 | 0 |
| **Net surplus/(deficit)** | **26,951** | **15,736** | **17,141** | **9,239** |

## Operating revenue

### Rates

For 2026–2027, we forecast total rate revenue of $107.56 million – an increase of $6.45 million from the previous year. This proposed 5.5% increase (excluding growth) aligns with the rising costs of maintaining current services and the requirements outlined in our Asset Management Plans and Long Term Financial Plan. A further 0.9% growth in rate revenue is anticipated due to new developments, pending confirmation from the Valuer-General.

### Statutory charges

Statutory charges include regulatory fees for services such as development applications, parking fines, and dog registrations. These charges are set annually by the South Australian Government and published each July.

### User charges

User charges relate to the delivery of specific Council services, such as use of community and recreational facilities. In 2026–2027, user charges are expecting a modest nominal increase, indicating that the underlying revenue base for user charges remains effectively stable and is not increasing in line with inflation.

### Grants and subsidies

This includes operating grants and subsidies not tied to capital works. For 2026–2027, we expect an increase in grant revenue of $188,000 across various programs.

### Investment income

Council earns interest from funds held with financial institutions. In 2026–2027, investment income is projected at $20,000, which will be used to offset borrowing costs.

### Reimbursements

These are payments received for services Council provides on behalf of others, such as staffing support to other councils. We expect to receive $124,000 in reimbursements during 2026–2027.

### Other revenues

Other revenues cover income not included in the above categories. For 2026–2027, this is forecast at $2.29 million, including $600,000 from workers' compensation rebates and $576,000 from income protection reimbursements.

## Operating expenses

### Employee costs

Employee-related expenses include wages, salaries, superannuation, leave entitlements and other labour-related costs. For 2026–2027, employee costs are expected to rise by $2.5 million. This increase reflects Enterprise Bargaining Agreement obligations and additional staffing required to support operations, including services at The Tea Tree. These cost pressures are offset by reductions in materials, contracts and other expenses as operational efficiencies continue to be realised.

The budget allows for a workforce of 387 full-time equivalent (FTE) employees – an increase of 2 FTEs compared to the 2025–2026 financial year. Staffing levels are reviewed regularly to ensure resources are aligned with evolving community priorities and service demands. Employee costs associated with capital projects are accounted for separately in the capital works budget.

### Materials, contracts and other expenses

This category includes the cost of physical materials such as utilities, consumables and supplies, as well as payments to external providers for contracted services. These services may include labour, maintenance and specialised expertise delivered under formal agreements. Other expenses cover items that do not fall into employee, material or contractual cost categories.

For 2026–2027, we anticipate an increase of $4.3 million in this expenditure area compared to the original 2025–2026 budget. This increase is due to cost escalations and greater demand for services within the growing community, along with additional pressures arising from transferred expenses such as waste-management contracts and election-related costs from external parties.

### Finance charges

Finance charges are the costs of financing our activities through borrowings or financial leases. We forecast finance charges to reduce by $10,000 compared to the previous financial year.

### Depreciation

In 2026–2027 our depreciation expense is forecast to be $20.77 million, representing an increase of $0.51 million from 2025–2026. Depreciation is forecast to increase reflecting recent increases in construction costs.

## Statement of financial position for the year ending 30 June 2027

| | FY2025 Actuals $'000 | FY2026 Original budget $'000 | FY2026 Forecast budget $'000 | FY2027 Budget $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | 2,554 | 1,879 | 2,554 | 2,554 |
| Trade and other receivables | 8,702 | 4,827 | 6,702 | 4,827 |
| Inventories | 3 | 86 | 3 | 3 |
| Non-current assets held for sale | 92 | 0 | 92 | 92 |
| **Total current assets** | **11,351** | **6,792** | **9,351** | **7,476** |
| **Non-current assets** | | | | |
| Other non-current assets | 29,652 | 25,676 | 25,676 | 25,676 |
| Infrastructure, property, plant and equipment | 2,068,418 | 2,039,316 | 2,119,477 | 2,225,616 |
| **Total non-current assets** | **2,098,070** | **2,064,993** | **2,145,153** | **2,251,292** |
| **Total assets** | **2,109,421** | **2,071,785** | **2,154,505** | **2,258,767** |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 17,118 | 9,213 | 10,337 | 10,337 |
| Short-term provisions | 3,668 | 3,513 | 3,668 | 3,668 |
| **Total current liabilities** | **20,786** | **12,726** | **14,005** | **14,005** |
| **Non-current liabilities** | | | | |
| Long-term borrowings | 17,000 | 35,656 | 28,738 | 42,493 |
| Long-term provisions | 787 | 680 | 787 | 787 |
| **Total non-current liabilities** | **17,787** | **36,336** | **29,525** | **43,280** |
| **Total liabilities** | **38,573** | **49,062** | **43,530** | **57,285** |
| **Net assets** | **2,070,848** | **2,022,723** | **2,110,975** | **2,201,483** |
| **Equity** | | | | |
| Accumulated surplus | 432,627 | 469,631 | 459,578 | 476,719 |
| Year-to-date | 26,951 | 15,736 | 17,141 | 9,239 |
| Asset revaluation reserves | 1,610,983 | 1,537,069 | 1,633,969 | 1,715,238 |
| Other reserves | 287 | 287 | 287 | 287 |
| **Total equity** | **2,070,848** | **2,022,723** | **2,110,975** | **2,201,483** |

## Statement of changes in equity for the year ending 30 June 2027

| Net surplus/(deficit) for year | FY2025 Actuals $'000 | FY2026 Original budget $'000 | FY2026 Forecast budget $'000 | FY2027 Budget $'000 |
|---|---|---|---|---|
| Balance at end of previous reporting period | 432,627 | 469,631 | 459,578 | 476,719 |
| Net result for year | 26,951 | 15,736 | 17,141 | 9,239 |
| **Balance at end of period** | **459,578** | **485,367** | **476,719** | **485,958** |
| **Asset revaluation reserve** | | | | |
| Balance at end of previous reporting period | 1,475,369 | 1,514,083 | 1,610,983 | 1,633,969 |
| Gain on revaluation of non-current assets | 135,614 | 22,986 | 22,986 | 81,269 |
| **Balance at end of period** | **1,610,983** | **1,537,069** | **1,633,969** | **1,715,238** |
| **Other reserves** | | | | |
| Balance at end of previous reporting period | 287 | 287 | 287 | 287 |
| Net result for year | - | - | - | - |
| **Balance at end of period** | **287** | **287** | **287** | **287** |
| **Total equity** | **2,070,848** | **2,022,723** | **2,110,975** | **2,201,483** |

## Statement of cash flows for the year ending 30 June 2027

| Cash flows from operating activities | FY2025 Actuals $'000 | FY2026 Original budget $'000 | FY2026 Forecast budget $'000 | FY2027 Budget $'000 |
|---|---|---|---|---|
| **Receipts** | | | | |
| Operating receipts | 117,658 | 123,407 | 125,432 | 129,697 |
| Investment receipts | 385 | 20 | 320 | 20 |
| **Payments** | | | | |
| Operating payments to suppliers and employees | 99,176 | 96,868 | 96,933 | 103,690 |
| Finance charges | 320 | 910 | 1,210 | 900 |
| **Net cash provided by (or used in) operating activities** | **18,547** | **25,649** | **27,610** | **25,126** |
| **Cash flows from investing activities** | | | | |
| **Receipts** | | | | |
| Grants specifically for new or upgraded assets | 8,744 | 2,800 | 4,150 | 6,759 |
| Sale of replaced assets | 333 | 2,300 | 865 | 1,835 |
| Sale of surplus assets | 4,257 | - | - | - |
| **Payments** | | | | |
| Expenditure on renewal/replacement of assets | 17,151 | 26,903 | 23,180 | 26,822 |
| Expenditure on new/upgraded assets | 41,113 | 28,612 | 21,181 | 20,653 |
| **Net cash provided by (or used in) investing activities** | **(49,187)** | **(50,415)** | **(39,347)** | **(38,881)** |
| **Cash flows from financing activities** | | | | |
| **Receipts** | | | | |
| Proceeds from borrowings/deposits | 17,058 | 24,766 | 11,738 | 13,755 |
| **Payments** | | | | |
| Repayment of borrowings | - | - | - | - |
| **Net cash provided by (or used in) financing activities** | **17,058** | **24,766** | **11,738** | **13,755** |
| **Net increase (decrease) in cash held** | **(9,325)** | **0** | **0** | **(0)** |
| Cash and cash equivalents at beginning of reporting period | 11,879 | 1,879 | 2,554 | 2,554 |
| **Cash and cash equivalents at end of reporting period** | **2,554** | **1,879** | **2,554** | **2,554** |

## Uniform presentation of finances for the year ending 30 June 2027

| | FY2025 Actuals $'000 | FY2026 Original budget $'000 | FY2026 Forecast budget $'000 | FY2027 Budget $'000 |
|---|---|---|---|---|
| **Income** | | | | |
| Rates | 97,064 | 101,108 | 101,108 | 107,555 |
| Statutory charges | 2,804 | 2,710 | 2,708 | 2,836 |
| User charges | 5,369 | 8,542 | 8,528 | 8,590 |
| Grants, subsidies and contributions – capital | 1,323 | 1,210 | 1,030 | 3,269 |
| Grants, subsidies and contributions – operating | 9,943 | 7,132 | 7,123 | 6,430 |
| Investment income | 385 | 20 | 320 | 20 |
| Reimbursements | 125 | 104 | 104 | 124 |
| Other revenues | 3,203 | 2,603 | 2,831 | 2,286 |
| **Total income** | **120,216** | **123,428** | **123,752** | **131,111** |
| **Expenses** | | | | |
| Employee costs | 40,437 | 45,104 | 44,206 | 47,641 |
| Materials, contracts and other expenses | 50,409 | 51,764 | 52,727 | 56,050 |
| Finance charges | 320 | 910 | 1,210 | 900 |
| Depreciation | 20,359 | 20,264 | 20,264 | 20,771 |
| **Total expenses** | **111,525** | **118,042** | **118,407** | **125,361** |
| **Operating surplus/(deficit)** | **8,691** | **5,386** | **5,346** | **5,749** |
| Less: grants, subsidies and contributions – capital | (1,323) | (1,210) | (1,030) | (3,269) |
| **Adjusted operating surplus/(deficit)** | **7,368** | **4,176** | **4,316** | **2,480** |
| **Net outlays on existing assets** | | | | |
| Capital expenditure on renewal and replacement of existing assets | (17,151) | (26,903) | (23,180) | (26,822) |
| Add depreciation, amortisation and impairment | 20,359 | 20,264 | 20,264 | 20,771 |
| Add proceeds from sale of replaced assets | 333 | 2,300 | 865 | 1,835 |
| | **3,541** | **(4,339)** | **(2,051)** | **(4,216)** |
| **Net outlays on new and upgraded assets** | | | | |
| Capital expenditure on new and upgraded assets | (41,113) | (28,612) | (21,181) | (20,653) |
| Add back grants, subsidies and contributions – capital | 1,323 | 1,210 | 1,030 | 3,269 |
| Add amounts received specifically for new and upgraded assets | 7,421 | 1,590 | 3,120 | 3,490 |
| Add proceeds from sale of surplus assets | 4,257 | 0 | 0 | 0 |
| | **(28,112)** | **(25,812)** | **(17,032)** | **(13,894)** |
| **Annual net impact to financing activities (surplus/(deficit))** | **(17,203)** | **(25,975)** | **(14,768)** | **(15,630)** |

## Net outlays on existing assets

We will allocate $26.8 million for the renewal of existing assets. We aim to keep our level of spending in line with the infrastructure asset management plan forecasts.

## Net outlays on new and upgraded assets

We will allocate $20.7 million to new and upgraded assets. We will factor the ongoing maintenance and depreciation expenses associated with capital expenditure on new and upgraded assets into our future budgets and updates of the Long Term Financial Plan.

## Financing strategy

We have determined that borrowings will have a nominal increase in 2026–2027 from the original 2025–2026 budget. This is in line with the Project Funding Strategy created for all the grant funded projects that have been incorporated into our Long Term Financial Plan since 2019.

# Rates

We aim to maintain rate stability over the long-term, ensuring that the community's services, projects and infrastructure needs are consistently met.

In accordance with the *Local Government Act 1999*, the Council is authorised to levy rates on all land within its jurisdiction, excluding exempt properties such as Crown land and land owned by the Council. In setting the rates for 2026–2027, we have taken into account the priorities outlined in our Strategic Plan 2030, the prevailing economic conditions, our strategy for reducing debt, legislative changes, and the ongoing need to maintain and enhance community infrastructure, amenities, and overall wellbeing. We have also carefully considered the impact of rate increases on our residents, the importance of keeping rates fair, and ensuring that the rates burden is shared equitably.

Once the total expenditure budget and its impact on revenue are established, we calculate the portion of the budget to be raised through rates by dividing this by the total value of all individual property assessments. This results in the 'rate-in-the-dollar' figure, which is then applied to individual property valuations to determine each property's rates. For the upcoming year, we propose a 5.5% increase in total rate revenue (excluding growth), which will bring in $107.56 million in rates.

## Differential rates

Following community consultation, it was decided in February 2012 to adopt differential rates as of 1 July 2012. We continue to apply differential rates on the basis of land use, to allow for the equitable distribution of the rate burden and to accommodate variations in the community's capacity to pay. A differential rating strategy means that different classes of land use attract different rates. The definitions of land use are prescribed by regulation and are categorised for rating purposes. Having a differential rating strategy provides us with increased flexibility to accommodate movements in valuations that regularly occur in the market, to recognise the value of a specific aspect of land use, and to better reflect the consumption of our services.

This method also allows us to increase rates at different levels to ensure commercial and industrial properties contribute appropriately, despite category-specific fluctuations in property market valuations.

The table on page 43 shows the valuations and rates applied to the various land use categories and also the general revenue forecast for 2026–2027 (Note: these figures do not show rebates. In 2026–2027 we estimate we will provide $2.2 million in rebates).

The majority of these rebates are mandatory, as required under the *Local Government Act 1999*. Further details of our rebates are given on page 48.

| Land use | General rate revenue 2025–2026 $'000 | Valuation 2025–2026 $'000 | General rate revenue 2026–2027 $'000 | Valuation 2026–2027 $'000 | General rate revenue % income 2026–2027 | Average $ change per property |
|---|---|---|---|---|---|---|
| Commercial Office | $418 | $72,955 | $461 | $81,575 | 10.2% | $614 |
| Commercial Other | $4,265 | $743,766 | $4,940 | $874,232 | 15.8% | $1,925 |
| Commercial Shop | $6,882 | $1,202,307 | $7,045 | $1,248,227 | 2.4% | $1,583 |
| Industry Light | $433 | $75,580 | $448 | $79,330 | 3.4% | $324 |
| Industry Other | $839 | $146,079 | $880 | $155,362 | 4.8% | $867 |
| Other | $1,073 | $396,805 | $1,117 | $430,079 | 4.1% | $372 |
| Primary Production | $373 | $136,934 | $395 | $152,305 | 5.8% | $292 |
| Residential | $85,369 | $31,295,491 | $90,549 | $34,634,874 | 6.1% | $116 |
| Vacant Land | $1,322 | $243,823 | $1,535 | $295,264 | 16.1% | $142 |
| **TOTAL** | **$100,974** | **$34,313,740** | **$107,370** | **$37,951,248** | **6.3%** | **$137** |

## Method used to value land

We use capital value as the basis for valuing land within our council area. It is considered that this provides the fairest and most equitable method of distributing the rate burden across all ratepayers. The South Australian Valuer-General establishes the value of land in our City for rating purposes. The basis for valuation is the capital value of the land, including all improvements such as buildings and sheds. On 30 June 2026, Council adopted the most recent valuations made by the Valuer-General.

## Variation of valuations

If a ratepayer is dissatisfied with their valuation, they can object to the Valuer-General in writing, within 60 days from the date of their rates notice.

## Trends in valuations and rate modelling

Comprehensive rate modelling is ongoing to assess the likely impact within each land category based on anticipated valuation movements prior to the adoption of the final Annual Business Plan.

The following table shows the impact on residential properties and the number of properties that fall within selected percentage changes.

| Rate assessment increase | Number of residential properties |
|---|---|
| Less than zero | 519 |
| 0–2% | 3,087 |
| 2–6% | 27,405 |
| 6–10% | 6,274 |
| Greater than 10% | 3,063 |
| New assessments | 139 |
| **Total** | **40,487** |

## Other charges related to rates

### Minimum rate

We have set a minimum rate of $1,573, which represents a 5.5% increase. The minimum rate will be applied to 3,527 properties. We consider it appropriate that all rateable properties contribute to the cost of delivering Council's services and maintaining community infrastructure.

In determining the minimum rate, Council is ensuring that all rateable properties make a base level contribution to the costs of:

- Services provided that are available for use by all ratepayers (e.g. library and parks and gardens)
- Provision of the physical infrastructure that supports each property and is available for use by all ratepayers
- Administering council activities.

### Regional Landscape Levy (RLL)

From 1 July 2020, the *Landscape South Australia Act 2019* replaced the *Natural Resources Management Act 2004* as the new framework for managing the state's land, water, biodiversity and pest species of animals and plants.

Under the *Landscape South Australia Act 2019* there is no provision for exemptions. All properties are subject to a Regional Landscape Levy.

Council is required to make a specified contribution to the Landscape Administration Fund and then collect this contribution from property owners through a separate rate based on capital value. Such a rate must be fixed and calculated so as to raise the same amount as Council's contribution (considering any rebates/remissions under section 159–166 of the Act).

Council does not keep this money and does not determine how it is spent. The Regional Landscape Levy Board advises us what the amount will be at the end of each financial year. We have been advised of a 2.04% increase to the Regional Landscape Levy for 2026–2027. Council's contribution to Green Adelaide via the levy for the financial year will be $2.2 million.

VOLUNTEER
's Shed

## Payment of rates

The payment of rates can be either by full payment or by quarterly instalments, due and payable on the first Tuesday of September, December, March and June. Council has the authority to enter into special payment arrangements with ratepayers as required.

If you are having difficulty paying your rates, please contact us to discuss payment options.

### Postponement of rates

Ratepayers who have a state Seniors Card, or those who are experiencing hardship, can apply to Council to postpone payment of rates on their principal place of residence.

The amount and timeframe for postponement is at the discretion of the Chief Executive Officer.

- Under section 182A of the *Local Government Act 1999*, those who hold a South Australian Government Seniors Card can apply to postpone their council rates on a long-term basis. The deferred amount will still incur a monthly interest charge, and the accrued debt will become payable when your property is sold or disposed of. In this way, postponement is similar to a reverse mortgage.
- Under section 182 of the *Local Government Act 1999*, you can apply to postpone your rates if payment would cause you hardship. You will need to meet set criteria.

Applications must be from the principal ratepayer, in writing, on Council's approved form. The application should identify the relevant property and include sufficient detail to support the request. It should be addressed to the Chief Executive Officer, City of Tea Tree Gully, 571 Montague Road, Modbury SA 5092. All information provided will be kept confidential.

For more information or to ask for an application form, please call 8397 7444.

## Rebate of rates

### Mandatory rebates

Under sections 159–165 of the *Local Government Act 1999*, we are required to grant rebates of between 75% and 100% to certain properties, including those that meet the Act's requirements for land used for religious or educational purposes, or for community uses, as specified in the Act.

### Discretionary rebates

Section 166 of the *Local Government Act 1999* sets out the circumstances in which we can grant discretionary rebates of up to 100%. We have the option to grant a rebate of rates or service charges and to determine the rebate amount we take into account the following factors:

- The rebate will support some desirable development of the area
- The rebate will assist or support a local business
- The rebate relates to common property or land vested in a community corporation under the *Community Titles Act 1996* within which the public must have unrestricted right of access and enjoyment.

A rebate may also be judged appropriate in circumstances where a ratepayer would otherwise face a substantial rise in rates due to:

- A redistribution of the rates burden within the community arising from a change to the basis or structure of the council's rates
- A change to the basis on which land is valued for the purpose of rating, rapid changes in valuations or anomalies in valuations.

Referring to section 159(5) of the Act, we examine the land the rebate is sought for and consider:

- The type and number of services we provide on the land compared with similar services we provide elsewhere in the community
- Whether a community need is met by the activities on the land
- Whether activities on the land provide assistance or relief to disadvantaged people.

We may also take into account other factors, such as:

- Why the applicant needs financial assistance in the form of a rebate
- How much rebate is sought, as a percentage and dollar amount, and why it is appropriate
- How much financial assistance is being given to that applicant by federal or state agencies and whether it applies to that land
- Whether the applicant has applied or will apply to another council
- Whether the applicant is or will be providing a service in our area and the extent of that service
- Whether the applicant is a public sector body, a private not-for-profit body or a private for-profit body
- Whether the applicant is gaining a financial profit for the members of the body, or is engaging in trade or commerce and therefore has the ability to distribute profit to its members
- Whether there are any historical considerations that may be relevant for all or any part of the current council term

- The financial consequences for Council of granting the rebate
- The date the application is received
- The availability of any community grant to the person or body making the application
- Whether the applicant has received a community grant.

If you or your organisation wishes to apply for a rebate for the current rating period, you must do so by 1 September 2026. We reserve the right to not consider late applications. However, if you are eligible for a mandatory rebate, this can be granted at any time during the current rating period. If you or your organisation's eligibility for a rebate no longer applies, we can recover rates proportionately to the end of the current financial year.

When considering applications for rates rebates, we are mindful of the contribution ratepayers make to our City, and that profitable organisations who receive government funding may still need additional help to achieve their goals. However, we need to balance the desire to support community organisations with the impact that rebates have on our revenue.

We provide a discretionary rebate of 100% for community sporting and social groups that occupy council-owned properties, including the University of the Third Age. This supports the strategic directions (set out in our Strategic Plan) to provide and maintain a high standard of recreation and leisure opportunities for all sections of the community.

If you believe that your not-for-profit organisation is impacted adversely by our rating strategy for commercial and industrial land uses, we encourage you to apply for a discretionary rebate. We will assess each application on its own merits. If you are a not-for-profit land owner you may apply for a discretionary rebate on your council rates by 1 September of each year. A report summarising Council's consideration of requests for rebates will be completed, as specified under section 166 of the *Local Government Act 1999* in October of each year.

The discretionary rebate for not-for-profit organisations will only be available to organisations that are not already receiving a rebate under section 161.

Harpers Field

# Financial indicators

To ensure we deliver on our financial goals, we have committed to achieving a number of specific outcomes. The indicators detailed below are required under the *Local Government Act 1999*.

| Ratio | LGA suggested range | Council targets | FY2025 Actuals $'000 | FY2026 Original budget $'000 | FY2026 Forecast budget $'000 | FY2027 Budget $'000 |
|---|---|---|---|---|---|---|
| **Operating surplus** | Break even or better over 5 years | Maintain over a minimum of 3 years | 8,691 | 5,386 | 5,346 | 5,749 |
| **Operating surplus ratio (OSR)** | 0 to 15% | 2.5 to 10% | 7.2% | 4.4% | 4.3% | 4.4% |
| **Operating surplus ratio excluding capital grant funding** | | | - | - | - | 1.9% |
| **Asset renewal funding ratio (ARFR)** | 90 to 110% over a rolling 3 year period | 90 to 110% over a rolling 3 year period | 91.6% | 129.4% | 112.1% | 123.1% |
| **Fiscal balance** | | | (17,203) | (25,975) | (14,768) | (15,630) |
| **Net financial liabilities ratio including non current assets held for sale** | 0 to 100% | 25 to 35% | 22.7% | 34.2% | 27.7% | 38.1% |
| **Net financial liabilities including non current assets held for sale** | | | 27,222 | 42,270 | 34,179 | 49,809 |
| **Net financial liabilities ratio excluding non current assets held for sale** | | | 22.7% | 34.2% | 27.7% | 38.1% |
| **Net financial liabilities excluding non current assets held for sale** | | | 27,314 | 42,270 | 34,271 | 49,901 |
| **Interest cover ratio** | | | 0.3% | 0.9% | 1.2% | 0.8% |

- **Operating surplus**
  Operating income less operating expenses.
- **Operating surplus ratio (OSR)**
  Operating surplus as a percentage of general and other rates, net of Regional Landscape Levy.
- **Operating surplus ratio excluding capital grant funding**
  Operating surplus as a percentage of general and other rates, net of capital grant funding and Regional Landscape Levy.
- **Asset renewal funding ratio (ARFR)**
  Expenditure on renewal and replacement of assets less disposal proceeds from replaced assets divided by depreciation expense.
- **Fiscal balance**
  Net lending position or net borrowing requirement in the Uniform Presentation of Finances Table.
- **Adjusted fiscal balance**
  Net lending position or net borrowing requirement in the Uniform Presentation of Finances Table, adjusted for grants in advance.
- **Net financial liabilities ratio including noncurrent assets held for sale**
  Total liabilities less financial assets as a percentage of total operating revenue, net of Regional Landscape Levy.
- **Net financial liabilities including noncurrent assets held for sale**
  Total liabilities less financial assets.
- **Net financial liabilities ratio excluding noncurrent assets held for sale**
  Total liabilities less financial assets as a percentage of total operating revenue, net of Regional Landscape Levy.
- **Net financial liabilities excluding noncurrent assets held for sale**
  Total liabilities less financial assets.
- **Interest cover ratio**
  Total finance charges expressed as a percentage of rates revenue, net of Regional Landscape Levy.

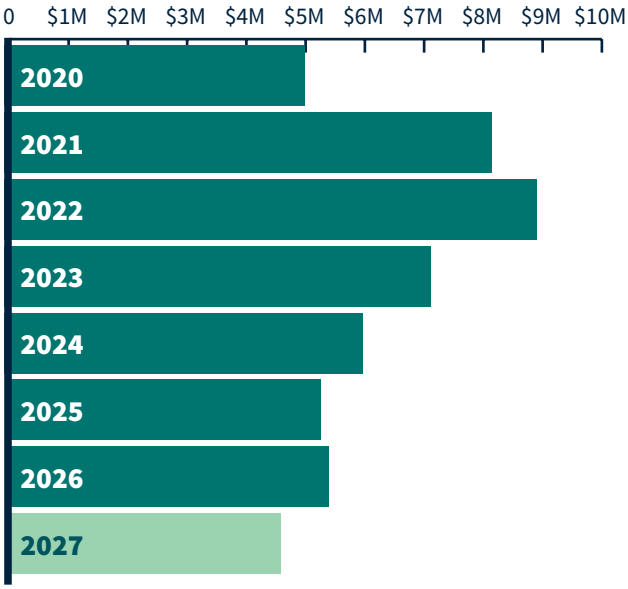
## Operating surplus ratio

The operating surplus ratio (OSR) is a key measure of financial stability. It highlights the operating result as a percentage of total rate revenue, excluding revenue from the Regional Landscape Levy. The Council's target range is between 0% and 10%.

An operating surplus occurs when the operating revenue is more than the operating expenses for the period.

This year, we expect to deliver a modest surplus of $5.75 million. These funds are used to enhance and improve services, fund new capital works and reduce Council's debt levels.

**Operating surplus 2020–2027**




## Asset renewal funding ratio

The asset renewal funding ratio (ARFR) measures the proportion of capital expenditure allocated to the renewal or replacement of assets compared to the ideal renewal level, as outlined in the Infrastructure and Asset Management Plans (IAMPs) and Long Term Financial Plan (LTFP).

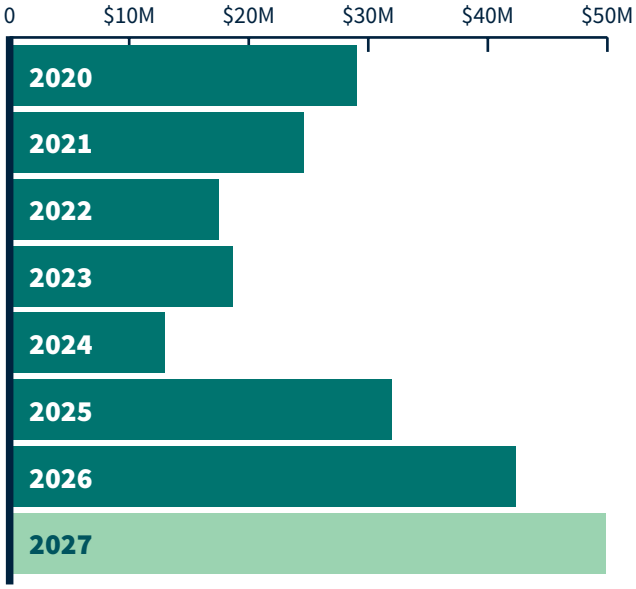
Our goal is to maintain renewal costs between 90% and 110%, averaged over a three-year period. Over the past five years, we have made significant investments in renewing our core infrastructure assets to ensure they align with the service standards specified in the IAMPs. For the 2026–2027 budget, we have allocated $21.8 million for capital renewal works (excluding any income from grants or asset sales). This equates to an ARFR of 105.3%, which is within our target range.

We have assessed the IAMPs in the context of the LTFP and have developed strategies to maintain performance within the targeted range. We will continue to review the ARFR target to ensure it remains relevant and appropriate.

## Net financial liabilities ratio

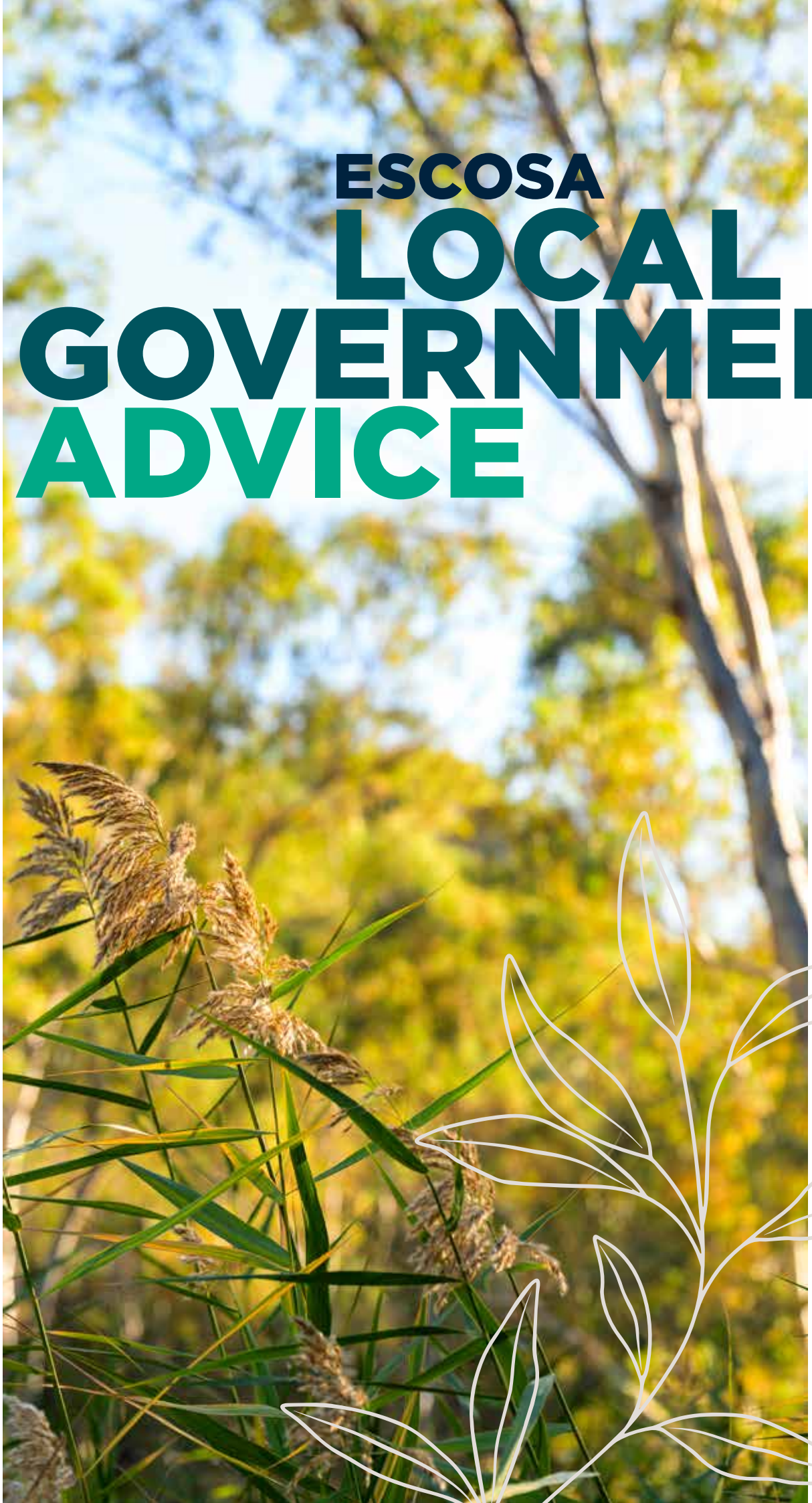
We consider it appropriate to maintain a certain level of debt, especially given the extensive asset portfolio managed by the Council. The Net Financial Liabilities Ratio reflects the proportion of our net financial liabilities relative to total operating income. This ratio is expressed as a percentage of total operating revenue, excluding income from water catchment and the Regional Landscape Levy.

**Net financial liabilities 2020–2027**



APPENDIX A

# ESCOSA LOCAL GOVERNMENT ADVICE



# City of Tea Tree Gully
## AT A GLANCE

### OVERVIEW

The Essential Services Commission finds City of Tea Tree Gully's historical and current financial performance **sustainable**, noting the Council's strong history of operating surpluses and disciplined cost control. Debt levels remain well within acceptable limits, and asset renewal funding supports ongoing infrastructure needs. Its projected financial performance is **sustainable** with forecasts indicating continued surpluses and serviceable liabilities.

### FINANCIAL PERFORMANCE

**Past 10 years**
Sustainable

**Current**
Sustainable

**Projected**
Sustainable

### RISKS IMPACTING SUSTAINABILITY

- ⚠ The Council's ownership of commercial properties and associated commercial operations, one of which it is directly operating, introduces potential commercial risks, along with the risk of non-compliance with competitive neutrality requirements.
- ⚠ Not implementing and disclosing the outcomes of accounting separation for Tea Tree Suites and Convention Centre.

### KEY FACTS

- ▶ population in 2024 was 104,437 residents
- ▶ council covers **95.2** square kilometres
- ▶ **41,358** rateable properties in 2024-25
- ▶ **$120.2 million** of income in 2024-25
- ▶ value of infrastructure, property and equipment assets held in 2024-25 equals **$2,068.4 million**

The Essential Services Commission is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory function on economic matters. For more information, please visit www.escosa.sa.gov.au.

# Table of contents

City of Tea Tree Gully AT A GLANCE ..... 3
1 Executive summary ..... 5
1.1 Summary of observations ..... 5
1.2 Competitive neutrality considerations ..... 5
1.3 Summary of recommendations ..... 6
2 About the advice ..... 8
2.1 Background ..... 8
2.2 The Commission's approach ..... 8
3 Council profile ..... 11
4 Material plan amendments in 2025-26 ..... 12
4.1 Key points ..... 12
4.2 Changes to operating performance ..... 12
5 Financial sustainability ..... 14
5.1 Operating performance ..... 14
5.1.1 Key points ..... 14
5.1.2 Operating Surplus Ratio ..... 14
5.1.3 Commission's recommendations on operating performance ..... 16
5.2 Net financial liabilities ..... 16
5.2.1 Key points ..... 16
5.3 Asset renewals expenditure ..... 17
5.3.1 Key points ..... 17
5.3.2 The Commission's recommendations on asset renewals expenditure ..... 19
6 Advice on current and projected rate levels ..... 20
6.1 Key points ..... 20
6.1.1 Over the Historical Period ..... 20
6.1.2 Over the Forecast Period ..... 20
6.2 Proposed rate increases for 2025-26 ..... 20
6.3 Projected further rate increases ..... 21
6.4 Affordability risk ..... 21
7 The Commission's next advice and focus areas ..... 22
8 Appendix: Glossary of terms ..... 23

# 1 Executive summary

## 1.1 Summary of observations

The Essential Services Commission of South Australia (**Commission**) finds the City of Tea Tree Gully's historical, current and forecast financial position to be **sustainable.**

Over the past decade, the Council has demonstrated strong financial stewardship, consistently delivering operating surpluses. Growth in rates has been marginally above average CPI, and slightly below CPI on a per-property basis, while total operating expenses grew only modestly above inflation. The Operating Surplus Ratio, Net Financial Liabilities Ratio, and Asset Renewal Funding Ratio all remain at healthy levels, reflecting disciplined management practices, prudent financial planning, and timely investment in infrastructure.

The Council's Long-Term Financial Plan to 2034-35 continues to support financial sustainability. Operating surpluses are forecast to continue, and all three key financial ratios are expected to remain at good levels. Operating income and expenses are projected to rise slightly faster than inflation, but on a per-property basis remain close to projected CPI, consistent with expected growth in the ratepayer base. Rates affordability remains low, and the scale of forecast operating surpluses provides the Council with scope to consider aligning future rate increases more closely with inflation, provided operating cost growth is contained.

The Council has established a structured and strategic approach to asset management, supported by updated plans, regular assessments, and lifecycle planning, that includes indexing its asset values between revaluations.

## 1.2 Competitive neutrality considerations

Recent strategic developments include the Council's acquisitions of The Tea Tree Suites and Convention Centre (formerly Sfera's Park Suites & Convention Centre) and a property at 171 Reservoir Road. The Council purchased these assets to strengthen its strategic landholdings within the Modbury Precinct and to support its long-term vision for shaping the precinct into a vibrant civic and economic hub.[1] These acquisitions also aim to deliver wider community and economic benefits, including accommodation for Modbury Hospital outpatients, local employment opportunities, and activation of the precinct. It is directly operating the Tea Tree Suites and Convention Centre business and has leased the 171 Reservoir Road property for operation as a restaurant.

The Council's ownership and operation of commercial activities at the sites raise potential competitive neutrality risks that it will need to consider.

These activities could place the Council in competition with private providers and it should therefore consider whether or not the activities could constitute Significant Business Activities under South Australia's competitive neutrality framework.

The Commission has considered prudential reports provided by the Council.[2] These reports acknowledge competitive neutrality requirement, however, do not demonstrate that competitive neutrality obligations are being met in practice. Specifically, they do not evidence accounting separation, full cost-reflective pricing (including overhead attribution, tax-equivalent charges and debt guarantee fees), or transparent public reporting.

[1] City of Tea Tree Gully, Strategic Plan 2030, p. 16.

[2] BRM Advisory City of Tea Tree Gully Strategic Land Acquisition Final Report and the Strategic Land Acquisitions (Prudential Report) – Update on Matters Raised.

The Council has advised[3] that it has established a cost centre for the operation of the business of the Tea Tree Suites and Convention Centre. We understand that the Council has not reported publicly on the results of the business operation.

While the third-party operation of the restaurant business at 171 Reservoir Road under a lease is likely to reduce competitive neutrality risk, the fact of leasing, by itself, may not be sufficient to satisfy competitive neutrality requirements, depending on the terms of the lease.

Further, if the Council elects to continue operating the business of the Tea Tree Suites and Convention Centre, rather than leasing that site and operations, it should consider matters such as legal separation, to strengthen ring-fencing and governance, and report annually to ratepayers on the venue's separated financial performance and competitive neutrality compliance.

Having regard to these matters, in order to provide assurance to the community and market participants in relation to competitive neutrality considerations, the Council should consider:

- implementing accounting separation for relevant operations and adopting full cost, cost reflective pricing, including appropriate attribution of overheads, tax equivalents and debt guarantee fees
- if pursuing or entering into a lease, conducting an open market process and set commercial terms, supported by independent valuation, and thereafter publishing a high-level summary of the basis for those terms, and
- where community objectives require non-commercial outcomes (eg, community access), explicitly defining these as community service obligations and transparently funding them from general revenues rather than via implicit cross subsidies.

The Commission notes that the Council's operation of the Tea Tree Suites and Convention Centre is non-core business for the Council. This exposes the Council to commercial and competitive risks, the management of which are likely to be outside the Council's established expertise and capability base. Potential profits should not be regarded as a justification for expanding into non-core commercial operations. A cautious, transparent and disciplined approach to the operation of this business is required.

To safeguard ratepayers and its ongoing performance, the Council should continue to engage with its community and review its strategy of undertaking commercial enterprises, and consider alternative options as appropriate.

## 1.3 Summary of recommendations

The Council has a range of sound practices in its strategic planning and asset management, including:

- a disciplined long-term financial planning approach, underpinned by a strong historical record of operating surpluses and prudent financial management, with all three key financial indicators maintained within target ranges across both the historical and forecast periods
- transparent financial forecasting, with operating income and expenses projected to grow broadly in line with inflation on a per-property basis, supporting stability in rates and service provision
- a structured and strategic approach to asset management, supported by updated asset management plans, lifecycle planning, and the practice of indexing asset values between valuations, and

[3] Correspondence dated 9 February 2026.

- comprehensive Asset Management Plans covering all major asset classes, each outlining 10-year strategies aligned with the Council's strategic objectives, and reviewed regularly to ensure alignment with financial forecasts and service level requirements.

To further strengthen the Council's sustainability, the Commission recommends that the Council:

1. **Provide** the source of inflation forecasts used in the Long-Term Financial Plan and more detail of forecast increases in expenses relative to inflation, to improve transparency for ratepayers.
2. **Consider** limiting rate increases to no more than CPI, if the Council is achieving its cost growth forecasts.
3. **Consider** its competitive neutrality obligations in relation to operations that may be competing with private sector equivalents, including:

- implementing accounting separation for the Tea Tree Suites and Convention Centre and the restaurant site operations and adopting full cost reflective pricing, including appropriate attribution of overheads, tax equivalents and debt guarantee fees
- if pursuing or entering into a lease, conducting an open market process and set commercial terms, supported by independent valuation, and thereafter publishing a high-level summary of the basis for those terms, and
- where community objectives require non-commercial outcomes (eg, community access), explicitly defining these as community service obligations and transparently funding them from general revenues rather than via implicit cross subsidies.

# 2 About the advice

## 2.1 Background

The State Parliament has tasked the Essential Services Commission (**Commission**), South Australia's independent economic regulator and advisory body, to provide advice on material changes proposed by local councils in relation to elements of their Strategic Management Plans **(SMP)**, and on the proposed revenue sources, including rates, which underpin those plans.[4]

A primary purpose of the Local Government Advice Scheme **(Advice** or **the Scheme)** is to support councils to make financially sustainable strategic decisions in their annual business plans and budgets, in the context of their Long-Term Financial Plans **(LTFP)** and Infrastructure and Asset Management Plans **(IAMP).**[5] IAMPs are commonly referred to as Asset Management Plans **(AMP)**. The LTFP and the IAMP are both required as part of a council's SMP.[6] Financial sustainability encompasses intergenerational equity,[7] program (service level) and rates stability in this context.[8] The other main purpose is for the Commission to consider ratepayer contributions in the context of all revenue sources, as outlined in the LTFP.[9] In addition, the Commission has discretion to provide advice on any other aspect of a council's LTFP or IAMP it considers appropriate, having regard to the circumstances of that council.[10]

The first cycle of the scheme extends over four years from 2022-23 to 2025-26. The Commission has selected 19 councils for advice in the fourth year (2025-26) of the Scheme, including the City of Tea Tree Gully (**Council**).

This report provides the Local Government Advice for the Council in 2025-26.

The Council is obliged under the *Local Government Act 1999* **(LG Act)** to publish this advice and its response, if applicable, in its 2026-27 Annual Business Plan (including any draft Annual Business Plan) and in subsequent plans until the next cycle of the Scheme.[11] Decision-making remains in the control of the Council.

The Commission thanks the Council for meeting with Commission staff and for providing information to assist the Commission in preparing this advice.

## 2.2 The Commission's approach

In providing its Advice for the Council, the Commission has followed the approach set out in the Framework and Approach – Final Report **(F&A)**.[12]

---

4 Amendments to the LG Act (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local councils for the Local Government Scheme Advice. The Commission must provide advice to each council in accordance with the matters outlined in s122(1e), (1f) and (1g).

5 Commonly referred to as Asset Management Plans **(AMP).**

6 The objectives of the advice with reference to a council's LTFP and IAMP are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a council's SMP, including the LTFP and IAMP.

7 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.

8 Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

9 LG Act s122(1f)(a) and (1g)(a)(ii).

10 LG Act s122(1f)(b) and (1g)(b).

11 LG Act s122(1h).

12 Commission, *Framework and Approach – Final Report*, August 2022, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

The Commission has considered the Council's SMP documents and other documents (set out in the box below), with a particular focus on its performance and outlook against three financial indicators: the Operating Surplus Ratio (OSR), the Net Financial Liabilities Ratio (NFLR) and the Asset Renewal Funding Ratio (ARFR).[13] Analysis of these three indicators captures financial and service sustainability, cost control and affordability risk.[14]

The Commission reviews 10 years of historical data, being the years 2014-15 to 2023-24 (Historical Period), the "current year" 2024-25, and 10 forecast years, being 2025-26 to 2034-35 (Forecast Period).

Table 1: Strategic management documents referred to

- City of Tea Tree Gully, 2025-2026 Annual Business Plan + Budget
- City of Tea Tree Gully, Long Term Financial Plan FYE 2026-2035 adopted 23 September 2025
- City of Tea Tree Gully, Long Term Financial Plan FYE 2025-2034
- City of Tea Tree Gully, 2025-2034 Buildings Asset Management Plan
- City of Tea Tree Gully, 2025-2034 Information Technology Asset Management Plan
- City of Tea Tree Gully, 2025-2034 Open Space Asset Management Plan
- City of Tea Tree Gully, 2025-2034 Plant & Fleet Asset Management Plan
- City of Tea Tree Gully, 2025-2034 Transport Asset Management Plan
- City of Tea Tree Gully, 2025-2034 Water Asset Management Plan
- City of Tea Tree Gully, Strategic Plan 2030, October 2024
- City of Tea Tree Gully, Financial Sustainability Policy

Given that the Commission must, in providing its advice, have regard to the objective of councils maintaining and implementing their IAMPs and LTFPs,[15] it has also considered the Council's performance in that context. Findings regarding the content of the Council's AMPs, and the alignment between its LTFP and AMPs,[16] are discussed in Section 5.

The Commission has also reviewed the financial template provided by the Council, including its 2025- 26 LTFP forecasts for 2025-26 to 2034-35, historical financial data, the number of rateable properties and Council staff (Full Time Equivalent or FTE) numbers from 2014-15 onwards.[17] The charts and tables in the Advice are primarily sourced from these datasets. In addition, the Commission has reviewed the Council's audit committee reports, and other public information, as appropriate.

The Commission has reported estimates in nominal terms to identify 'real' rather than 'inflationary' effects. In the charts, the Consumer Price Index (CPI) line for the Historical Period is calculated as the compound annual growth rate in the CPI (Adelaide) series from 2014-15 to 2023-24, being

[13] The three financial indicators are specified in the Local Government (Financial Management) Regulations 2011. Since 2011, each council has been required to include these three indicators in its plans, annual budget, mid-year budget review and annual financial statements. Councils can adopt their own target range for each ratio, but the Commission is guided by the Local Government Association (LGA) target ranges, which were established and agreed during the development of the LGA Financial Sustainability Papers (2006-2011).

[14] The F&A listed 29 analytical questions that the Commission has considered in assessing the Council's performance against these indicators to determine affordability, cost control and other sustainability risks.

[15] LG Act s122(1g)(a)(i).

[16] As required under s122(1b) of the LG Act.

[17] The Council's estimates for the 2024-25 financial year were unaudited at the time of preparing this advice.

2.9 percent.[18] Each financial year is the average of the four quarterly results. The CPI for the Forecast Period is calculated as the compound annual growth rate in the CPI (Australia) series from 2025-26 based on the Reserve Bank of Australia (RBA) (Australia-wide) inflation forecasts to the December 2027 quarter, and the midpoint of the RBA target range (2.5 percent) thereafter, yielding an average inflation rate for the Forecast Period of 2.5 percent. Similarly, for the current year 2024-25, we have observed a CPI (Adelaide) of 2.4 percent.

Finally, in formulating this Advice, the Commission has had regard to all discussions and engagement with the Council, including the face-to-face onsite meeting at the Council offices and the individual circumstances of the Council, including:

- its location as an Urban Development and Urban City Centre council
- its income level ($120.2 million in 2024-25[19]), and
- the size of its rates base (around 41,358 properties in 2024-25[20]).

Throughout this Advice, the Commission has identified several key points and assigned the following risk category to those points:

**Legend**: Low-risk Moderate-risk High-risk

[18] The observed CPI for the Historical Period is 2.9 percent, being the compound annual growth rate in the CPI (Adelaide) series from 2014-15 to 2023-24. Source: Consumer Price Index, Australia, June Quarter 2024 |Australian Bureau of Statistics

[19] City of Trea Tree Gully Council, General Purpose Financial Statements 2024-25, p.3.

[20] Based on the Council's financial reporting template provided to the Commission.

# 3 Council profile

The Council is classified by the Commission as an 'Urban Development and Urban City Centre' council and is one of sixteen in this category in South Australia.[21] It covers an area of 95.2 square kilometres, has an estimated resident population of 104,437 (at 30 June 2024),[22] and approximately 41,358 rateable properties (at 1 January 2025).[23]

The Council was originally proclaimed in October 1858 as the District Council of Tea Tree Gully, and the Council used the former Highercombe Council Chambers in the Council area that was built in 1855. In 1968, the municipality was granted city status and proclaimed as the City of Tea Tree Gully.

Figure 1: Council Area

The Council region has the following attributes:

- forecast rateable property growth of approximately 0.6 percent per annum[24]
- population density of 1,097 persons per square kilometre[25]
- 579 kilometres of sealed roads and 595 kilometres of roads, of which 2.7 percent are unsealed roads[26]
- employment sectors mainly in health care and social assistance (15.9 percent), retail trade (10.2 percent) education and training (10.1 percent), and construction (10.0 percent).

[21] Commission, *Fact Sheet - Local Government Advice Scheme – Schule of Councils*, May 2023, available at https://www.escosa.sa.gov.au/ArticleDocuments/21947/20240731-Advice-ScheduleOfCouncils-FactSheet.pdf.aspx?Embed=Y.

[22] Refer to Australian Bureau of Statistics, *Data by region*, available at Tea Tree Gully | Region summary | Data by region | Australian Bureau of Statistics

[23] Based on the Council's Financial Reporting template provided to the Commission.

[24] Based on the Council's Financial Reporting template provided to the Commission.

[25] Refer to Australian Bureau of Statistics, *Data by region*, available at Data by region | Australian Bureau of Statistics

[26] Refer to the Department of Infrastructure and Transport - Local Government Grants Commission, 2023-24-Database-Reports-02.pdf

# 4 Material plan amendments in 2025-26

The material amendments to some of the Council's main financial forecasts are listed in the table below (in nominal terms).[27] To ensure a comparable analysis of estimates between the 2024-25 and 2025-26 LTFPs, the Commission has reviewed the nine overlapping years' statistics: 2025-26 to 2033- 34 and identified material amendments accordingly.

## 4.1 Key points

- The operating surplus is forecast to decrease by 6.4 percent or $5.0 million over the nine overlapping years of the forecast period.
- Expenditure on new upgraded assets is forecast to increase by $31.2 million or 40.7 percent due to revised forecasts for capital works programs.

Table 2: Historical and forecast financial items

| Selected Financial Item | Sum of 2025-26 to 2033-34 estimates in 2024-25 LTFP ($ million) | Sum of 2025-26 to 2033-34 estimates in 2025-26 LTFP ($ million) | Change in 2025-26 estimates ($ million) | Change in 2025-26 estimates (percent) |
|---|---|---|---|---|
| User charges | 40.5 | 85.7 | 45.2 | 111.8 |
| Materials, contracts and other expenses | 476.5 | 517.5 | 41.0 | 8.6 |
| Total operating expenses* | 1,136.5 | 1,187.9 | 51.4 | 4.5 |
| Operating surplus / (deficit) | 78.3 | 73.3 | -5.0 | -6.4 |
| Capital expenditure on new and upgraded assets[28] | 76.6 | 107.7 | 31.2 | 40.7 |

## 4.2 Changes to operating performance

The Council's financial forecasts changed very little for the nine overlapping years of the two LTFPs, indicating stable financial planning. For the nine overlapping years, the forecast operating surplus reduced by 6.4 percent between the two plans. User charges increased by 111.8 percent due to the acquisition of venue and accommodation business Sfera's Park Suites in December 2024 (renamed as The Tea Tree Gully Suites and Convention Centre), but that item is immaterial relative to Total Income.

The Council's historical and projected operating performance are discussed further in Section 5.1.

[27] Table 2 shows only selected financial items to demonstrate the material amendments made by the Council in its 2024-25 estimates. It excludes various financial items, and individual items do not sum to totals.

[28] The capital expenditure estimates are based on the 2024-25 LTFP estimates provided by the Council to the Commission (in an Excel template).

Expenditure on new upgraded assets is forecast to increase by $31.2 million or 40.7 percent over the nine overlapping years, due to revised forecasts for capital works programs.[29] Assets, the AMPs, and the Council's capital expenditure outlook are discussed further in Section 5.3.

The Council based its key assumptions for increases in income and expenses in the 2025-26 LTFP on forecast increases in inflation, although it does not provide the source of its inflation forecasts.[30]

The Commission recommends that the Council:

1. **Provide** the source of inflation forecasts used in the LTFP and more detail of forecast increases in expenses relative to inflation, to improve transparency for ratepayers.

[29] See City of Tea Tree Gully, Strategic Plan p 24 for the key actions to deliver the Council's Strategic Plan aspirations.

[30] The Council provided its forecast for inflation over the ten years of the LTFP in a table on p 11 of City of Tea Tree Gully, Long Term Financial Plan FYE 2026-2035, but did not give a source for the forecast inflation.

# 5 Financial sustainability

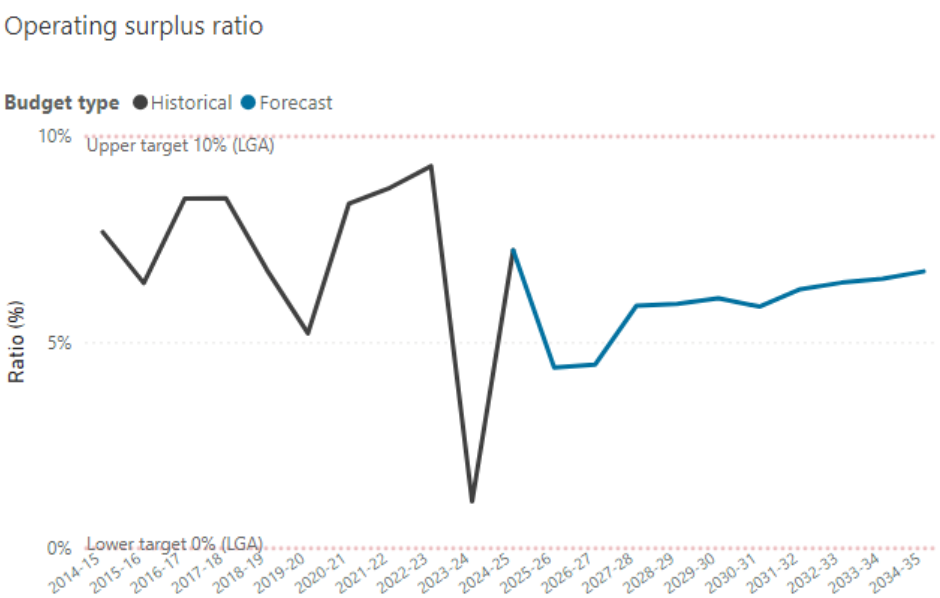
## 5.1 Operating performance

### 5.1.1 Key points

- ✓ Throughout the Historical Period, the Council has maintained consistent operating surpluses and an average OSR of 7.0 percent. Its expense growth per property was equal to inflation.
- ✓ Over the Forecast Period the Council is projecting an average OSR of 5.9 percent.
- ⚠ Total expenses are forecast to increase by 2.8 percent over the Forecast Period which is higher than average forecast inflation of 2.5 percent and lower than the growth rate that it has achieved historically. If expenses are not contained within this forecast, then operating surpluses may not be achieved to the extent forecast.

### 5.1.2 Operating Surplus Ratio

Figure 2: Operating surplus ratio – historical and forecast




As shown in Figure 2, the Council has maintained an OSR within the target range of zero to 10.0 percent throughout the Historical Period and it forecasts that it will continue to do so throughout the Forecast Period. The timing of receipt of grant funding contributed to the dip in the OSR in 2023-24.

#### 5.1.2.1 Over the Historical Period:

- Average OSR was 7.0 percent, indicating that on average, the Council has sufficient funds to cover its operational costs and has surplus funds available for future investment.
- Operating surpluses ranged from $1.2 million in 2023-24 to $9.7 million in 2022-23.

#### 5.1.2.2 Over the Forecast Period

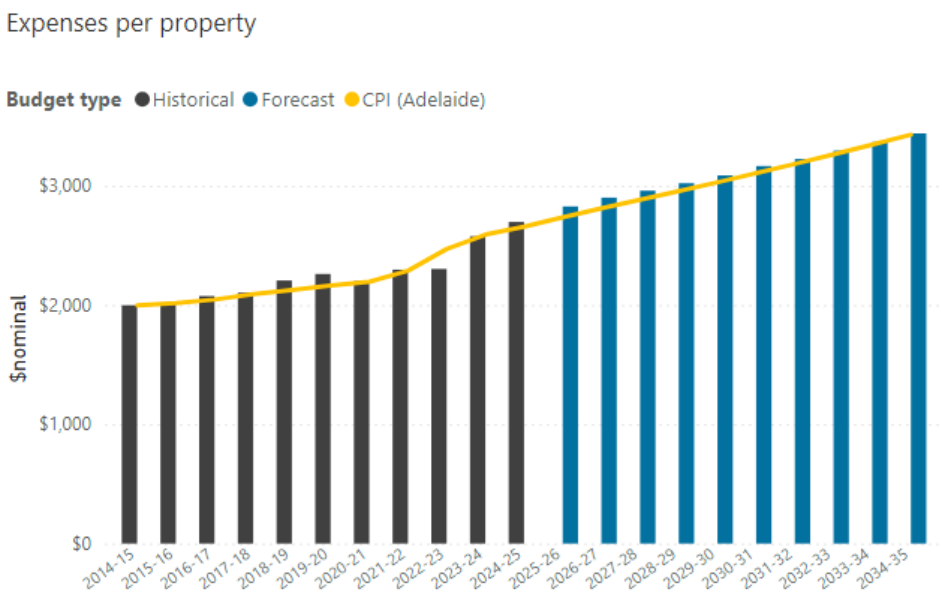
- The Council projects an average OSR of 5.9 percent. The forecast operating performance is dependent upon the Council being able to contain its growth in operating expenses to a CAGR of 2.8 percent, compared with the CAGR of 3.3 percent that the Council has achieved historically.
- Forecast operating surpluses range from $5.4 million in 2025-26 to $10.9 million in 2034-35.

Table 3: Growth in income and expenses – historical and forecast

| | Average (CAGR) growth over Historical Period | Average (CAGR) growth over Forecast Period |
|---|---|---|
| Total income | 2.5% | 3.1% |
| Operating expenses | 3.3% | 2.8% |
| Expenses per rateable property | 2.9% | 2.2% |
| Depreciation | 5.6% | 2.5% |
| Employee costs | 1.8% | 2.8% |
| Materials contracts other expenses | 4.2% | 3.0% |

Table 3 compares Historical Period and Forecast Period CAGR growth rates. The Council forecasts a higher rate of growth in Total Income than it has derived historically, mainly driven by growth in rates. The growth in rates per property is discussed in Section 6. The Council also forecasts lower rates of growth in expense items, except employee costs. Over the Historical Period, operating expenses per property grew in line with average inflation (2.9 percent), while operating expenses per property are forecast to increase at an annual average of 2.2 percent, lower than the average forecast rate of inflation (2.5 percent). (see Figure 3)

Figure 3: Expense by rated property - historical and forecast



Noting that the Council plans to increase rates at greater than forecast CPI over the Forecast Period while also forecasting substantial operating surpluses, the Council might consider whether it can moderate its rate increases, more in line with CPI.

### 5.1.3 Commission's recommendations on operating performance

The Commission recommends that the Council:

2. **Consider** limiting rate increases to no more than CPI, if the Council is achieving its cost growth forecasts.

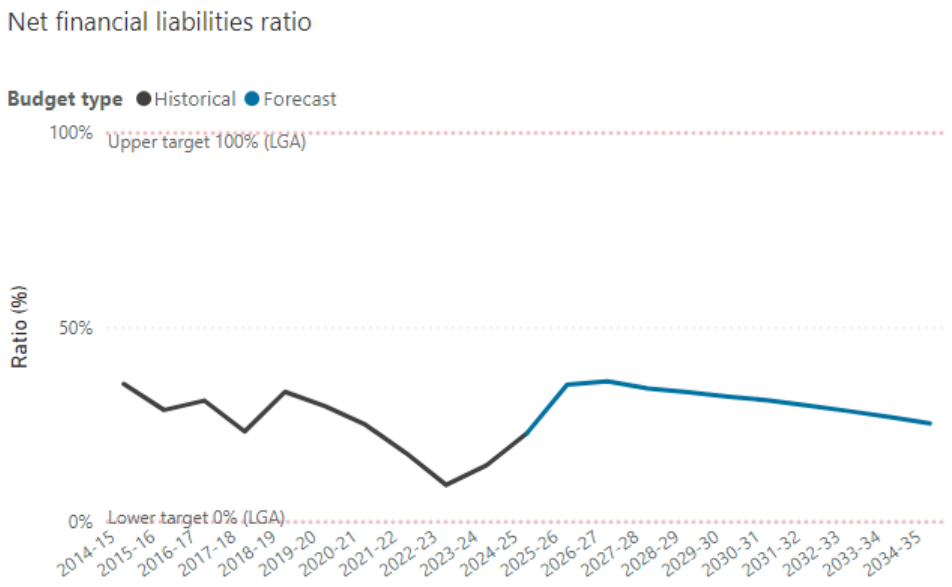
## 5.2 Net financial liabilities

### 5.2.1 Key points

- The Council's NFLR averaged 24.3 percent over the Historical Period and is forecast to average 31.0 percent for the Forecast Period, indicating that liabilities remained within the Council's capacity to service with operating income.
- Council maintains a clear and disciplined approach to debt management, with borrowings supporting major infrastructure and partnership projects.

Over the Historical Period, the NFLR averaged 24.3 percent, meeting the target range of zero to 100 percent, showing effective management of financial liabilities. For the Forecast Period, the projected average is 31.0 percent, also comfortably within the target range (see Figure 4).

Figure 4: Net financial liabilities ratio – historical and forecast




- Cash holdings at each year end averaged $5.7 million and peaked at $18.3 million in 2022-23, due to a combination of strong operating cash flows and the receipt of large advance untied grant payments.

- From 2023-24 onwards, cash balances decline and borrowing increase to fund capital works programs,[31] but the NFLR remains healthy.

## 5.3 Asset renewals expenditure

### 5.3.1 Key points

- ✓ The Council has comprehensive AMPs that are aligned with budgets and the LTFP.
- ✓ The Council's historical and forecast ARFR ratios indicate that the Council has renewed its assets in line with AMP requirements and plans to continue to do so.
- ⚠ The Council's ownership of two commercial sites, along with its direct operation of one of the businesses exposes the Council to competitive neutrality considerations and a range of non-core commercial risks. These risks are materially different from those encountered in the Council's usual service delivery functions.

The Council has established a structured and strategic approach to asset management, supported by updated plans, regular assessments, and lifecycle planning, that includes indexing its asset values between revaluations.

The Council's six AMPs, adopted in September 2024, provide comprehensive ten-year strategies for each class of assets. The AMPs are reviewed annually and updated every four years to ensure alignment with Council's strategic objectives. Each plan defines asset profiles, lifecycle management, service levels, risk management, and incorporates community input through regular surveys and engagement. Future renewal needs are identified using condition assessments, prioritisation criteria, predictive modelling, and integration with strategic planning.

The Council assesses the condition of its assets at varying intervals depending on the asset group but generally conducts condition assessments every two to three years for major assets such as buildings and open space infrastructure. Some asset groups, like buildings, undergo visual inspections at least every two years, while other assets such as footpaths, roads, and stormwater infrastructure are assessed through a combination of regular inspections, reactive maintenance checks, and scheduled inspections.

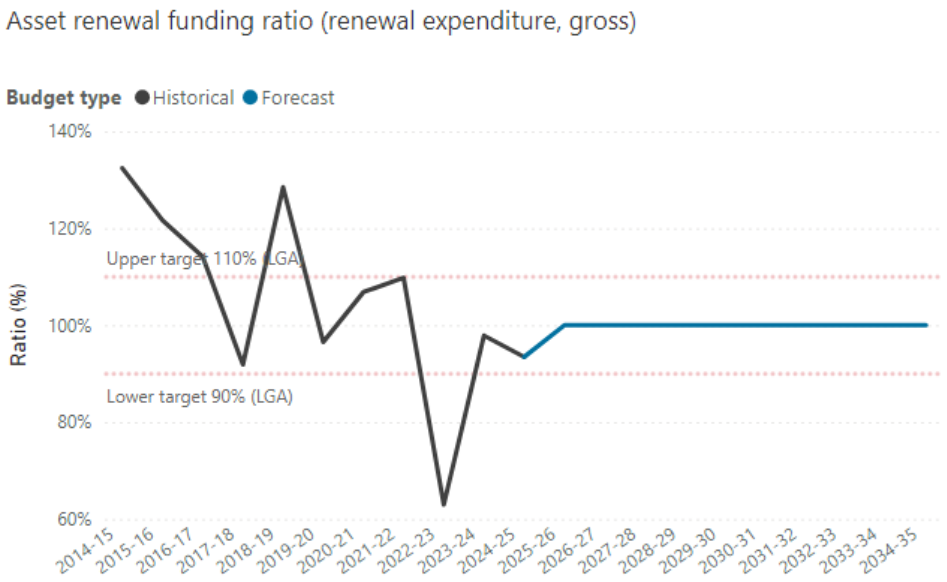
The Council's gross ARFR[32] averaged 102.0 percent[33] over the Historical Period and it forecasts 100.0 percent over the Forecast Period, indicating that asset renewal and replacement requirements set out in its Asset Management Plans (AMPs) will be met. See Figure 5.

[31] The Council increased spending on new and upgraded assets, from $6.5 million in 2022-23 to $15.8 million in 2023-24 and $41.1 million in 2024-25. Expenditure on infrastructure, buildings and community facilities significantly reduced cash reserves, with net cash used in investing activities negative $44.9 million in 2024-25, compared to negative $26.0 million in 2023-24 and negative $19.9 million in 2022-23. Net cash flow from operating activities was relatively stable.

[32] The IAMP-based method is the current industry standard whereby asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). Ideally, this will show the extent to which a council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan. The suggested LGA target range for the ratio is 90.0 to 110.0 percent (LGA SA Financial Indicators Paper, p. 9).

[33] The quoted averages for the ratio are based on 'gross asset renewal expenditure' (before the sale of replaced assets) rather than 'net asset renewal expenditure'.

Figure 5: Asset renewal funding ratio (renewal expenditure gross) – historical and forecast




Recent strategic developments include the Council's acquisitions of The Tea Tree Suites and Convention Centre (formerly Sfera's Park Suites & Convention Centre) and a property at 171 Reservoir Road. The Council purchased these assets to strengthen its strategic landholdings within the Modbury Precinct and to support its long-term vision for shaping the precinct into a vibrant civic and economic hub.[34] These acquisitions also aim to deliver wider community and economic benefits, including accommodation for Modbury Hospital outpatients, local employment opportunities, and activation of the precinct. It is directly operating the Tea Tree Suites and Convention Centre business and has leased the 171 Reservoir Road property for operation as a restaurant.

The Council's ownership and operation of commercial activities at the sites raise potential competitive neutrality risks that will need to be considered.

These activities could place the Council in competition with private providers and it should therefore consider whether or not the activities could constitute Significant Business Activities under South Australia's competitive neutrality framework.

The Commission has considered prudential reports provided by the Council.[35] These reports acknowledge competitive neutrality requirement, however, do not demonstrate that competitive neutrality obligations are being met in practice. Specifically, they do not evidence accounting separation, full cost-reflective pricing (including overhead attribution, tax-equivalent charges and debt guarantee fees), or transparent public reporting.

The Council has advised[36] that it has established a cost centre for the operation of the business of the Tea Tree Suites and Convention Centre. We understand that the Council has not reported publicly on the results of the business operation.

[34] City of Tea Tree Gully, Strategic Plan 2030, p. 16.
[35] BRM Advisory City of Tea Tree Gully Strategic Land Acquisition Final Report and the Strategic Land Acquisitions (Prudential Report) – Update on Matters Raised.
[36] Correspondence dated 9 February 2026.

While the third-party operation of the restaurant business at 171 Reservoir Road under a lease is likely to reduce competitive neutrality risk, the fact of leasing, by itself, may not be sufficient to satisfy competitive neutrality requirements, depending on the terms of the lease.

Further, if the Council elects to continue operating the business of the Tea Tree Suites and Convention Centre, rather than leasing that site and operations, it should consider matters such as legal separation, to strengthen ring-fencing and governance, and report annually to ratepayers on the venue's separated financial performance and competitive neutrality compliance.

Having regard to these matters, in order to provide assurance to the community and market participants in relation to competitive neutrality considerations, the Council should consider:

- implementing accounting separation for relevant operations and adopting full cost, cost reflective pricing, including appropriate attribution of overheads, tax equivalents and debt guarantee fees
- if pursuing or entering into a lease, conducting an open market process and set commercial terms, supported by independent valuation, and thereafter publishing a high-level summary of the basis for those terms, and
- where community objectives require non-commercial outcomes (eg, community access), explicitly defining these as community service obligations and transparently funding them from general revenues rather than via implicit cross subsidies.

The Commission notes that the Council's operation of the Tea Tree Suites and Convention Centre is non-core business for the Council. This exposes the Council to commercial and competitive risks, the management of which are likely to be outside the Council's established expertise and capability base. Potential profits should not be regarded as a justification for expanding into non-core commercial operations. A cautious, transparent and disciplined approach to the operation of this business is required. To safeguard ratepayers and the Council's ongoing performance, it should continue to engage with its community and review its strategy, and consider alternative options as appropriate.

### 5.3.2 The Commission's recommendations on asset renewals expenditure

To provide assurance to the community and market participants, the Commission recommends that the Council:

3. **Consider** its competitive neutrality obligations in relation to operations that may be competing with private sector equivalents, including:

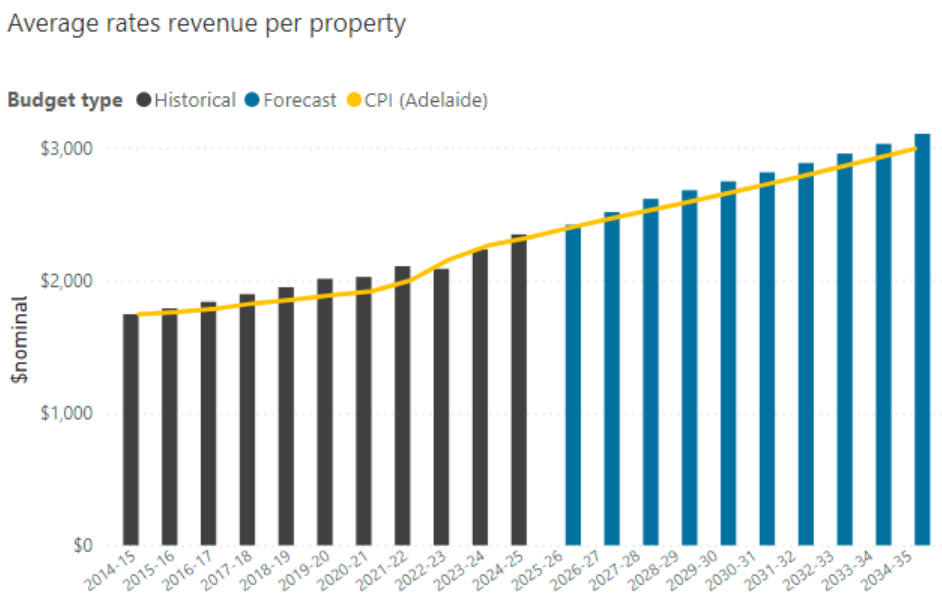
- implementing accounting separation for the Tea Tree Suites and Convention Centre and the restaurant site operations and adopting full cost reflective pricing, including appropriate attribution of overheads, tax equivalents and debt guarantee fees
- if pursuing or entering into a lease, conducting an open market process and set commercial terms, supported by independent valuation, and thereafter publishing a high-level summary of the basis for those terms, and
- where community objectives require non-commercial outcomes (eg, community access), explicitly defining these as community service obligations and transparently funding them from general revenues rather than via implicit cross subsidies.

# 6 Advice on current and projected rate levels

## 6.1 Key points

- ✓ Rate revenue per property increased at an average rate of 2.8 percent per annum over the Historical Period, compared with average CPI of 2.9 percent.
- ⚠ Rates per property are forecast to increase at 2.8 percent, compared with average forecast CPI of 2.5 percent.
- ✓ Rates affordability is not a significant issue for this Council.

Figure 6: Average rates revenue per property – historical and forecast




### 6.1.1 Over the Historical Period

- Rate revenue per property grew at an annual average rate of 2.8 percent, compared with average CPI for the period of 2.9 percent.[37] (see Figure 6)

### 6.1.2 Over the Forecast Period

- Rate revenue per property is projected to increase at an annual average of 2.8 percent, compared with forecast CPI of 2.5 percent. (see Figure 6)

## 6.2 Proposed rate increases for 2025-26

In the 2025-2026 Annual Business Plan and Budget (ABP&B), the Council increased its rate revenue per property by 3.1 percent, compared to CPI for Adelaide for the twelve months ended March 2025 of 2.2 percent.[38]

[37] Over the same period, the number of rateable properties grew by just 0.4 percent per annum.

[38] See Consumer Price Index, Australia, March Quarter 2025 | Australian Bureau of Statistics, which contains data available at the time the ABP&B was prepared.

## 6.3 Projected further rate increases

The Council plans to increase its rates revenue over the Forecast Period by annual average of 3.4 percent, or growth in rates per property of 2.8 percent, compared to forecast average inflation of 2.5 percent. This assumes that the number of rateable properties will grow at a CAGR of 0.6 percent, compared with 0.4 percent in the Historical Period.

The Council's rationale for increasing rates in real terms was to ensure that the operating surplus remains in line with the Council's Financial Sustainability policy targeted range and to manage increasing construction costs and depreciation expenses.[39]

## 6.4 Affordability risk

Affordability risk among the community for these further rate increases appears to be low, on balance, when considering:

- the Council's relatively high socio-economic indexes for areas (SEIFA) economic resources ranking for the City of Tea Tree Gully area[40]
- the effect of cumulative increases in rates per existing ratepayer of approximately 2.8 percent per annum in the period 2025-26 to 2034-35, close to the forecast rate of inflation, and
- the overall financial sustainability risks of the Council and its forecast LTFP trend of consistent operating surpluses to 2034-35.

[39] See City of Tea Tree Gully, Long Term Financial Plan 2026-2035 p 11.

[40] City of Tea Tree Gully Council area is ranked 61 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2021), where a lower score (e.g., 1) denotes relatively lower access to economic resources in general, compared with other areas, available at https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/latest-release

# 7 The Commission's next advice and focus areas

In the next cycle of the scheme, the Commission will review and report upon the Council's:

- ongoing performance against its current LTFP estimates
- updates to its asset management plans, and associated updates to its capital expenditure projections and asset condition assessments
- actual expenditure on asset renewal and replacement in line with plans
- the operating model and performance transparency of The Tea Tree Suites and Convention Centre and 171 Reservoir Road, and
- considering and addressing any competitive neutrality obligations.

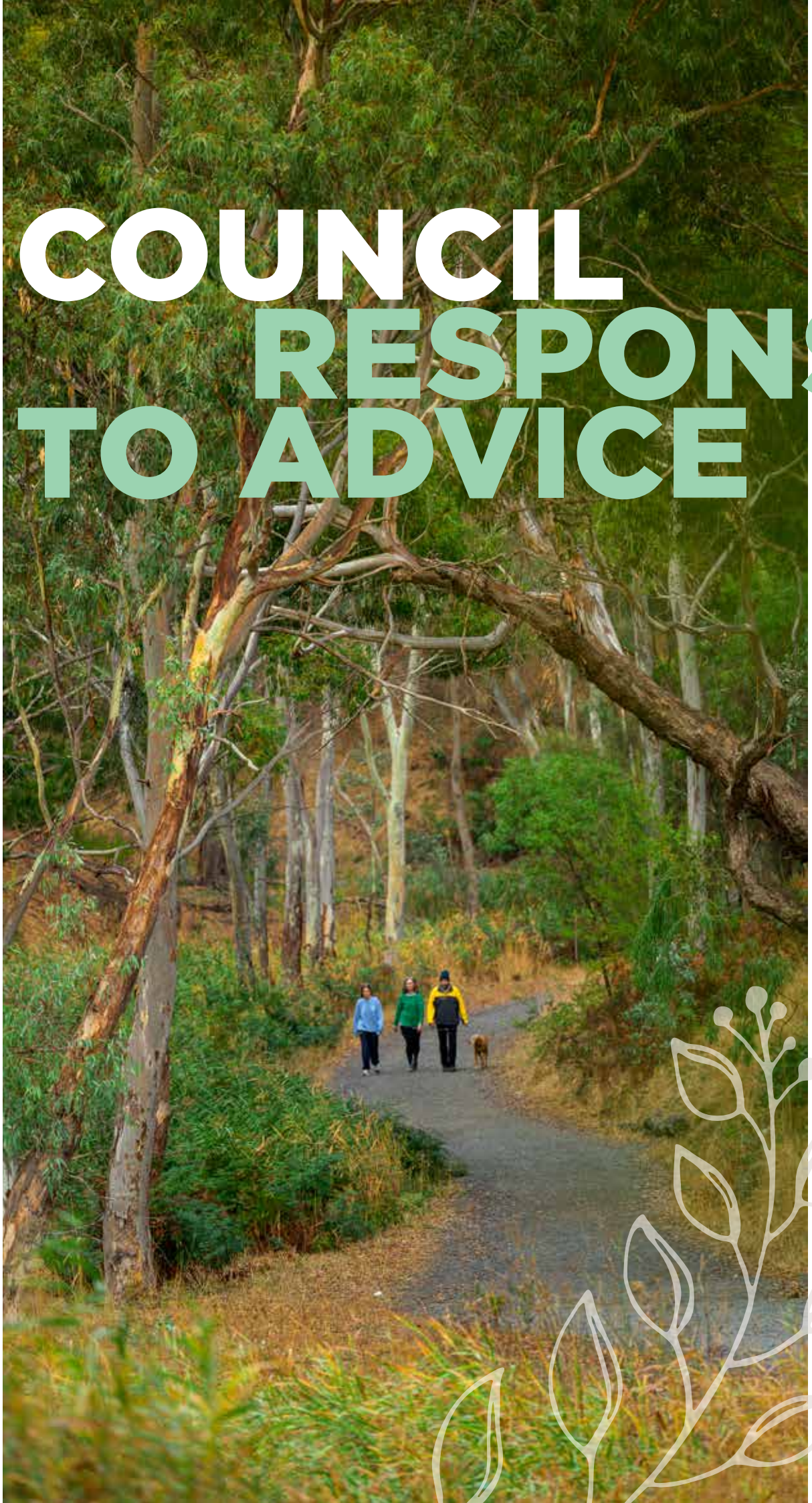
# 8 Appendix: Glossary of terms

| Term | Explanation |
|---|---|
| ABS | Australian Bureau of Statistics |
| AMP | Asset management plan (also called an IAMP) |
| ARFR | Asset Renewal Funding Ratio: renewal expenditure based (gross):<br>Asset Renewal Expenditure / IAMP Renewal Expenditure (where IAMP expenditure includes sale of replaced assets)<br>Asset Renewal Funding Ratio - renewal expenditure based (net) - if IAMP excludes sale of replaced assets:<br>Asset Renewal Expenditure / IAMP Renewal Expenditure (where IAMP expenditure excludes sale of replaced assets)<br>Asset Renewal Funding Ratio (depreciation based):<br>Asset Renewal Expenditure / Depreciation<br>(IAMP Renewal Expenditure is that required according to the IAMP.) |
| CAGR | Compound Annual Growth Rate:<br>CAGR = $(V_{final} / V_{begin})^{1/t} - 1$<br>CAGR represents the mean annualized growth rate for compounding values over a given time period. CAGR smoothes the effect of volatility of periodic values that can render arithmetic means less meaningful. (Source: Wikipedia) |
| Commission | Essential Services Commission, established under the *Essential Services Commission Act 2002* |
| CPI | Consumer Price Index (Adelaide, All Groups) |
| Council | City of Tea Tree Gully |
| ESC Act | *Essential Services Commission Act 2002* |
| F&A | Local Government Advice: Framework and Approach – Final Report |
| Forecast Period | 10 years from 2025-26 to 2034-35 |
| FTE | Full Time Equivalent |
| Historical Period | 10 years 2014-15 to 2023-24 |
| IAMP | Infrastructure and asset management plan (also called an AMP) |
| LG Act | *Local Government Act 1999* |
| LGA SA Financial Indicators Paper | Local Government Association of South Australia, Financial Sustainability Information Pa per 9 - Financial Indicators Revised May 2019 |

| Term | Explanation |
|---|---|
| LTFP | Long-term financial plan |
| NFLR | Net Financial Liabilities Ratio<br><br>Net Financial Liabilities are defined as:<br>Total Liabilities<br>LESS Current Assets (Cash and Cash Equivalents)<br>LESS Current Assets (Trade and Other Receivables)<br>LESS Current Assets (Other Financial Assets)<br>LESS Non-Current Assets (Financial Assets - excluding equity accounted investments in council businesses)<br><br>The net financial liabilities ratio is:<br>Net financial liabilities ÷ Total Operating Income |
| OSR | Operating Surplus Ratio<br><br>The Operating Surplus (Deficit) is defined as:<br>Total Operating Income LESS Total Operating Expenses<br><br>The Operating Surplus Ratio is defined as:<br>Operating Surplus (Deficit) ÷ Total Operating Income |
| Regulations | *Local Government (Financial Management) Regulations 2011* |
| RBA | Reserve Bank of Australia |
| SEIFA | Socio-Economic Indexes for Areas |
| SMP | Strategic management plan |
| The scheme or advice | Local Government Advice Scheme |

APPENDIX B

# COUNCIL RESPONSE TO ADVICE



## ESCOSA's recommendations and Council response

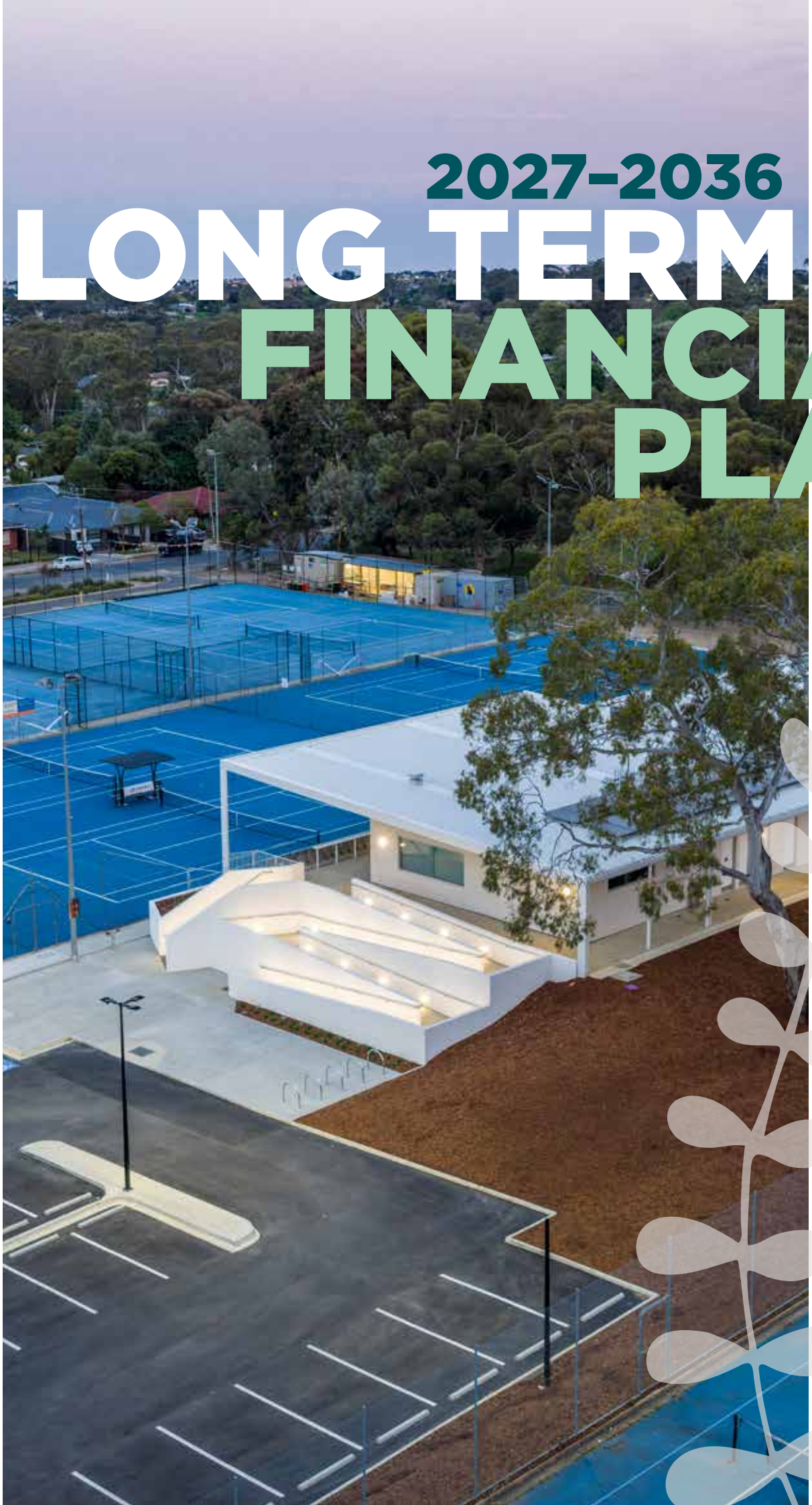
| Recommendations | Council response |
|---|---|
| *Provide the source of inflation forecasts used in the Long Term Financial Plan and more detail of forecast increases in expenses relative to inflation, to improve transparency for ratepayers.* | Administration note this recommendation and has incorporated improvements into relevant strategic documents where appropriate, including clearer references to inflation sources. |
| *Consider limiting rate increases to no more than CPI, if the Council is achieving its cost growth forecasts.* | Administration note this recommendation and will endeavor to align future rate increases with CPI, noting that any increases above CPI will continue to reflect Council's priorities and the funding requirements of endorsed strategic management plans. |
| *Consider its competitive neutrality obligations in relation to operations that may be competing with private sector equivalents, including:*<br>• *implementing accounting separation for the The Tea Tree Suites and Convention Centre and the restaurant site operations and adopting full cost reflective pricing, including appropriate attribution of overheads, tax equivalents and debt guarantee fees*<br>• *if pursuing or entering into a lease, conducting an open market process and set commercial terms, supported by independent valuation, and thereafter publishing a high-level summary of the basis for those terms, and*<br>• *where community objectives require non-commercial outcomes (eg, community access), explicitly defining these as community service obligations and transparently funding them from general revenues rather than via implicit cross subsidies.* | Administration provides the following information in support of Council's response:<br>• **Independent prudential review**<br>Council engaged an independent consultant to perform a Prudential review (attached) before purchase of The Tea Tree Suites and Convention Centre ('The Tea Tree'). The review satisfied the requirements of the City of Tea Tree Gully's Prudential Management Policy and section 48 of the *Local Government Act 1999*. The report considered Council's requirements of fair competition within the marketplace and noted Council should apply the competitive neutrality principles to its activities.<br>• **Significant business activity**<br>Council has determined that The Tea Tree constitutes a significant business activity and has established a separate cost centre to support transparent financial management, prudential oversight, and regular reporting by the Administration to Council, with impacts incorporated into the Long Term Financial Plan. While the activity is classified as significant by virtue of total revenue, the expected revenue associated with the Centre remains immaterial to Council's total revenue base and is considered to present low risk with minimal impact on the Operating Surplus ratio.<br>• **Appropriate pricing methodology**<br>Since the acquisition and subsequent integration, retail pricing at The Tea Tree has remained consistent with the pre existing business pricing structure and arrangements remaining. Procurement arrangements have likewise been unchanged and remain aligned with prevailing market conditions. |

## ESCOSA's recommendations and Council response (cont.)

| Recommendations | Council response |
|---|---|
| *Continued: Consider its competitive neutrality obligations in relation to operations that may be competing with private sector equivalents, including:*<br>• *implementing accounting separation for the The Tea Tree Suites and Convention Centre and the restaurant site operations and adopting full cost reflective pricing, including appropriate attribution of overheads, tax equivalents and debt guarantee fees*<br>• *if pursuing or entering into a lease, conducting an open market process and set commercial terms, supported by independent valuation, and thereafter publishing a high-level summary of the basis for those terms, and*<br>• *where community objectives require non-commercial outcomes (eg, community access), explicitly defining these as community service obligations and transparently funding them from general revenues rather than via implicit cross subsidies.* | • **Cost–benefit analysis**<br>The competitive neutrality assessment concluded that the strategic benefits to the community outweigh the costs of acquisition. The Prudential Report considered property valuation and pricing, and concluded that Council satisfied the relevant legislative requirements in relation to appropriate valuation conditions. Ongoing application of Australian Accounting Standards will support appropriate financial performance monitoring and reporting to ensure the anticipated net cost benefit is maintained over time.<br>• **Clause 7 Statement**<br>Council has considered Clause 7 Statement on the Application of Competition Principles to Local Government under the Competition Principles Agreement. In applying these principles, Council has considered whether the public interest in the acquisition and operation of The Tea Tree outweighs any potential impact on competition. Council is satisfied that the activity delivers a net public benefit to the community and that competitive neutrality principles have been applied where relevant, including market based pricing, and appropriate governance arrangements. Council will continue to monitor the activity to ensure ongoing alignment with the intent of Clause 7.<br>• **Commitment to transparency and competitive neutrality**<br>Council remains committed to transparency, regulatory compliance (including Australian Accounting Standards), and the consistent application of competitive neutrality principles where applicable, taking into account the dynamic nature of The Tea Tree. Furthermore, Council will, in conjunction with its external auditors, monitor the effectiveness and adequacy of reporting arrangements to ensure transparent and accountable reporting.<br>• **Future strategic direction**<br>Council will consider the future operating model of The Tea Tree and assess whether an outsourced approach would provide a more prudent and "arm's-length" arrangement. This matter will be considered further to ensure Council continues to comply with all relevant legislation, policies, and governance requirements, and acts in the best interests of the community. |

APPENDIX C

# 2027–2036 LONG TERM FINANCIAL PLAN



# Contents

Chief Executive Officer‘s Report on Financial Sustainability

Background

Long Term Financial Plan Framework FYE 2027-2036

Risks Associated with the Long Term Financial Plan

Funding Plan

Ratios

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

Key assumptions

- Key revenue assumptions
- Key expenditure assumptions

Key Capital Works Program Expenditure

Appendices

1. Long Term Financial Plan FYE 2027-2036
   Financial Statements

# Chief Executive Officer's Report on Financial Sustainability

The LTFP demonstrates that the Council is financially sustainable over the 10 year term of the LTFP, whilst achieving the objectives outlined in the Strategic Plan. This includes:

- Implementation and funding of the appropriate level of maintenance and renewal of the portfolio of infrastructure assets
- Meeting the ongoing expectations of service delivery to our community
- Managing the impact of cost shifting from other levels of government
- Enabling the delivery of strategies identified within the Strategic Plan as well as other endorsed Functional Strategies
- The appropriate use of debt as a means of funding new capital expenditure
- Ensuring the financial sustainability of Council's operations.

Key financial indicators used to assess the Council's long-term financial sustainability, as set out in the LTFP, are as follows:

1. **Operating Surplus Ratio, target range 2.5% to 10%**
2. **Net Financial Liabilities Ratio, target range 25% to 35%**
3. **Asset Renewal Funding Ratio, target range 90% to 110%**

The financial metrics in the LTFP align with Council's established benchmarks over the medium to long term, supporting the ongoing sustainability of Council's financial performance and position. This alignment provides confidence that financial sustainability will be maintained. Council also monitors sensitivity to construction cost escalations and interest-rate volatility, with governance oversight in place to assess impacts on long-term financial sustainability and adjust plans as required.

Continuously improving our Asset Management Plans to ensure that we are appropriately maintaining our City's infrastructure and facilities, using debt where appropriate and applying rate revenue increases that are reflective of the service levels provided to the community, will ensure that the Council has the financial capacity to meet the needs of our community in a financially sustainable way into the future.

While the Council is financially sustainable, there is significant risk in the future if the proposed rate increase within the LTFP are not adopted as these increases will be required to support the future investment in projects such as the main roads and gateways uplift program, new strategic buildings, enhancement to the renewal of playgrounds and other new works.

# Background

The *Local Government Act 1999* requires Council to prepare a Long Term Financial Plan (LTFP) as part of its Strategic Management Plans. Council considers that its Long Term Financial Plan (LTFP) is a fundamental instrument of accountability for financial sustainability and provides projections for Council's planned activities over a ten year timeframe.

As per Council's Financial Sustainability Policy financial sustainability is achieved when service and infrastructure levels and standards are delivered according to a long-term plan without the need to significantly increase rates or significantly reduce services.

Long-term financial sustainability is important if Council is to deliver the services and programs expected by the community. It is also important that community assets are maintained so that the cost does not become a burden for future ratepayers and for council to remain financially viable.

It ensures that financial resources are deployed in areas that align with Council's Strategic Management Plans, are affordable and supported within the Council's LTFP.

The LTFP provides Council with a decision making tool that ensures there is an understanding of the impact of decisions made today on future sustainability. This means ensuring the cost effective delivery of works and services, and the appropriate maintenance and renewal of our asset base in a financially sustainable manner.

The purpose of a council's LTFP is to express, in financial terms, the activities it proposes to undertake over the medium-to-longer term to achieve its stated objectives. It is similar to, but usually less detailed than, the annual budget. Just like the budget, it is a guide for future action, except that its preparation requires the council to consider the longer- term impact of revenue and expenditure proposals rather than for just a single year. Bringing together future strategic plans and business initiatives, along with their expected costs and review cycles, helps Council clearly identify the overall financial impacts and adjust future activities when needed.

The LTFP should specify and take account of:

- Expected expenses and capital outlays for each year of the Plan
- Expected revenues for each year and the source of their funding
- Any variations in net debt required as a result of expected cash flow needs
- Performance measures to enable assessment of the Council's financial sustainability over the period of the Plan.

The LTFP includes:

- Funding Plan/Uniform Presentation of Finances
- Income statement
- Financial position
- Cash flow statement
- Statement of changes in equity.

This version of the LTFP is an update to the plan adopted by Council in September 2025.

# Long Term Financial Plan Framework FYE 2027-2036

The LTFP will continue to be guided by a series of principles.

1. **Maintaining existing assets at their existing service levels**

   The LTFP has been updated to include funding to meet the requirements of the asset management plans. Council will apply this principle by ensuring that funding for the renewal and maintenance of assets is in line with the adopted asset management plans, where possible.

   While the needs of the asset management plans will continue to guide the funding allocation for renewal and upgrade works for the annual budget, specific funding allocations for renewal works will also be informed by Council's precinct plans.

2. **Continue to review assets for possible sale, with any proceeds being reinvested, in keeping with Council's Disposal of Land and Assets and Acquisition of Land Policy adopted in March 2023**

   The LTFP does not make allowances for any future divestment of non-operational assets. An assessment of the impact on any future divestment will be incorporated into a review of the LTFP.

3. **Maintaining debt within the targeted range of 25%-35% over the life of the plan**

   Council has had a target to maintain the net financial liabilities ratio to between 25% and 35% over the period of the Long-Term Financial Plan.

   Council will continue to invest in the renewal and enhancement of infrastructure for the community. The LTFP will make provisions for these investments over the forward estimates while maintaining the net financial liabilities within the target range.

4. **Retaining tight constraints on operating expenditure**

   In formulating the increase many factors including our Strategic Plan, current economic climate, debt reduction strategy, the cost of maintaining existing services, increasing waste management expenses and the projected costs included in the various infrastructure asset management plans were taken into consideration.

   The budget provides for a number of key known cost pressures. These cost pressures have been able to be absorbed through adopting a tighter spending approach across all expenditure categories.

   Key strategies deployed to retain tight constraints on operating expenditure include:

   - Zero base budgeting approach to development of the Operating Budget
   - Introduce technology that enables services and functions to be performed with greater efficiency.
   - Reducing employee costs by managing vacancies and working within a capped number of FTEs
   - We carried out service reviews to ensure that our services are delivered to the community promptly, sustainably and effectively and we continue to complete many other complementary continuous improvement activities
   - We made procurement savings through collective buying arrangements.

5. **Ensuring that the capital works program retains a level of funding for new works (e.g. new footpaths)**

In assessing proposals for new capital works, Council will consider:

- Alignment with the Strategic Plan
- Precinct Plans, including Modbury and Tea Tree Gully
- Master Plan Implementation
- Current state of operating surplus or deficit
- Any additional costs for depreciation, maintenance or interest on borrowings
- Impact on overall operating surplus or deficit
- Any need to increase Council rates to fund new work
- The age, life expectancy, suitability and service potential of any asset to be replaced
- The discounted cash flow analysis, where appropriate.

To ensure Council is in a position to partner with the State Government to deliver on master plan objectives in the future, capacity has been incorporated in the revised LTFP in the later years. This capacity will be achieved through an annual uplift in planned expenditure on new assets

# Risks Associated with the Long Term Financial Plan

The LTFP has been developed based on the best information and assumptions available at the time. However, users of this information should be aware that there are risks associated with using estimated increases to Consumer Price Index (CPI), other economic indices and predictions in finance costs such as supply chain volatility for construction, labour market shortages affecting wage and contract costs and interest rate volatility.

Council has a significant infrastructure asset base comprising of complex assets including a large transportation and stormwater network where condition assessment is not always readily determinable and other assets such as building and related facilities where service level requirements have changed significantly over time.

However, there is still an inherent risk even with regularly updated asset management plans that estimated construction cost increases, useful lives and condition assessments can change over time and adversely impact on asset values and depreciation as calculated in this LTFP.

As a result, Council looks to mitigate this risk and help maintain rates stability by:

- ensuring that its asset management planning systems and processes support good knowledge of the assets and their condition for effective decision-making and renewal operations
- ensuring these plans address maintenance, renewal and replacement regimes in place to optimise asset life and minimise costs over the life of the asset
- ensuring independent engineering and valuation expertise is received regularly in order to keep up to date with significant emerging asset management and valuation issues.
- ensuring any identified backlog of asset renewal is funded in the short to medium term to ensure effective asset management over the long-term
- undertaking asset valuations at least every four years and using annual indexation of asset values, where relevant.

In addition, the LTFP may be impacted by events such as new legislation, legal disputes or disasters that could materially affect the projected outcomes and results of the LTFP. Whilst Council has factored in the known impacts of prior events, it is important to acknowledge that significant future events will necessitate ongoing review. The projected increase in the operating surplus ratio will assist in mitigating this risk.

In order to reduce risk the plan is reviewed and updated annually to incorporate the best available information. In addition, the LTFP and its assumptions are reviewed by Council's Audit & Risk Committee.

# Funding Plan

In accordance with Section 122(1a)(a) of the Local Government Act 1999, Council's LTFP is to include a Funding Plan which outlines the projected income and other funding sources including asset sales and borrowings that will be used to fund its services and infrastructure.

This funding information is presented in the Uniform Presentation of Finances showing the funding of Council's proposed operating and capital investment activities, broken into the following key elements:

- A summary of all operating income and expenditure by category to highlight the Operating Surplus/(Deficit)
- Net outlays on existing assets after providing for depreciation and proceeds from any replacement asset sales
- Net outlays on new and upgraded assets after providing for grants received and proceeds from any surplus asset sales
- Details of the financial transactions relating to Council's Net Lending/borrowing Position to highlight Council's approach to funding services & infrastructure

Council's Uniform Presentation of Finances is included in Appendix B – Estimate Financial Statements

Across the life of the LTFP, nearly 84% of Council's operating income will be sourced from Rates. All other operating income sources account for the remaining 16%.

# Ratios

## Operating Surplus Ratio

The operating surplus ratio indicates whether operating revenue is sufficient to meet all operating expenses and whether current ratepayers are paying for their consumption of resources.

The Operating Surplus ratio expresses the operating surplus as a percentage of total operating income. A negative ratio indicates the percentage that the operating expenses outweigh the operating income. A positive ratio indicates the percentage that the operating revenue exceeds the operating expenses.

**Target Range**: 2.5% - 10%

**10 Year Result Range** 3.5% - 8%

The ratio above indicates that the cost of services provided to ratepayers is being met from operating revenues with surplus's being used to fund an appropriate amount of new/upgraded infrastructure works in accordance with our LTFP projections.

## Net Financial Liabilities Ratio

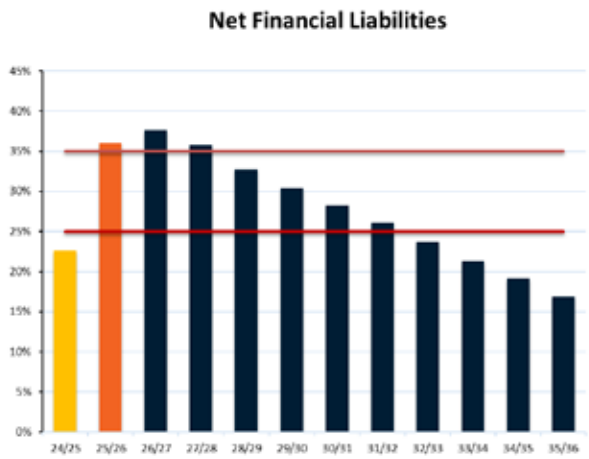
Net Financial Liabilities is an indicator of the Council's total indebtedness and includes all Council's obligations including provisions for employee entitlements and creditors.

This ratio indicates whether the net financial liabilities of the Council can be met by the Council's total operating revenue. Where the ratio is falling, it indicates that the Council's capacity to meet its financial obligations from operating revenues is strengthening. Where the ratio is increasing, it indicates that a greater amount of Council's operating revenues is required to service its financial obligations.

The updated LTFP incorporates scheduled debt repayment across the later years of the forward estimates. Prioritising the repayment of debt is essential for maintaining the Council's long-term financial sustainability, strengthening borrowing capacity, and ensuring resources can be redirected to future community priorities.

**Target Range**: 25% - 35%

**10 Year Result Range** 17% - 38%



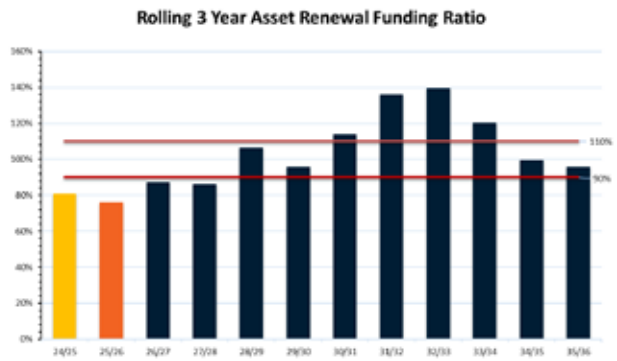
## Asset Renewal Funding Ratio

This ratio indicates whether a Council is renewing or replacing existing infrastructure assets at the same rate that its asset management plan requires.

The target for this ratio is to be between 90% and 110% for a rolling 3 year period to smooth out the Asset Management Plan outcomes in any given year. This would mean that Council is replacing 100% (or close to all) of the assets that require renewal. Carry forwards are not taken into account in this calculation given that this indicator needs to be compared to required renewal expenditure emanating from Asset Management Plans and not a reflection of capital delivery.

**Target:** 90% - 110%

**10 Year Result Range** 86% - 140%




The asset management plans have been revised and updated in 2024. The reviewed AMPs represent a factual state of affairs in terms of asset condition and age, and provides a model for predicted remaining life and the estimated renewal costs for defined service levels.

The significant back log of asset renewal funding identified in 2025 is predominately Council's road assets. The renewal program for these assets will be smoothed out over the ten-year period after analysis has been completed from the road condition assessment which was undertaken recently. Being a long-life asset the risk to Council is minimised but will be assessed along with the conditions. Funding for the renewal of road assets has been increased in the 2026/27 draft budget.

# Key Assumptions

In addition to the guiding principles, Council has considered other factors in the updated LTFP. These include:

- The impact of current economic conditions such as CPI, utility costs and a tightening within labour market
- Price increase across the construction sector, impacting the current and future capital works program
- Changing community expectations and trends
- Other legislative changes.

As the impact of these factors is unknown at this stage, the LTFP will be updated as information becomes available.

**Outlook for Inflation**

The Reserve Bank of Australia (RBA) has significantly revised its inflation outlook upward across the forecast horizon. Inflation is now projected to peak in mid-2026, with underlying inflation reaching 3.7 per cent and headline inflation rising to 4.2 per cent, before easing to just above the midpoint of the 2–3 per cent target band by mid-2028. Stronger-than-expected inflation outcomes in the second half of 2025 suggest that inflationary pressures are more widespread and persistent than previously anticipated.

Source: RBA Statement on Monetary Policy – February 2026

CPI Assumption used in LTFP

- 2026/27 3.8%
- 2027/28 3.0%
- 2028/29-2035/36 2.5%

# Key revenue assumptions

**Rate Increase Assumptions**

General Council rate income is forecast to increase by 5.5% (excluding growth) in the 2026-2027 year. Growth is forecast to be 0.6% per annum for this financial year.The increase of 5.5% consists of the following:

- 3.8% forecast CPI increase
- 1.0% Asset Management Plan funding increase
- 0.8% 2026 Local Government Election Costs
- 0.9% Uplift attributed to the Kerbside Waste Collection contract
- (1.0%) Reduction in new asset expenditure for 2026/27.

| | Year | CPI Used in LTFP | Growth (new development) | Asset Mgmt Plan Funding Catch up | Waste Collection Contract Uplift | Local Government Election Costs | Reduction in New Asset Spend | LTFP Rate Revenue Increase |
|---|---|---|---|---|---|---|---|---|
| Actual | 2024–25 | 3.00 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.00 |
| Year 1 | 2026–27 | 3.80 | 0.6 | 1.0 | 0.9 | 0.8 | (1.0) | 6.1* |
| Year 2 | 2027–28 | 3.00 | 0.6 | 1.0 | 0.5 | 0.0 | 0.0 | 5.10 |
| Year 3 | 2028–29 | 2.50 | 0.6 | 1.0 | 0.5 | 0.0 | 0.0 | 4.60 |
| Year 4 | 2029–30 | 2.50 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 3.10 |
| Year 5 | 2030–31 | 2.50 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 3.10 |
| Year 6 | 2031–32 | 2.50 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 3.10 |
| Year 7 | 2032–33 | 2.50 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 3.10 |
| Year 8 | 2033–34 | 2.50 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 3.10 |
| Year 9 | 2034–35 | 2.50 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 3.10 |
| Year 10 | 2035-36 | 2.50 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 3.10 |

*= Calculated rate revenue varies slightly to these projections due to the changes to rate rebates and the Regional Landscape Levy included in rates revenue where the increase is set independently of Council

The year 2 and 3 rate rise are in line with the forecasted CPI increase plus 1.5%.

- An additional 1% is required to increase rates revenue to ensure the operating surplus remains in line with the Council's Financial Sustainability policy targeted range after the effect of the increasing construction costs and increased depreciation are factored in.
- The additional 0.5% will support the cost uplift associated with the new Kerbside Waste Collection contract. The contract uplift will be phased in over three years commencing in 2026/27.

It is proposed that any additional rate revenue from growth or rates increases be directed towards the increases in expenditure due to current levels of inflation, increases in utilities and contracts.

The impact from the Golden Grove Code Amendment had not been factored into the future years as there is still uncertainty as to timing and amounts.

As the building construction is completed for the facilities in the Strategic Building Program, there has been assumed no change to operating income and expenditure as the clubs are responsible for the outgoings, with the only impact on Council being depreciation, which has been factored in.

### Other Income Assumptions

The income within the 2027 budget has been built in line with forecast income during the budget build process.

In March 2025 Council acquired Sferas Park Suites and Convention Centre. The 2027 budget forecasts a projected operating surplus of $1m in 2026-2027, with $500k allocated to interest expenses and the remaining $500k directed toward debt reduction. Ongoing the assumption around this would be a CPI increase to the income and expenditure for Sferas.

Future year assumptions are based on figures aligning to CPI while taking into account known factors for revenue types.

## Key expenditure assumptions

### Employee costs assumptions

New employee enterprise agreements were negotiated during the 2023-2024 year. Negotiations with Unions and Employee representatives were constructive with the indoor agreement with a 4.3% EB increase in Year 1 agreed, in line with the March 2024 CPI figure. Year 2 and 3 were agreed at 3% with a cap at 4% if CPI was greater. The outdoor staff agreement was agreed at 5.3% EB increase in Year 1 with Year 2 and 3 agreed at 3% with a cap at 4% if CPI was greater.

From 2027 onwards the employee cost assumptions are in line with forecast CPI, as new EBAs will be negotiated before certain increases will be known.

Through the introduction of technology to promote efficiency, the growth in employee costs will be limited to genuine labour market increases. Initiatives will be progressed that focus on promoting efficiency in delivering value to community.

### Materials, Contracts and Other Expenses assumptions

After a period of easing, inflation has recently returned to the upper end of the RBA's target range. In its February 2026 announcement, the RBA reported underlying inflation—measured by the trimmed mean—at 3.7%.

Current and future price increases across expenditure items categorised as Materials, Contracts and Other Expenses (MCO) are linked to CPI.

The updated LTFP incorporates the price uplift associated with the new Kerbside Waste Collection contract. The contract uplift will be phased in over three years through the following expenditure increases:

- 0.9% 2026/27
- 0.5% 2027/28
- 0.5% 2028/29

An expense item of $800k passed on from the South Australian Electoral Commission for conducting the 2026 Local Government Elections has been incorporated in the 2026/27 Budget.

Other expenses are forecast to increase in line with the Consumer Price Index (CPI) and changed service delivery models. Unforeseen increases may be absorbed through our continuation of tight restraint on operating expenditure.

### Financing and Depreciation assumptions

Financing expenses will continue to increase on the previous years based on the current borrowing expectations and interest rates. This will need to be monitored throughout the year depending on the interest rate increases. Currently an average interest rate of 5% over the medium term has been used for finance expense projections.

Depreciation is forecast to increase from $20.7m to $26.3m over the 10-year life of the plan. This is significantly higher than the 2023 depreciation of $16.2m and is reflective of increased construction costs experienced on assets and reflected in the valuation which occurred in FYEs 2023 and 2024.

# Key Capital Works Program Expenditure

Renewal works replace existing assets, so they continue to perform as expected. New assets add services or facilities that didn't exist before. This distinction shows how Council maintains what we have while investing in future needs.

**Renewal Expenditure**

Council's Infrastructure Asset Management Plans (AMP) inform the planned expenditure on the renewal of assets.

The asset management plans identify a combined expenditure of $259 million over the next 10 years. The LTFP allocates $264 million over the same period. With a revaluation of building assets currently underway, the LTFP has been modelled to accommodate the anticipated increase in funding required for the asset management plans.

| | AMP Funding | LTFP Funding | Variance |
|---|---|---|---|
| 2026 | 45,900 | 28,101 | (17,799) |
| 2027 | 12,782 | 21,791 | 9,009 |
| 2028 | 23,964 | 21,394 | (2,570) |
| 2029 | 23,941 | 21,536 | (2,406) |
| 2030 | 20,554 | 22,697 | 2,142 |
| 2031 | 14,672 | 23,264 | 8,592 |
| 2032 | 16,028 | 23,846 | 7,817 |
| 2033 | 20,570 | 24,442 | 3,872 |
| 2034 | 24,263 | 25,053 | 790 |
| 2035 | 30,600 | 25,679 | (4,921) |
| 2036 | 25,500 | 26,321 | 821 |
| **Total** | **258,775** | **264,122** | **5,347** |

The significant back log of asset renewal funding identified in 2025 is predominately Council's road assets. The renewal program for these assets will be smoothed out over the ten-year period after analysis has been completed from the road condition assessment which was undertaken recently. Being a long-life asset the risk to Council is minimised but will be assessed along with the conditions.

Funding for the renewal of Council's road assets has been increased by $1m in 2026/27 to $5.5m.

To reduce the impact on borrowings, the increase in renewal to line up with depreciation has been phased in over the two years to align with the forecasted extra 1% rate increase over CPI.

## New Assets

Planned expenditure on new assets has been increased in line with the funding required. The planned expenditure on new assets includes:

- New Footpaths
- Main Roads & Gateways
- Tea Tree Gully Sporting Club
- Elliston Reserve
- Maxlay Reserve
- Waterworld

The premise of investment of new and upgraded assets is underpinned by the rate revenue generated within this plan.

# Appendix One

## Long Term Financial Plan FYE 2027-2036 Financial Statements

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Uniform Presentation of Finances
- Key Financial Indicators

**City of Tea Tree Gully**
**ESTIMATED STATEMENT OF COMPREHENSIVE INCOME**
**Date modified: 25 March 2026**

| Year Ended 30 June: | 2025 Actual Audit $('000) | 2026 Forecast Budget $('000) | | 2027 Plan Year 1 $('000) | | 2028 Plan Year 2 $('000) | | 2029 Plan Year 3 $('000) | | 2030 Plan Year 4 $('000) | | 2031 Plan Year 5 $('000) | | 2032 Plan Year 6 $('000) | | 2033 Plan Year 7 $('000) | | 2034 Plan Year 8 $('000) | | 2035 Plan Year 9 $('000) | | 2036 Plan Year 10 $('000) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **INCOME** | | | | | | | | | | | | | | | | | | | | | | | |
| Rates | 97,064 | 101,108 | 4.2% | 107,223 | 6.0% | 113,227 | 5.6% | 119,002 | 5.1% | 122,691 | 3.1% | 126,494 | 3.1% | 130,415 | 3.1% | 134,458 | 3.1% | 138,626 | 3.1% | 142,923 | 3.1% | 147,354 | 3.1% |
| Statutory Charges | 2,804 | 2,708 | -3.4% | 2,836 | 4.7% | 2,921 | 3.0% | 3,009 | 3.0% | 3,075 | 2.2% | 3,143 | 2.2% | 3,212 | 2.2% | 3,282 | 2.2% | 3,355 | 2.2% | 3,422 | 2.0% | 3,497 | 2.2% |
| User Charges | 5,369 | 8,528 | 58.8% | 8,590 | 0.7% | 8,822 | 2.7% | 9,060 | 2.7% | 9,305 | 2.7% | 9,556 | 2.7% | 9,814 | 2.7% | 10,079 | 2.7% | 10,351 | 2.7% | 10,631 | 2.7% | 10,918 | 2.7% |
| Grants, Subsidies and Contributions - Capital | 1,323 | 1,030 | -22.1% | 3,269 | 217.4% | 2,000 | -38.8% | 2,022 | 1.1% | 2,044 | 1.1% | 2,067 | 1.1% | 2,089 | 1.1% | 2,112 | 1.1% | 2,136 | 1.1% | 2,159 | 1.1% | 2,183 | 1.1% |
| Grants, Subsidies and Contributions - Operating | 9,943 | 7,123 | -28.4% | 6,430 | -9.7% | 6,501 | 1.1% | 6,572 | 1.1% | 6,645 | 1.1% | 6,718 | 1.1% | 6,792 | 1.1% | 6,866 | 1.1% | 6,942 | 1.1% | 7,018 | 1.1% | 7,095 | 1.1% |
| Investment Income | 385 | 320 | -16.9% | 20 | -93.8% | 20 | 0.0% | 20 | 0.0% | 20 | 0.0% | 20 | 0.0% | 20 | 0.0% | 20 | 0.0% | 20 | 0.0% | 20 | 0.0% | 20 | 0.0% |
| Reimbursements/Other Revenue | 3,328 | 2,935 | -11.8% | 2,410 | -17.9% | 2,475 | 2.7% | 2,542 | 2.7% | 2,611 | 2.7% | 2,681 | 2.7% | 2,753 | 2.7% | 2,828 | 2.7% | 2,904 | 2.7% | 2,983 | 2.7% | 3,063 | 2.7% |
| **Total Revenues** | **120,216** | **123,752** | **2.9%** | **130,778** | **5.7%** | **135,966** | **4.0%** | **142,227** | **4.6%** | **146,390** | **2.9%** | **150,678** | **2.9%** | **155,095** | **2.9%** | **159,646** | **2.9%** | **164,333** | **2.9%** | **169,155** | **2.9%** | **174,130** | **2.9%** |
| **EXPENSES** | | | | | | | | | | | | | | | | | | | | | | | |
| Employee Costs | 40,437 | 43,206 | 6.8% | 47,641 | 10.3% | 49,308 | 3.5% | 50,837 | 3.1% | 52,108 | 2.5% | 53,411 | 2.5% | 54,746 | 2.5% | 56,115 | 2.5% | 57,517 | 2.5% | 58,955 | 2.5% | 60,429 | 2.5% |
| Materials, Contracts & Other Expenses | 50,409 | 52,727 | 4.6% | 55,717 | 5.7% | 56,689 | 1.7% | 58,890 | 3.9% | 60,362 | 2.5% | 62,871 | 4.2% | 64,843 | 3.1% | 66,864 | 3.1% | 68,936 | 3.1% | 71,859 | 4.2% | 74,055 | 3.1% |
| Depreciation, Amortisation & Impairment | 20,359 | 20,264 | -0.5% | 20,771 | 2.5% | 21,394 | 3.0% | 22,036 | 3.0% | 22,697 | 3.0% | 23,264 | 2.5% | 23,846 | 2.5% | 24,442 | 2.5% | 25,053 | 2.5% | 25,679 | 2.5% | 26,321 | 2.5% |
| Finance Costs | 320 | 1,210 | 278.1% | 900 | -25.6% | 1,200 | 33.3% | 1,300 | 8.3% | 1,300 | 0.0% | 1,200 | -7.7% | 1,200 | 0.0% | 1,100 | -8.3% | 1,000 | -9.1% | 1,000 | 0.0% | 900 | -10.0% |
| **Total Expenses** | **111,525** | **117,407** | **5.3%** | **125,029** | **6.5%** | **128,591** | **2.8%** | **133,063** | **3.5%** | **136,467** | **2.6%** | **140,746** | **3.1%** | **144,634** | **2.8%** | **148,520** | **2.7%** | **152,506** | **2.7%** | **157,493** | **3.3%** | **161,705** | **2.7%** |
| **OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS** | **8,691** | **6,345** | | **5,749** | | **7,375** | | **9,164** | | **9,923** | | **9,932** | | **10,461** | | **11,125** | | **11,827** | | **11,662** | | **12,424** | |
| Net Gain/(Loss) on Disposal or Revaluation of Assets | 1,464 | 865 | | 0 | | **0** | | 0 | | **0** | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | |
| Amounts specifically for New or Upgraded Assets | 16,796 | 10,931 | | 3,490 | | **0** | | 0 | | **0** | | 0 | | 0 | | 0 | | 0 | | 0 | | 0 | |
| **NET SURPLUS/(DEFICIT)** | **26,951** | **18,141** | **0** | **9,239** | | **7,375** | | **9,164** | | **9,923** | | **9,932** | | **10,461** | | **11,125** | | **11,827** | | **11,662** | | **12,424** | |

**City of Tea Tree Gully**
**Date modified: 25 March 2026**
**ESTIMATED STATEMENT OF FINANCIAL POSITION**

| Year Ended 30 June: | 2025 Actual Audit $('000) | 2026 Revised Budget $('000) | 2027 Plan Year 1 $('000) | 2028 Plan Year 2 $('000) | 2029 Plan Year 3 $('000) | 2030 Plan Year 4 $('000) | 2031 Plan Year 5 $('000) | 2032 Plan Year 6 $('000) | 2033 Plan Year 7 $('000) | 2034 Plan Year 8 $('000) | 2035 Plan Year 9 $('000) | 2036 Plan Year 10 $('000) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | | | |
| **Current Assets** | | | | | | | | | | | | |
| Cash & Equivalent Assets | 2,554 | 2,554 | 2,554 | 2,554 | 2,554 | 2,554 | 2,554 | 2,554 | 2,554 | 2,554 | 2,554 | 2,554 |
| Trade & Other Receivables | 8,702 | 6,702 | 4,827 | 4,827 | 4,827 | 4,827 | 4,827 | 4,827 | 4,827 | 4,827 | 4,827 | 4,827 |
| Inventories | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Sub-total | 11,259 | 9,259 | 7,384 | 7,384 | 7,384 | 7,384 | 7,384 | 7,384 | 7,384 | 7,384 | 7,384 | 7,384 |
| Non-current assets held for sale | 92 | 92 | 92 | 92 | 92 | 92 | 92 | 92 | 92 | 92 | 92 | 92 |
| **Total Current Assets** | 11,351 | 9,351 | 7,476 | 7,476 | 7,476 | 7,476 | 7,476 | 7,476 | 7,476 | 7,476 | 7,476 | 7,476 |
| **Non-Current Assets** | | | | | | | | | | | | |
| Infrastructure, Property, Plant & Equipment | 2,068,418 | 2,119,477 | 2,225,615 | 2,284,427 | 2,345,026 | 2,407,983 | 2,472,852 | 2,539,691 | 2,608,560 | 2,679,519 | 2,752,630 | 2,827,959 |
| Other Non-Current Assets (Work in Progress) | 29,652 | 25,676 | 25,676 | 25,676 | 25,676 | 25,676 | 25,676 | 25,676 | 25,676 | 25,676 | 25,676 | 25,676 |
| **Total Non-Current Assets** | 2,098,070 | 2,145,153 | 2,251,291 | 2,310,103 | 2,370,702 | 2,433,659 | 2,498,528 | 2,565,367 | 2,634,236 | 2,705,195 | 2,778,306 | 2,853,635 |
| **Total Assets** | **2,109,421** | **2,154,504** | **2,258,767** | **2,317,579** | **2,378,178** | **2,441,135** | **2,506,004** | **2,572,843** | **2,641,712** | **2,712,671** | **2,785,782** | **2,861,111** |
| **LIABILITIES** | | | | | | | | | | | | |
| **Current Liabilities** | | | | | | | | | | | | |
| Trade & Other Payables | 17,118 | 10,337 | 10,337 | 10,337 | 10,337 | 10,337 | 10,337 | 10,337 | 10,337 | 10,337 | 10,337 | 10,337 |
| Provisions | 3,668 | 3,668 | 3,668 | 3,668 | 3,668 | 3,668 | 3,668 | 3,668 | 3,668 | 3,668 | 3,668 | 3,668 |
| **Total Current Liabilities** | **20,786** | **14,005** | **14,005** | **14,005** | **14,005** | **14,005** | **14,005** | **14,005** | **14,005** | **14,005** | **14,005** | **14,005** |
| **Non-Current Liabilities** | | | | | | | | | | | | |
| Borrowings | 17,000 | 27,737 | 41,492 | 41,471 | 39,906 | 38,348 | 37,056 | 35,520 | 33,610 | 31,299 | 29,463 | 27,183 |
| Provisions | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 | 787 |
| **Total Non-Current Liabilities** | 17,787 | 28,524 | 42,279 | 42,258 | 40,693 | 39,135 | 37,843 | 36,307 | 34,397 | 32,086 | 30,250 | 27,970 |
| **Total Liabilities** | **38,573** | **42,529** | **56,284** | **56,263** | **54,698** | **53,140** | **51,848** | **50,312** | **48,402** | **46,091** | **44,255** | **41,975** |
| **NET ASSETS** | **2,070,848** | **2,111,975** | **2,202,483** | **2,261,315** | **2,323,481** | **2,387,995** | **2,454,156** | **2,522,532** | **2,593,310** | **2,666,580** | **2,741,527** | **2,819,136** |
| **EQUITY** | | | | | | | | | | | | |
| Accumulated Surplus | 459,578 | 477,719 | 486,958 | 494,333 | 503,498 | 513,421 | 523,353 | 533,814 | 544,939 | 556,766 | 568,428 | 580,852 |
| Asset Revaluation Reserve | 1,610,983 | 1,633,969 | 1,715,238 | 1,766,695 | 1,819,696 | 1,874,287 | 1,930,515 | 1,988,431 | 2,048,084 | 2,109,526 | 2,172,812 | 2,237,997 |
| Other Reserves | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 |
| **TOTAL EQUITY** | **2,070,848** | **2,111,975** | **2,202,483** | **2,261,315** | **2,323,481** | **2,387,995** | **2,454,156** | **2,522,532** | **2,593,310** | **2,666,580** | **2,741,527** | **2,819,136** |

**City of Tea Tree Gully**
**Date modified: 25 March 2026**
**ESTIMATED STATEMENT OF CHANGES IN EQUITY**

| Year Ended 30 June: | 2025 Actual Audit $('000) | 2026 Revised Budget $('000) | 2027 Plan Year 1 $('000) | 2028 Plan Year 2 $('000) | 2029 Plan Year 3 $('000) | 2030 Plan Year 4 $('000) | 2031 Plan Year 5 $('000) | 2032 Plan Year 6 $('000) | 2033 Plan Year 7 $('000) | 2034 Plan Year 8 $('000) | 2035 Plan Year 9 $('000) | 2036 Plan Year 10 $('000) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ACCUMULATED SURPLUS** | | | | | | | | | | | | |
| Balance at end of previous reporting period | 432,627 | 459,578 | 477,719 | 486,958 | 494,333 | 503,498 | 513,421 | 523,353 | 533,814 | 544,939 | 556,766 | 568,428 |
| Net Result for Year | 26,951 | 18,141 | 9,239 | 7,375 | 9,164 | 9,923 | 9,932 | 10,461 | 11,125 | 11,827 | 11,662 | 12,424 |
| **Balance at end of period** | **459,578** | **477,719** | **486,958** | **494,333** | **503,498** | **513,421** | **523,353** | **533,814** | **544,939** | **556,766** | **568,428** | **580,852** |
| **ASSET REVALUATION RESERVE** | | | | | | | | | | | | |
| Balance at end of previous reporting period | 1,475,369 | 1,610,983 | 1,633,969 | 1,715,238 | 1,766,695 | 1,819,696 | 1,874,287 | 1,930,515 | 1,988,431 | 2,048,084 | 2,109,526 | 2,172,812 |
| Gain on Revaluation of Non-Current Assets | 135,614 | 22,986 | 81,269 | 51,457 | 53,001 | 54,591 | 56,229 | 57,915 | 59,653 | 61,443 | 63,286 | 65,184 |
| **Balance at end of period** | **1,610,983** | **1,633,969** | **1,715,238** | **1,766,695** | **1,819,696** | **1,874,287** | **1,930,515** | **1,988,431** | **2,048,084** | **2,109,526** | **2,172,812** | **2,237,997** |
| **OTHER RESERVES** | | | | | | | | | | | | |
| Balance at end of previous reporting period | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 | 287 |
| **Balance at end of period** | **287** | **287** | **287** | **287** | **287** | **287** | **287** | **287** | **287** | **287** | **287** | **287** |
| **TOTAL EQUITY AT END OF REPORTING PERIOD** | **2,070,848** | **2,111,975** | **2,202,483** | **2,261,315** | **2,323,481** | **2,387,995** | **2,454,156** | **2,522,532** | **2,593,310** | **2,666,580** | **2,741,527** | **2,819,136** |

**City of Tea Tree Gully**
**Date modified: 25 March 2026**
**ESTIMATED STATEMENT OF CASH FLOWs**

| Year Ended 30 June: | 2025 Actual Audit $('000) | 2026 Revised Budget $('000) | 2027 Plan Year 1 $('000) | 2028 Plan Year 2 $('000) | 2029 Plan Year 3 $('000) | 2030 Plan Year 4 $('000) | 2031 Plan Year 5 $('000) | 2032 Plan Year 6 $('000) | 2033 Plan Year 7 $('000) | 2034 Plan Year 8 $('000) | 2035 Plan Year 9 $('000) | 2036 Plan Year 10 $('000) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | | | | | | | |
| Receipts | | | | | | | | | | | | |
| Operating and Investment Receipts | 118,043 | 124,722 | 129,384 | 133,966 | 140,205 | 144,346 | 148,611 | 153,006 | 157,533 | 162,197 | 166,996 | 171,947 |
| Payments | | | | | | | | | | | | |
| Operating Payments to Suppliers and Employees | 99,176 | 95,933 | 103,358 | 105,997 | 109,727 | 112,470 | 116,282 | 119,589 | 122,979 | 126,453 | 130,814 | 134,484 |
| Finance Costs | 320 | 1,210 | 900 | 1,200 | 1,300 | 1,300 | 1,200 | 1,200 | 1,100 | 1,000 | 1,000 | 900 |
| **Net Cash provided by (or used in) Operating Activities** | **18,547** | **27,579** | **25,126** | **26,769** | **29,178** | **30,576** | **31,130** | **32,217** | **33,455** | **34,744** | **35,181** | **36,563** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | | | | | | | |
| Receipts | | | | | | | | | | | | |
| Grants utilised for capital purposes | 1,323 | 1,030 | 3269 | 2,000 | 2022 | 2,044 | 2067 | 2089 | 2112 | 2136 | 2159 | 2183 |
| Amounts Specifically for New/Upgraded Assets | 7,421 | 4,150 | 3490 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sale of Renewed/Replaced Assets | 333 | 865 | 1835 | 800 | 800 | 800 | 800 | 800 | 800 | 800 | 800 | 800 |
| Sale of Surplus Assets | 4,257 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Payments | | | | | | | | | | | | |
| Expenditure on Renewal/Replacement of Assets | (17,151) | (23,180) | (26,822) | (21,394) | (21,536) | (22,697) | (23,264) | (23,846) | (24,442) | (25,053) | (25,679) | (26,321) |
| Expenditure on New/Upgraded Assets | (41,113) | (21,181) | (20,653) | (8,154) | (8,899) | (9,166) | (9,441) | (9,724) | (10,016) | (10,316) | (10,626) | (10,944) |
| **Net Cash Provided by (or used in) Investing Activities** | **(44,930)** | **(38,316)** | **(38,881)** | **(26,748)** | **(27,612)** | **(29,018)** | **(29,838)** | **(30,680)** | **(31,545)** | **(32,433)** | **(33,346)** | **(34,282)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | | | | | | | |
| Receipts | | | | | | | | | | | | |
| Proceeds from Borrowings | 17,000 | 10,737 | 13,755 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from Deposits | 58 | | | | | | | | | | | |
| Payments | | | | | | | | | | | | |
| Repayments of Borrowings | 0 | 0 | 0 | (21) | (1,566) | (1,558) | (1,292) | (1,537) | (1,910) | (2,311) | (1,836) | (2,280) |
| **Net Cash provided by (or used in) Financing Activities** | **17,058** | **10,737** | **13,755** | **(21)** | **(1,566)** | **(1,558)** | **(1,292)** | **(1,537)** | **(1,910)** | **(2,311)** | **(1,836)** | **(2,280)** |
| **Net Increase/(Decrease) in cash held** | **(9,325)** | **0** | **0** | **(0)** | **(0)** | **0** | **0** | **0** | **(0)** | **0** | **(0)** | **(0)** |
| **Opening cash, cash equivalents or (bank overdraft)** | 11,879 | 2,554 | 2,554 | 2,554 | 2,554 | 2,554 | 2,554 | 2,554 | 2,554 | 2,554 | 2,554 | 2,554 |
| **Closing cash, cash equivalents or (bank overdraft)** | **2,554** | **2,554** | **2,554** | **2,554** | **2,554** | **2,554** | **2,554** | **2,554** | **2,554** | **2,554** | **2,554** | **2,554** |

**City of Tea Tree Gully**
**FUNDING PLAN/ UNIFORM PRESENTATION OF FINANCES**
**Date modified: 25 March 2026**

| Year Ended 30 June: | 2025 Actual Audit $('000) | 2026 Revised Budget $('000) | 2027 Plan Year 1 $('000) | 2028 Plan Year 2 $('000) | 2029 Plan Year 3 $('000) | 2030 Plan Year 4 $('000) | 2031 Plan Year 5 $('000) | 2032 Plan Year 6 $('000) | 2033 Plan Year 7 $('000) | 2034 Plan Year 8 $('000) | 2035 Plan Year 9 $('000) | 2036 Plan Year 10 $('000) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **INCOME** | | | | | | | | | | | | |
| Rates | 97,064 | 101,108 | 107,223 | 113,227 | 119,002 | 122,691 | 126,494 | 130,415 | 134,458 | 138,626 | 142,923 | 147,354 |
| Statutory Charges | 2,804 | 2,708 | 2,836 | 2,921 | 3,009 | 3,075 | 3,143 | 3,212 | 3,282 | 3,355 | 3,422 | 3,497 |
| User Charges | 5,369 | 8,528 | 8,590 | 8,822 | 9,060 | 9,305 | 9,556 | 9,814 | 10,079 | 10,351 | 10,631 | 10,918 |
| Grants, Subsidies and Contributions - Capital | 1,323 | 1,030 | 3,269 | 2,000 | 2,022 | 2,044 | 2,067 | 2,089 | 2,112 | 2,136 | 2,159 | 2,183 |
| Grants, Subsidies and Contributions - Operating | 9,943 | 7,123 | 6,430 | 6,501 | 6,572 | 6,645 | 6,718 | 6,792 | 6,866 | 6,942 | 7,018 | 7,095 |
| Investment Income | 385 | 320 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Reimbursements/Other Revenue | 3,328 | 2,935 | 2,410 | 2,475 | 2,542 | 2,611 | 2,681 | 2,753 | 2,828 | 2,904 | 2,983 | 3,063 |
| **Total Revenues** | **120,216** | **123,752** | **130,778** | **135,966** | **142,227** | **146,390** | **150,678** | **155,095** | **159,646** | **164,333** | **169,155** | **174,130** |
| **EXPENSES** | | | | | | | | | | | | |
| Employee Costs | 40,437 | 43,206 | 47,641 | 49,308 | 50,837 | 52,108 | 53,411 | 54,746 | 56,115 | 57,517 | 58,955 | 60,429 |
| Materials, Contracts & Other Expenses | 50,409 | 52,727 | 55,717 | 56,689 | 58,890 | 60,362 | 62,871 | 64,843 | 66,864 | 68,936 | 71,859 | 74,055 |
| Depreciation, Amortisation & Impairment | 20,359 | 20,264 | 20,771 | 21,394 | 22,036 | 22,697 | 23,264 | 23,846 | 24,442 | 25,053 | 25,679 | 26,321 |
| Finance Costs | 320 | 1,210 | 900 | 1,200 | 1,300 | 1,300 | 1,200 | 1,200 | 1,100 | 1,000 | 1,000 | 900 |
| **Total Expenses** | **111,525** | **117,407** | **125,029** | **128,591** | **133,063** | **136,467** | **140,746** | **144,634** | **148,520** | **152,506** | **157,493** | **161,705** |
| **OPERATING SURPLUS/(DEFICIT)** | **8,691** | **6,345** | **5,749** | **7,375** | **9,164** | **9,923** | **9,932** | **10,461** | **11,125** | **11,827** | **11,662** | **12,424** |
| Less: Grants, Subsidies and Contributions - Capital | 1,323 | 1,030 | 3,269 | 2,000 | 2,022 | 2,044 | 2,067 | 2,089 | 2,112 | 2,136 | 2,159 | 2,183 |
| **ADJUSTED OPERATING SURPLUS/(DEFICIT)** | **7,368** | **5,315** | **2,480** | **5,375** | **7,142** | **7,879** | **7,866** | **8,371** | **9,013** | **9,691** | **9,502** | **10,242** |
| **Net Outlays on Existing Assets** | | | | | | | | | | | | |
| Capital Expenditure on Renewal and Replacement of Existing Assets | (17,151) | (23,180) | (26,822) | (21,394) | (21,536) | (22,697) | (23,264) | (23,846) | (24,442) | (25,053) | (25,679) | (26,321) |
| Add back Depreciation, Amortisation and Impairment | 20,359 | 20,264 | 20,771 | 21,394 | 22,036 | 22,697 | 23,264 | 23,846 | 24,442 | 25,053 | 25,679 | 26,321 |
| Proceeds from Sale of Replaced Assets | 333 | 865 | 1,835 | 800 | 800 | 800 | 800 | 800 | 800 | 800 | 800 | 800 |
| **Net Outlays on Existing Assets** | 3,541 | (2,051) | (4,216) | 800 | 1,300 | 800 | 800 | 800 | 800 | 800 | 800 | 800 |
| **Net Outlays on New and Upgraded Assets** | | | | | | | | | | | | |
| Capital Expenditure on New and Upgraded Assets | (41,113) | (21,181) | (20,653) | (8,154) | (8,899) | (9,166) | (9,441) | (9,724) | (10,016) | (10,316) | (10,626) | (10,944) |
| Add back Grants, Subsidies and Contributions - Capital | 1,323 | 1,030 | 3,269 | 2,000 | 2,022 | 2,044 | 2,067 | 2,089 | 2,112 | 2,136 | 2,159 | 2,183 |
| Add back Amounts Received Specifically for New and Upgraded Assets | 7,421 | 4,150 | 3,490 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Add back Proceeds from Sale of Surplus Assets | 4,257 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Outlays on New and Upgraded Assets | (28,112) | (16,001) | (13,894) | (6,154) | (6,877) | (7,121) | (7,374) | (7,634) | (7,903) | (8,180) | (8,466) | (8,761) |
| **Net Lending / (Borrowing) For Financial Year** | **(17,203)** | **(12,737)** | **(15,630)** | **21** | **1,566** | **1,558** | **1,292** | **1,537** | **1,910** | **2,311** | **1,836** | **2,280** |
| **Financing Transactions** | | | | | | | | | | | | |
| New Borrowings | 17,000 | 10,737 | 13,755 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayment of Borrowings | 0 | 0 | 0 | (21) | (1,566) | (1,558) | (1,292) | (1,537) | (1,910) | (2,311) | (1,836) | (2,280) |
| (Increase)/Decrease in Cash & Drawdown | (9,325) | 0 | 0 | (0) | (0) | 0 | 0 | 0 | (0) | 0 | (0) | (0) |
| (Increase)/Decrease in Working Capital | 645 | 2,000 | 1,875 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **How the Net Borrowings/Lending Result is accommodated/(applied)** | **8,320** | **12,737** | **15,630** | **(21)** | **(1,566)** | **(1,558)** | **(1,292)** | **(1,537)** | **(1,910)** | **(2,311)** | **(1,836)** | **(2,280)** |

**City of Tea Tree Gully**
**Key Financial Indicators**
**Date modified: 25 March 2026**

| Year Ended 30 June: | 2025 Actual Audit $('000) | 2026 Revised Budget $('000) | 2027 Plan Year 1 $('000) | 2028 Plan Year 2 $('000) | 2029 Plan Year 3 $('000) | 2030 Plan Year 4 $('000) | 2031 Plan Year 5 $('000) | 2032 Plan Year 6 $('000) | 2033 Plan Year 7 $('000) | 2034 Plan Year 8 $('000) | 2035 Plan Year 9 $('000) | 2036 Plan Year 10 $('000) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Financial Liabilities including non current assets held for sale | 27,225 | **33,181** | 48,811 | **48,790** | 47,225 | **45,667** | 44,375 | **42,839** | 40,929 | **38,618** | 36,782 | **34,502** |
| Net Financial Liabilities excluding non current assets held for sale | 27,317 | **33,273** | 48,903 | **48,882** | 47,317 | **45,759** | 44,467 | **42,931** | 41,021 | **38,710** | 36,874 | **34,594** |
| Net Financial Liabilities Ratio including non current assets held for sale | 23% | **27%** | 37% | **36%** | 33% | **31%** | 29% | **28%** | 26% | **23%** | 22% | **20%** |
| Net Financial Liabilities Ratio excluding non current assets held for sale | 23% | **27%** | 37% | **36%** | 33% | **31%** | 30% | **28%** | 26% | **24%** | 22% | **20%** |
| Asset Renewal Funding Ratio (Rolling 3 Year) | 81% | **70%** | 88% | **86%** | 115% | **96%** | 114% | **136%** | 140% | **121%** | 100% | **96%** |
| Operating Surplus Ratio | 7% | **5%** | 4% | **5%** | 6% | **7%** | 7% | **7%** | 7% | **7%** | 7% | **7%** |
| Fiscal Balance Ratio | -15% | **-11%** | -13% | **0%** | 1% | **1%** | 1% | **1%** | 1% | **2%** | 1% | **1%** |

CITY OF
TEA TREE GULLY
*Naturally Better*

571 Montague Road
Modbury SA 5092
8397 7444
cttg.sa.gov.au