

2023/24 BP&B Quarter One Progress Report

Friday, 10 November 2023

Audit and Risk Committee

Strategic Alignment - Enabling Priorities

Public

Program Contact:

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EXECUTIVE SUMMARY

The first Business Plan and Budget 2023/2024 (BP&B) of the newly elected Council focuses on delivering of services and projects in a post-COVID-19 budget repair environment. Council has planned over \$100m of capital expenditure on renewal, new and upgrade or major projects to support the continued development and maintenance of our City. The BP&B 2023/2024 articulates how we will work with partners to support city growth, investment, affordable housing, climate resilience and city-wide improvements, while remaining committed to protecting our Park Lands and greening our city.

This report presents for the first quarter (July to September 2023) the performance and delivery status of Council's commitments against the BP&B. Included with these updates are recommendations for any business plan and budget changes and a summary of the quarterly performance of Council subsidiaries. Quarterly reporting is an important part of monitoring the organisation's performance and effectiveness against Council's planned activities, which is required under Section 122 (1) of the *Local Government Act (SA) 1999*. It enables Council to make informed and timely decisions to maintain or change its services, assets and budgets to meet community expectations and needs, maintaining or improving Council's financial position and enabling Council to be responsive to risks and opportunities.

Quarterly reports are provided to the Audit and Risk Committee in accordance with its Terms of Reference and its role in monitoring the integrity of Council's financial statements and reporting, as well as its role in reviewing and overseeing Council's integrated Business Planning process. This reporting framework supports Council's commitment to transparency and accountability.

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE RECOMMENDS TO COUNCIL

THAT COUNCIL

1. Receives the quarterly update for the 2023/24 Business Plan and Budget as provided in Attachment A to Item 5.1 on the Agenda for the meeting of the Audit and Risk Committee held on 10 November 2023, and notes the highlights of deliverables, status updates and risks and opportunities provided for Projects, Portfolios and Subsidiaries
2. Approves adjustments for the 2023/24 Business Plan and Budget as identified in this report and reflected in Attachment A to Item 5.1 on the Agenda for the meeting of the Audit and Risk Committee held on 10 November 2023.
3. Approves the budgeted year end Operating Position, which includes:
 - 3.1. Total operating income of \$229.394m
 - 3.2. Total operating expenses (including depreciation) of \$227.442m
 - 3.3. An operating surplus of \$1.952m
4. Approves total capital expenditure of \$110.280m for the 2023/24 year
5. Approved total borrowings of \$40.553m projected to 30 June 2024

6. Notes the year to date Operating Position (Financial Performance) for the quarter as presented in Attachment A to Item 5.1 on the Agenda for the meeting of the Audit and Risk Committee held on 10 November 2023, which includes:
 - 6.1. Total operating income of \$56.554m
 - 6.2. Total operating expenses (including depreciation) of \$50.397m
 - 6.3. An operating surplus of \$6.156m
 - 6.4. Total Capital Expenditure of \$24.134m
 - 6.5. Cash positive position of \$3.191m
 7. Notes the detailed quarterly updates of Council Subsidiaries as provided as Attachments B, C & D to Item 5.1 on the Agenda for the meeting of the Audit and Risk Committee held on 10 November 2023.
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IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities
Policy	Not because of this report
Consultation	Not because of this report
Resource	Not because of this report
Risk / Legal / Legislative	The regular monitoring and reporting of Council's performance is a key step in mitigating risks events that could impact the delivery of the Strategic Plan and Business Plan and Budget. This includes monitoring the performance of services, business activities, project delivery and the performance of subsidiaries.
Opportunities	The provision of quarterly reporting assists Council to fulfill its obligations of Section 122(1) of the <i>Local Government Act 1999 (SA)</i> with regard to the development, management and monitoring of Council's Strategic Management Plans
22/23 Budget Allocation	Not because of this report
Proposed 23/24 Budget Allocation	Not because of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not because of this report
22/23 Budget Reconsideration (if applicable)	Not because of this report
Ongoing Costs (eg maintenance cost)	Not because of this report
Other Funding Sources	Not because of this report

DISCUSSION

New format

1. A refreshed format of the quarterly progress report has been provided to reflect Council's Business Plan and Budget (BP&B) 2023/2024. The format reflects the feedback from Council and the Audit and Risk Committee to provide succinct and integrated reporting that easily identifies the key deliverables, financial context, service, program and project environment and risks and opportunities for Council and its Subsidiaries. The quarterly update within **Attachment A** now presents:
 - 1.1. Headline deliverables from **page 5**, which are the relevant quarter update for those projects identified due to their complexity, risk, budget and/or impact on our City and Community
 - 1.2. Financial Summary from **page 8**, providing Operating Position, Operating and Capital adjustments, financial indicators and treasury reporting
 - 1.3. Capital Works summaries from **page 13**, in line with new monthly infrastructure reporting
 - 1.4. Portfolio and Program summaries from **page 18**, of what was delivered, budgets, projects and any adjustments
 - 1.5. Subsidiary and Office summaries from **page 26**, of what was delivered, budgets, projects and any adjustments
 - 1.6. Appendix information from **page 33** of Risk and Opportunities identified during the quarter and detailed listing of Capital Works with timeframe and budget status and variations.

Financial Summary

Year to Date Financial Summary

2. The year-to-date operating position as at 30 September 2023 is an operating surplus of \$6.156 m, which is \$2.639m better when compared to the adopted budget of \$3.516m for this period.
 - 2.1. Total operating income of \$56.554m.
 - 2.2. Total operating expenditure of \$50.397m.
3. This positive increase in operating surplus is predominantly driven by the timing of Materials, Contracts and other expenses including professional services \$1.2m, computer software maintenance \$0.5m, and waste services \$0.3m. Income is \$0.4m favourable due to higher fees and charges offsetting unfavourable grants (\$0.665m) mainly due to receiving the 2023/24 Financial Assistance Grant early in 2022/23.
4. The year-to-date Capital Expenditure as at 30 September 2023 is \$24.134m, which is \$6.1m higher when compared to the adopted budget of \$18.034m for this period. This is largely due to the purchase of 218-232 Flinders Street, and the fast-tracked renewal program.
5. As of 30 September 2023, Council had no borrowings and was in a cash positive position of \$3.191m.

Projected Annual Financial Summary

6. The proposed quarter review continues to deliver an end of year operating surplus of \$1.952m (\$0.032m higher than the adopted budget of \$1.920m):
 - 6.1. Total estimated operating income of \$229.394m.
 - 6.2. Total estimated operating expenditure (including depreciation) of \$227.442m.
7. Total proposed Capital Expenditure for the year is \$110.280m.
8. Grant funding to support capital expenditure on new/upgraded assets of \$2.171m (\$3.124m reduction to adopted budget of \$5.295m largely due to the retiming of projects into 2024/25).
9. The above changes result in an increase to Council's forecasted borrowings as of 30 June 2024 to \$40.553m from \$30.184m in the adopted BP&B.
10. Updated financial statements are provided from page 8 in **Attachment A**.

Adjustments to the Business Plan and Budget

11. Operating Program, which includes Program deliverables and budgets, inclusive of Strategic Projects:
 - 11.1. No recommended changes have been identified to the services and activities Council delivers as part of this Quarterly Review.
 - 11.2. Adjustments to Strategic Projects total \$0.266m increase in net expenditure:
 - 11.2.1. In line with Council's support of the State Government redevelopment, a new Strategic Project: Aquatic Centre Investigations, \$0.075m expenditure.
 - 11.2.2. In line with Council procurement decisions, a new Strategic Project: Transactional Banking \$0.150m expenditure.
 - 11.2.3. In recognition of State Government Grant funding received, a new Strategic Project: Adaptive Re-use housing initiative, \$Nil net expenditure.
 - 11.2.4. In recognition of previous decisions of Council to continue this project over multiple years, the re-introduction of: City Wide Waste and Recycling Program, \$0.788m expenditure, and Resilient Flood Mapping \$2.325m (\$3.000m revenue recognised).
 - 11.2.5. In line with Council's record keeping improvements, a new Strategic Project: Records Digitisation \$0.080m expenditure.
 - 11.2.6. In recognition of ongoing City Deal funding and decision of Council to continue this project over multiple years, the re-introduction of: Deliver next generation Adelaide Free Wi-Fi, \$0.098m expenditure (\$0.400m revenue recognised).
 - 11.2.7. To ensure updated property valuations are available for the 2024/25 budget process, a new Strategic Project: External Property Valuations \$0.240m.
 - 11.2.8. Funding no longer required for: Frome Road Masterplan, \$0.075m.
 - 11.3. Additional funding (a variance increase) is required for 2 projects, for a total \$0.239m, as provided in the Portfolio Updates from page 17 of **Attachment A**.
 - 11.4. Decreased funding (a variance decrease) is required for 1 project, for a total \$0.164m, as provided in the Portfolio Updates from page 17 of **Attachment A**.
12. Capital Program, which includes Major Projects, New and Significant Upgrades and Renewals:
 - 12.1. Capital expenditure is proposed to increase to \$110.280m for the year, which is \$9.546m higher than the budget of \$100.734m.
 - 12.1.1. Major Projects show a revised expenditure of \$41.716m
 - 12.1.2. New and Upgrade projects show revised expenditure of \$14.411m
 - 12.1.3. Renewals show a revised expenditure of \$54.153m
 - 12.2. 22 New Projects (not including stand alone renewals) requiring funding, for a total \$10.482m:
 - 12.2.1. 218-232 Flinders Street, \$8.7m.
 - 12.2.2. Adelaide Free Wi-Fi Electrical Works, \$0.012m.
 - 12.2.3. Brougham Place Footpath Improvements & Greening, \$0.159m.
 - 12.2.4. Central Market Arcade Redevelopment, \$0.2m.
 - 12.2.5. Charles Street Streetscape Upgrade (includes partial renewal funding), \$0.8m.
 - 12.2.6. Dogs On Leash Signage, \$0.017m.
 - 12.2.7. Flinders Street Pedestrian Crossing Improvements (Adjacent Pilgrim Lane), \$0.01m.
 - 12.2.8. Glen Osmond Rd & Hutt Rd Intersection Upgrade, \$0.05m.
 - 12.2.9. Hutt Road Earthen Levee Embankment, \$0.05m.
 - 12.2.10. Kerbing - Hutt St/South Tce Stormwater, \$0.002m.
 - 12.2.11. Laptops for Additional Resources, \$0.184m.
 - 12.2.12. Mini Golf in North Adelaide Golf Course Development (Future Fund), \$0.011m.
 - 12.2.13. Newlands Lane - Public Lighting Renewal, \$0.01m.

- 12.2.14. Paxtons Walk, \$0.495m
- 12.2.15. Place of Reflection, \$0.004m.
- 12.2.16. Public Art Action Plan - Capital Projects, \$0.012m.
- 12.2.17. Reignite Adelaide - East End Festival and Event Place Retractable Bollards, \$0.06m.
- 12.2.18. Strangways Terrace Golf Course Carpark and Access Improvements (Detailed Design), \$0.033m.
- 12.2.19. Support for CBD Greening, \$0.035m.
- 12.2.20. Town Hall Complex Improvements, \$0.008m.
- 12.2.21. Upark Equipment Test Bed Network Switch, \$0.019m.
- 12.2.22. West Pallant Project Steet Lighting Design, \$0.035m.
- 12.3. Additional funding (a variance increase) is required for 24 projects (not including stand alone renewals), for a total \$6.043m, as provided in the Appendix from page 34 of **Attachment A**.
- 12.4. Decreased funding (a variance decrease) is required for 21 projects (not including stand alone renewals), for a total \$7.431m, as provided in the Appendix from page 34 of **Attachment A**.
 - 12.4.1. \$6.622m for 8 projects has had budget retimed and moved to 2024/25

Strategic Project Summary

- 13. Including adjustments Council has a commitment of \$9.487m (\$6.067m net of grant funding) to deliver 32 Strategic Projects for the rest of 2023/24. As provided in the Portfolio Updates from page 17 of **Attachment A**, at the end of Quarter 1:
 - 13.1. Twenty Eight Projects had both timeframe to deliver and budget on track.
 - 13.2. Four Projects had both timeframe to deliver and budget at risk and are being managed and may exceed estimated time and adopted budget:
 - 13.2.1. Conservation Management Plans for Heritage Assets (Infrastructure Program).
 - 13.2.2. North Terrace West Masterplan (Infrastructure Program).
 - 13.2.3. SA Power Networks (SAPN) Luminaire Upgrades (Infrastructure Program).
 - 13.2.4. Transport Strategy (Infrastructure Program).

Capital Program summary

- 14. Including adjustments Council has a commitment of \$110.280m to deliver 346 Projects for the rest of 2023/24 as part of it's Capital Works Program. As summarised from page 13 and detailed in the Appendix from page 34, of **Attachment A**, at the end of Quarter 1:
 - 14.1. Four New and Significant Upgrade Projects and 25 Renewal Projects, were completed.
 - 14.2. One Project had both the timeframe to deliver and budget at risk and is being managed but may exceed estimated time and adopted budget:
 - 14.2.1. Electric Vehicle Charging Infrastructure in Uparks .
 - 14.3. Fourteen projects had timeframe to deliver at risk and are being managed and may exceed estimated time:
 - 14.3.1. Carriageway Park / Tuthangga (Park 17) Improvements (Detailed Design).
 - 14.3.2. Flinders Street Improvements (Detailed Design).
 - 14.3.3. Hutt Street Entry Statement (Construction).
 - 14.3.4. Rymill Park /Murlawirrapurka (Park 14) Lake Upgrade (Construction).
 - 14.3.5. Implementation of Resource Recovery (Organics, Recycling, Waste) Strategy & Action Plan 2020-2028.
 - 14.3.6. Minor Traffic Signal Safety Upgrades (Construction).
 - 14.3.7. City Dirt BMX Facility Master Plan - Blue Gum Park/Kurangga (Park 20).

- 14.3.8. Mini Golf in North Adelaide Golf Course Development (Future Fund).
- 14.3.9. Place of Courage / Spirit of Woman (Park 27).
- 14.3.10. Royal Avenue Improvements (Detailed Design).
- 14.3.11. Stephens Street and Sanders Place Improvements (Detailed Design).
- 14.3.12. Strangways Terrace Golf Course Carpark and Access Improvements (Detailed Design).
- 14.3.13. Ward Street Improvements (Concept Design).
- 14.3.14. Frome Street Footpath Upgrades (In conjunction with N-S Bikeway Project).
- 14.4. One Project had timeframe to deliver off track and budget at risk and is being managed but may exceed estimated adopted time and budget:
 - 14.4.1. City of Adelaide Bikeways (North-South).
- 14.5. One Project had budget at risk and is being managed but may exceed estimated adopted budget:
 - 14.5.1. Replacement of UPark Car Park Management System (CPMS).

Assessment of KPIs

- 15. *KPI 1: 70% of Projects capitalised within 10 Weeks* - is considered to be on track as 96% of completed projects were capitalised within 10 weeks of practical completion at the end of this Quarter.
- 16. *KPI 2: < 10% Variance between Preliminary Year End and Annual Financial Statement* – no update this quarter, as this is an annual measure which is determined at the end of the financial year.

DATA AND SUPPORTING INFORMATION

Nil

ATTACHMENTS

- Attachment A** – City of Adelaide 2023/24 Business Plan and Budget: Quarter 1 Progress Report
- Attachment B** – Adelaide Central Market Authority Quarter 1 update
- Attachment C** – Adelaide Economic Development Agency Quarter 1 update
- Attachment D** – Kadaltilla / Park Lands Authority Quarter 1 update
- Attachment E** – Brown Hill Keswick Creek Quarter 1 update

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