

2023/24 Business Plan and Budget Quarter 4 Update

Friday, 9 August 2024
Audit and Risk Committee

Strategic Alignment - Our Corporation

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Public

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EXECUTIVE SUMMARY

This report presents the preliminary financial performance and delivery status of Council's commitments against the 2023/24 Business Plan and Budget (BP&B) for the fourth quarter (April to June 2024) for the Audit and Risk Committee's consideration. Included within this report is an overview of Portfolio and Project achievements as well as updates and performance for Council subsidiaries. This is a preliminary report with all financial figures still to be audited by BDO which will commence Monday 12th August.

As such the results are subject to change following finalisation of the financial statements, to be presented to Audit and Risk Committee at its meeting to be held on 27 September 2024.

The preliminary year end operating position for 2023/24 is an operating surplus of \$8.984 million, which is \$2.169 million favourable to the Q3 budget of \$6.815 million. The favourable variance of \$2.169 million consisted of increased revenue of \$4.128 million, offset by increased expenditure of (\$1.959 million). The original adopted budget at the start of the financial year was \$1.920 million, to which the preliminary results are \$7.064 million favourable.

The year end Capital Expenditure as at 30 June 2024 is \$90.766 million, which is \$8.790 million less than the Q3 budget of \$99.556 million. This is largely due to the timing of Central Market Arcade Redevelopment, Rymill Park Lake, and On-Street Parking Meter Replacement. Several major projects amounting to \$1.213 million have been re-timed to future years. The original adopted Capital budget was \$100.734 million.

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, in addition to 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. Notes the 2023/24 Preliminary Financial Position as presented in Attachment A to Item 4.1 on the Agenda for the Special meeting of the Audit and Risk Committee held on 9 August 2024, which include:
 - 1.1 Total operating income of \$238.598 million (\$234.470 million estimated in Q3)
 - 1.2 Total operating expenditure (including depreciation) of \$229.614 million (\$227.655 million estimated in Q3)
 - 1.3 An operating surplus of \$8.984 million (\$6.815 million estimated in Q3)
2. Notes results presented are subject to external audit, and therefore are estimates at this stage.
3. Notes the Capital Works Quarter 4 update as presented in Attachment A to Item 4.1 on the Agenda for the Special meeting of the Audit and Risk Committee held on 9 August 2024, which include:
 - 3.1. Major Projects expenditure of \$27.338 million (\$28.551 million estimated in Q3)

- 3.2. New and Upgrades expenditure of \$9.343 million (\$16.862 million estimated in Q3)
 - 3.3. Renewals expenditure of \$54.085 million (\$54.143 million estimated in Q3)
 - 3.4. Capital Program expenditure of \$90.766 million (\$99.556 million estimated in Q3)
 - 3.5. Grant funding to support capital expenditure on new/upgraded assets of \$5.524 million (\$7.152 million estimated in Q3)
 4. Receives the Council Subsidiary Quarter 4 updates as provided as Attachments B, C, D and E to Item 4.1 on the Agenda for the Special meeting of the Audit and Risk Committee held on 9 August 2024.
 5. Notes that at the end of this Quarter 83% of Projects were capitalised within 10 weeks, exceeding the 70% target proposed by the Audit and Risk Committee at its meeting of 5 February 2021.
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IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	Strategic Alignment – Our Corporation Quarterly reporting supports Council's <i>financial sustainability</i> objective within the Strategic Plan 2024-2028.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	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 <i>Local Government Act 1999</i> (SA).
Opportunities	Quarterly reporting 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.
24/25 Budget Allocation	Not as a result of this report
Proposed 25/26 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
24/25 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

DISCUSSION

FINANCIAL SUMMARY

1. The preliminary operating position for the 2023/24 financial year is an operating surplus of \$8.984 million, which is \$2.169 million favourable to the Q3 budget of \$6.815 million.
 - 1.4 Total operating income of \$238.598 million (\$234.470 million estimated in Q3)
 - 1.5 Total operating expenditure of \$229.614 million (\$227.655 million estimated in Q3).
2. This variance is driven by:
 - 2.1. Income is \$4.128 million favourable to budget due to commercial parking \$0.696 million, fines and interest associated with rates revenue \$0.406 million, North Adelaide Golf Course \$0.535 million, horticulture private works \$0.506 million, bus shelter advertising \$0.409 million, regulatory services \$0.393 million (includes expiations, temporary parking controls, development/encroachment fees) and other smaller variances.
 - 2.2. Expenditure is (\$1.959) million unfavourable to budget and includes the following key movements:
 - 2.2.1. An increase to the provision for Works-In-Progress (WIP) write-off provision of \$1.593 million. The increase is in line with the overall increase in the WIP balance as at 30 June 2024, which has increased by \$32.350 million (from \$43.815 million in 2022/23 to \$76.165 million in 2023/24) due to the status, timing of the completion and capitalisation of works. Key projects include Central Market Arcade \$9.410 million, Rymill Park Lake \$7.483 million, Currie-Grenfell St (West to East Tce) \$4.178 million, City Safe CCTV Network Upgrade (City Deal) \$3.717 million, Adelaide Town Hall Façade \$3.208 million.
 - 2.2.2. An increase to the doubtful debt provision of \$0.882 million. Any debtor balance older than 180 days is provided for as a doubtful debt. The increase is due to the recognition of permits and temporary parking controls issued and not yet paid \$0.529 million, Aquatic Centre \$0.062 million and other overdue balances.
 - 2.2.3. An increase to depreciation expense of \$0.526 million due to the recognition of depreciation on Library Books \$0.347 million previously treated as an inventory item, and other plant & equipment assets, of which \$0.229 million relates to UPark hardware replacement.
 - 2.2.4. An increase to grants & contributions of \$0.459 million largely due to the correct allocation of the nature of expenditure, as well as the re-timing of payments to event suppliers.
 - 2.2.5. Employee costs for ongoing service delivery is \$0.866 million favourable, offset by external temporary labour hire of (\$0.643 million).
 - 2.2.6. Savings in expenditure within computer software maintenance \$1.127 million due the renewal of enterprise licences in period to which they relate (prepayments), professional services \$0.666 million, and waste services of \$0.471 million has partially offset the unfavourable movements above.
3. The preliminary year end Capital Expenditure as at 30 June 2024 is \$90.766 million, which is \$8.790 million favourable to the Q3 budget of \$99.556 million. The original adopted budget at the start of the year was \$100.734 million.
4. As of 30 June 2024, Council had a net cash surplus of \$1.635 million (that is, no borrowings).
5. The preliminary results are estimates only at this stage. There are a number of items to be completed which may still impact the final numbers presented for the external audit.
 - 5.1. Items impacting the operating result include, but are not limited to:
 - 5.1.1. Provisions and accruals for any items not invoiced prior to 30 June 2024
 - 5.1.2. Impairment of major assets
 - 5.1.3. Grant income recognition
 - 5.1.4. Asset Revaluations
 - 5.1.5. Capitalisation of assets reaching practical completion prior to 30 June 2024 and the impact on depreciation.
6. Final audited financial statements will be presented to the Audit & Risk Committee meeting to be held on 27th September 2024.

CAPITAL PROGRAM

7. The Capital Program summary is available in **Attachment A** page 12.
8. The Capital Program is delivered across:
 - 8.1. Major Projects: Significant works of a capital nature that are over the prudential limit, multi-year or have significant grant funding.
 - 8.1.1. At the end of Quarter 4, 64% of all Major Projects are on time and on budget or completed.
 - 8.2. New and Upgrade Projects: Works of a capital nature that are either introducing new assets or significantly upgrading existing assets, usually by extending the asset or increasing the level of service the asset provides.
 - 8.2.1. At the end of Quarter 4, 76% of all New and Upgrade Projects were on time and on budget, or completed.
 - 8.3. Renewals: Works of a capital nature that are replacing an existing asset like for like or like for modern equivalent.
 - 8.3.1. Progress has been made across all asset classes this quarter. 99.9% of the quarter 3 Renewal budget and program was delivered.

PROJECT DELIVERY SUMMARY

Strategic Projects

9. Council made a commitment of \$9.663 million (\$5.867 million net of grant funding) to deliver 48 Strategic Projects during 2023/24. Contained within the preliminary operating surplus is expenditure of \$9.111 million (\$5.762 million net of grant funding) for Strategic Project. At the end of the financial year:
 - 9.1. 36 projects had both timeframe to deliver and budget on track, or had been completed.
 - 9.2. Six projects had both timeframe to deliver and budget at risk and are being managed for completion in early 2024/25. These will be presented for Council for consideration of funding within Quarter 1 of 2024/25.
 - 9.3. Four projects are being deferred to future financial years.
 - 9.4. Two projects were cancelled.
10. For information on these changes refer to the Portfolio updates from page 16 in **Attachment A**.

Capital Works Program

11. Including the adjustments outlined in this report, Council made a commitment of \$99.556 million to deliver 371 projects as part of its Capital Works Program. At the end of this quarter:
 - 11.1. 16 New and Significant Upgrade Projects and 39 Renewal Projects were completed in the quarter, bringing the total number of completed projects to 170.
 - 11.2. 52 projects had both timeframe to deliver and budget on track.
 - 11.3. Seven projects had timeframe to deliver at risk and are being managed but may exceed estimated time.
 - 11.4. Six projects had budget at risk and are being managed but may exceed estimated adopted budget.
 - 11.5. Two projects have a timeframe to deliver off track.
 - 11.6. Three projects have been deferred.
 - 11.7. Nine projects have been cancelled.
12. For information on these changes, refer to the Capital Works summary from page 14 in **Attachment A**.
13. A true-up of the Capital Works Program with budget implications for 2024/25 will be presented to Council in Quarter 1 of 2024/25 for funding consideration.

COUNCIL SUBSIDIARIES SUMMARY

14. The Adelaide Central Market Authority, Adelaide Economic Development Agency and Kadaltilla / Adelaide Park Lands Authority have provided updates as per **Attachments B, C & D**, respectively.
15. The Brown Hill Keswick Creek Stormwater Board (Regional subsidiary), which Council is a member of, will be provided once audited financial statements are received.

Adelaide Central Market Authority (ACMA) – Financial Summary

16. The preliminary year end position for AMCA for 2023/24 is an operating surplus of \$0.081 million, which is \$0.069 million favourable when compared to the approved budget of \$0.012 million.
 - 16.1. Total operating income of \$5.476 million.
 - 16.2. Total operating expenditure of \$5.395 million.

Adelaide Economic Development Agency – Financial Summary

17. The preliminary year end position for AEDA for 2023/24 is an operating deficit of (\$0.002 million), which is \$0.216 million favourable when compared to the approved budget of (\$0.218 million) operating deficit.
 - 17.1. Total operating income of \$13.467 million (including \$8.880 million CoA contribution to fund AEDA activities).
 - 17.2. Total operating expenditure of \$13.469 million.

Kadaltilla / Adelaide Park Lands Authority – Financial Summary

18. The preliminary year end position for Kadaltilla for 2023/24 is a break even position, which is in line with the approved budget. Kadaltilla is a wholly owned subsidiary of the City of Adelaide, and funding is provided to match expenditure.
 - 18.1. Total operating income of \$0.224 million.
 - 18.2. Total operating expenditure of \$0.224 million.

ASSESSMENT OF KPIS

KPI 1: 70% of Projects capitalised within 10 Weeks

19. 83% of completed projects were capitalised within 10 weeks of practical completion at the end of this quarter.

KPI 2: < 10% Variance between Preliminary Year End and Annual Financial Statement

20. This KPI can only be determined once the 2023/24 Financial Statements are audited and will be measured against the estimated operating surplus of \$8.984 million.

DATA AND SUPPORTING INFORMATION

Nil

ATTACHMENTS

Attachment A – City of Adelaide 2023/24 Business Plan and Budget: Quarter 4 Report

Attachment B – Adelaide Central Market Authority Quarter update

Attachment C – Adelaide Economic Development Agency Quarter update

Attachment D – Kadaltilla / Adelaide Park Lands Authority Quarter update

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