

2024/25 Business Plan & Budget Quarter 1 Update

Tuesday, 19 November 2024
City Finance and Governance
Committee

Strategic Alignment - Our Corporation

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Public

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EXECUTIVE SUMMARY

This report presents the performance and delivery status of Council's commitments against the 2024-25 Business Plan and Budget (BP&B) for the first quarter (July to September 2024) and was provided to the Audit and Risk Committee on 8 November 2024. Included within this report are recommendations for business plan and budget changes, an overview of Portfolio and Project achievements, as well as the performance of Council subsidiaries.

The year-to-date operating position as at 30 September 2024 is an operating surplus of \$4.907m, which is \$0.476m lower than the adopted budget of \$5.383m, for this period.

The year end projected operating position is an operating surplus of \$9.367m which remains consistent with the adopted budget. Total estimated operating income is forecast to be \$235.708m which is \$0.483m higher than the adopted 24/25 budget of \$235.225m. This is mainly due to additional fees and charges of \$0.168m, external grant funding received of \$0.215m and other income of \$0.100m for the sale of gaming machine entitlements. Total estimated operating expenditure (including depreciation) is forecast to be \$226.341m, which is \$0.483m higher than the adopted budget of \$225.858m. This is due to an increase in Strategic Project funding of \$0.626m (through funding AEDA commercial events program \$0.300m, 2023/24 projects continuing into 2024/25 of \$0.269m and new externally funded projects of \$0.057m), additional labour of \$0.099m associated with the increase in fees and charges, and other minor increases of \$0.150m offset by savings in bank fees of \$0.392m.

The year-to-date Capital Expenditure as at 30 September 2024 is \$17.063m, which is \$0.266m higher than the adopted budget of \$16.797m, for this period. This is a result of the continued effort to deliver the 2024/25 capital program.

The Capital Program is proposed to increase by \$10.081m from \$112.831m to \$122.912m as a result of the continuation of 42 projects from 2023/24 of \$9.462m, the receipt of four new grant funded projects \$0.595m and accrued interest of \$0.024m from externally funded projects. The renewal program has been reprioritised to be delivered in line with the adopted budget

Within this period 88% of Strategic Projects and 79% of Capital Projects (excluding renewals) were on track (time and budget). 13.4% of the renewal budget for the financial year has been expended, with 19 renewal projects completed in the quarter.

Quarterly reports are provided to support Council in monitoring the integrity of Council's financial statements and reporting, as well as its reviewing and overseeing progress on the Business Plan and Budget. This process supports Council's commitment to transparency and accountability.

RECOMMENDATION

The following recommendation will be presented to Council on 26 November 2024 for consideration

THAT THE CITY FINANCE AND GOVERNANCE COMMITTEE RECOMMENDS TO COUNCIL

THAT COUNCIL

1. Receives the City of Adelaide 2024/25 Business Plan and Budget Quarter 1 Update as provided in Attachment A to Item 7.1 on the Agenda for the meeting of the City Finance and Governance Committee held on 19 November 2024.

2. Approves adjustments for the 2024/25 Business Plan and Budget (BP&B) as identified in this report and reflected in Attachment A to Item 7.1 on the Agenda for the meeting of the City Finance and Governance Committee held on 19 November 2024.
 3. Notes the year-to-date Operating (Financial Performance) for the quarter ending 30 September 2024, which includes:
 - 3.1. Total operating income of \$59.603m (\$0.788m higher than the budget of \$58.815m, for the period)
 - 3.2. Total operating expenses (including depreciation) of \$54.696m (\$1.264m higher than the budget of \$53.432m, for the period)
 - 3.3. An operating surplus of \$4.907m (\$0.476m lower than the budget of \$5.383m, for the period)
 - 3.4. Total Capital Expenditure of \$17.063m (\$0.266 higher than the budget of \$16.797m, for the period)
 - 3.5. Net cash surplus position of \$27.782m.
 4. Approves the budgeted year end Operating Position, which includes:
 - 4.1. Total operating income of \$235.708m (\$0.483m higher than the adopted budget of \$235.225m)
 - 4.2. Total operating expenses (including depreciation) of \$226.341m (\$0.483m higher than the adopted budget of \$225.858)
 - 4.3. An operating surplus of \$9.367m (consistent with the adopted budget of \$0.9367m).
 5. Approves total capital expenditure of \$122.912m for 2024/25 year (\$10.081m higher than the adopted budget of \$112.831m).
 6. Approves total borrowings of \$23.733m projected to 30 June 2025 (\$29.944m lower than the adopted projected borrowings of \$53.677m to 30 June 2025).
 7. Receives the Council Subsidiary Quarter 1 updates as provided as Attachments B, C, D and E to Item 7.1 on the Agenda for the meeting of the City Finance and Governance Committee held on 19 November 2024.
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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 2024-2028 Strategic Plan.
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 (SA)</i> .
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

Year to Date

1. The year-to-date operating position as at 30 September 2024 is an operating surplus of \$4.907m, which is (\$0.476m) unfavourable to the adopted budget of \$5.383m surplus, for the period.
 - 1.1. Total operating income of \$59.603m (\$0.788m higher than the budget of \$58.815m, for the period)
 - 1.2. Total operating expenses (including depreciation) of \$54.696m (\$1.264m higher than the budget of \$53.432m, for the period).
2. This variance is driven by:
 - 2.1. Income is \$0.788m favourable to budget due to higher fees and charges across Commercial Parking income \$0.489m and Nursery Sales \$0.083m, as well as additional corporate grants programs \$0.100m (including Financial Assistance Grants).
 - 2.2. Expenditure is (\$1.264m) unfavourable and is largely due to resource costs (employee costs net of external temporary labour backfills) which is (\$1.413m) higher than budget. This is due to the alignment of the salary and wages pay runs in July. The Q1 budget will retime to align to the pay cycles and the revised variance is a favourable position of \$0.114m. Other variances include depreciation of (\$0.538m) reflecting the 2023/24 asset revaluations, offset by favourable timing of materials, contract and other expenditure.
3. The year-to-date Capital Expenditure as at 30 September 2024, is \$17.063m, which is \$0.266m more than the adopted budget of \$16.797m for this period.
4. As of 30 September 2024, Council had a net cash surplus of \$27.782m, with \$2.510m in bank accounts and \$25.272m in deposits.

Projected Annual Financial Summary

5. The proposed Quarter 1 review delivers an end of year operating surplus of \$9.367m (in line with the adopted budget of \$9.367m):
 - 5.1. Total estimated operating income of \$235.708m
 - 5.2. Total estimated operating expenses (including depreciation) of \$226.341m.
6. Operating income increased by \$0.483m from the 2024/25 adopted budget of \$235.225m to the estimated income of \$235.708m. Of that increase, \$0.130m relates to additional commercial parking revenue, \$0.166m for an extension to a long-term lease, \$0.215m for additional grant funding received, \$0.100m for the sale of gaming machine entitlements, and other minor increases of \$0.074m offset by a reduction in forecast property rental income of \$0.202m due to higher than budgeted vacancies.
7. Operating expenditure increased by \$0.483m from the 2024/25 adopted budget of \$225.858m to the estimated expenditure of \$226.341m. The increase is mainly due to an increase in Strategic Project funding of (\$0.626m) (including AEDA Commercial Events funding of (\$0.300m)); additional expenditure associated with the increase in commercial fees and charges of (\$0.164m), offset by a reduction in associated banking fees of \$0.392m, and other minor unfavourable movements of (\$0.085m).
8. Total proposed Capital Expenditure for the year is \$122.912m (increase of \$10.081m compared to the adopted budget of \$112.831m) through the continuation of 42 projects from 2023/24 of \$9.462m, the receipt of 4 new grant funded projects of \$0.595m, and accrued interest of \$0.024m associated with externally funded projects for the quarter. The 42 projects are listed in the table at [Link 1](#).
9. Grant funding to support capital expenditure on new/upgraded assets of \$9.015m (\$1.989m increase to adopted budget of \$7.026m).

10. Council's forecasted borrowings as of 30 June 2025 is reduced by \$29.944m from \$53.677m to \$23.733m as set out in the table below:

Borrowings Reconciliation \$000's	Adopted Budget	Q1 Forecast	Movement
Opening Cash/(borrowings) - Reconciliation provided via E-News on 26/08/2024	(23,593)	1,635	25,228
Operating Surplus	9,367	9,367	0
Net outlays on Renewal of Assets	1,335	(3,654)	(4,989)
Net outlays on New and Upgraded Assets	(32,283)	(43,811)	(11,528)
Receipt of Long term lease extension payment	0	16,400	16,400
Cash payment for rental properties	(4,989)	0	4,989
Movement in Net Payables and Receivables	(3,514)	(3,670)	(156)
Forecast Borrowings as at 30 June 2025	(53,677)	(23,733)	29,944

11. Updated financial statements are provided from page 50 in **Attachment A**.

ADJUSTMENTS TO THE 2024/25 BUSINESS PLAN AND BUDGET

Operating Program

12. Adjustments to Program deliverables and budgets for the quarter are not required, as permanent budget changes are accounted for largely through Strategic Projects budget adjustments:
- 12.1. Permanent changes to the budget of \$0.674m driven by an increase in fees and charges revenue of \$0.331m, additional grant funding of \$0.100m, and net savings in expenditure associated with generating fees and charges revenue of \$0.243m.
 - 12.2. Adjustments to Strategic Projects (temporary in nature) for the quarter total \$0.605m increase in net expenditure (\$0.626m gross expenditure), consisting of:
 - 12.2.1. New funding (a variance increase) is required for three projects, for a total of \$0.397m
 - 12.2.2. Additional funding (a variance increase) is required for six projects, for a total of \$0.299m for projects that are continuing from 2023/24
 - 12.2.3. Decreased funding (a variance decrease) is required for three projects, for a total of \$0.071m
 - 12.2.4. Adjustment to grant funding associated with three projects, for a total increase of \$0.020m
 - 12.2.5. A summary of the status of Strategic Projects is provided further in this report.
 - 12.3. Temporary (one-off) changes to the budget of \$0.068m decrease driven by unbudgeted property vacancies of (\$0.202m), one-off gaming entitlement sales \$0.100m, and other net increase for minor changes of \$0.034m
13. Further detailed information on these changes is available from page 12 (Portfolio updates) in **Attachment A**.

Capital Program

14. Capital expenditure is proposed to increase to \$122.912m for the year, which is \$10.081m higher than the adopted budget of \$112.831m.
- 14.1. New and Upgrade projects show revised expenditure of \$66.890m (\$10.081m increase to the adopted budget of \$56.809m).
 - 14.2. Renewal expenditure remains at \$56.022m.
15. Adjustments to the Capital Program include:
- 15.1. Retiming of works at the end of 2023/24 resulted in 42 projects with a total budget \$9.462m continuing works in 2024/25.
 - 15.2. The receipt of four new grants \$0.595m
 - 15.3. Accrued grant interest \$0.024m
 - 15.4. No change to the Renewal budget
 - 15.5. A summary of the status of Capital Projects is provided further in this report.
16. Further detailed information on these changes is available from page 34 (Capital Works update) in **Attachment A**.

PROJECT DELIVERY SUMMARY

Strategic Projects

17. Including the adjustments outlined in this report, Council has a commitment of \$7.125m (\$6.716m net of grant funding) to deliver 30 Strategic Projects during 2024/25. Four new Strategic Projects have been identified during Quarter 1, making the total Strategic Projects for 2024/25 34. At the end of this quarter:
 - 17.1. 29 projects had both timeframe to deliver and budget on track
 - 17.2. Four projects had both timeframe to deliver and budget at risk and are being managed and may exceed estimated time and adopted budget.
 - 17.3. Two projects have been completed.
18. For information on these changes refer to the Strategic Projects summary from page 41 in **Attachment A**.

Capital Works Program

19. Including the adjustments outlined in this report, Council has a commitment of \$112.831m to deliver 302 projects as part of its Capital Works Program. At the end of this quarter:
 - 19.1. 72 new and upgrade projects had both timeframe to deliver and budget on track
 - 19.2. 19 new and upgrade projects had both timeframe to deliver and budget at risk and are being managed and may exceed estimated time and adopted budget.
 - 19.3. Eight new and upgrade projects have been completed
20. For information on these changes refer to the New and Significant Upgrades summary from page 34 and Renewals summary from page 38 in **Attachment A**.

COUNCIL SUBSIDIARIES SUMMARY

21. The Adelaide Central Market Authority, Adelaide Economic Development Agency and Kadaltilla / Adelaide Park Lands Authority have provided updates as per **Attachments B, C & D**.
22. The Brown Hill Keswick Creek Stormwater Board (Regional Subsidiary), which Council is a member of, has provided an update as per **Attachment E**.

Adelaide Central Market Authority - Year to Date Financial Summary

23. The year-to-date operating position as at 30 September 2024 is an operating surplus of \$0.070m, which is \$0.257m better when compared to the approved budget of (\$0.187m) deficit for this period.
 - 23.1. Total operating income of \$1.372m
 - 23.2. Total operating expenditure of \$1.302m.
24. There are no proposed changes to the Adelaide Central Market Authority budget in Quarter 1.

Adelaide Economic Development Agency – Year to Date Financial Summary

25. The year-to-date operating position as at 30 September 2024 is an operating surplus of \$0.028m, which is \$0.726m lower when compared to the adopted budget of \$0.754m surplus for this period.
 - 25.1. Total operating income of \$3.113m, including \$1.962m appropriation of funds from the City of Adelaide.
 - 25.2. Total operating expenditure of \$3.085m.
26. The proposed changes for Adelaide Economic Development Agency in Quarter 1 is an increase in expenditure of \$0.285m of which \$0.300m is a Strategic Project for the Commercial Events Fund in line with the Council Decision. The remaining \$0.200m will seek to be funded in a future quarterly review once a funding pathway is identified. Offsetting the increase is a minor change to Employee Costs. The \$0.285m is funded through an increase in appropriation of funds through the City of Adelaide.

Kadaltilla / Adelaide Park Lands Authority – Year to Date Financial Summary

27. The year-to-date operating position as at 30 September 2024 is an operating deficit of (\$0.084m), which is \$0.002m lower when compared to the adopted budget of (\$0.082m) for this period.
- 27.1. Total operating income of \$NIL.
 - 27.2. Total operating expenditure of \$0.084m
28. There are no proposed changes to the Kadaltilla / Adelaide Park Lands Authority budget in Quarter 1.

DATA AND SUPPORTING INFORMATION

Link 1 – List of 42 projects continuing into 2024/25

ATTACHMENTS

Attachment A – 2024/25 Business Plan and Budget Quarter 1 Update

Attachment B – Adelaide Central Market Authority Quarter 1 Update

Attachment C – Adelaide Economic Development Agency Quarter 1 Update

Attachment D – Kadaltilla / Adelaide Park Lands Authority Quarter 1 Update

Attachment E – Brown Hill Keswick Creek Board Quarter 1 Update

- END OF REPORT -