

# 2024/25 Business Plan & Budget Quarter 2 Update

Friday, 21 February 2025

Audit and Risk 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 2024-2025 Business Plan and Budget (BP&B) for the second quarter (October to December 2024) for the Audit and Risk Committee's consideration. 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 31 December 2024 is an operating surplus of \$11.729m, which is \$3.876m higher than the YTD budget of \$7.852m, for this period.

The projected year end operating position is an operating surplus of \$9.367m which remains consistent with the adopted budget. Total estimated operating revenue is forecast to be \$237.913m which is \$2.205m higher than the Quarter 1 budget of \$235.708m. This is mainly due to the recognition of additional external grant funding of \$1.511m, commercial parking revenue of \$0.685m, and bank interest of \$0.549m. Rates revenue has reduced by \$0.549m due to objections and a higher level of discretionary rebates provided through the 10% rates cap. Total estimated operating expenditure (including depreciation) is forecast to be \$228.546m which is \$2.205m higher than the Quarter 1 budget of \$226.341m. This is due to an increase in Strategic Project funding of \$0.803m, additional aquatic centre operating expenditure of \$0.365m, increase in insurance premiums \$0.233m, outsourcing of the property valuation function \$0.220m, expenditure associated with increase in commercial parking \$0.195m, tree management inspections and framework \$0.187m, and costs associated with the new organisation structure from 6 January \$0.183m.

The year-to-date Capital Expenditure as at 31 December 2024 is \$37.529m, which is \$9.747m lower than the YTD budget of \$47.275m for this period.

The Capital Program is proposed to decrease by \$1.869m from \$122.912m to \$121.043m. The renewal program has been increased by \$0.274m.

In this period 84% of Strategic Projects and 66% of Capital Projects (excluding renewals) were on track (time and budget). 36% of the renewal budget for the financial year has been expended, with 15 renewal projects completed in the quarter.

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 City of Adelaide 2024/25 Business Plan and Budget Quarter 2 Update as provided in Attachment A to Item 8.1 on the Agenda for the meeting of the Audit and Risk Committee held on 21 February 2025.
  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 8.1 on the Agenda for the meeting of the Audit and Risk Committee held on 21 February 2025.
  3. Notes the year-to-date Operating (Financial Performance) for the quarter ending 31 December 2024, which includes:
    - 3.1. Total operating revenue of \$119.775m (\$1.923m higher than the budget of \$117.851m, for the period)
    - 3.2. Total operating expenses (including depreciation) of \$108.046m (\$1.953m lower than the budget of \$109.999m, for the period)
    - 3.3. An operating surplus of \$11.729m (\$3.876m higher than the budget of \$7.852m, for the period)
    - 3.4. Total Capital Expenditure of \$37.529m (\$9.747m lower than the budget of \$47.275m, for the period)
    - 3.5. Net cash surplus position of \$20.999m.
  4. Approves budgeted year end Operating Position, which includes:
    - 4.1. Total operating revenue of \$237.913m (\$2.205m higher than the Quarter 1 budget of \$235.708m)
    - 4.2. Total operating expenses (including depreciation) of \$228.546m (\$2.205m higher than the adopted budget of \$226.341m)
    - 4.3. An operating surplus/deficit of \$9.367m (consistent with the Quarter 1 budget of \$9.367m).
  5. Approves total capital expenditure of \$121.043m for 2024/25 year (\$1.869m lower than the Quarter 1 budget of \$122.912m).
  6. Approves total borrowings of \$20.373m projected to 30 June 2025 (\$3.360m lower than the Quarter 1 projected borrowings of \$23.733m to 30 June 2025).
  7. Receives the Council Subsidiary Quarter 2 updates as provided as Attachments B, C, D and E to Item 8.1 on the Agenda for the meeting of the Audit and Risk Committee held on 21 February 2025.
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## IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	<b>Strategic Alignment – Our Corporation</b> 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 31 December 2024 was an operating surplus of \$11.729m, which is \$3.876m favourable to the YTD budget of \$7.852m surplus, for the period.
  - 1.1. Total operating revenue of \$119.775m (\$1.923m higher than the budget of \$117.851m, for the period).
  - 1.2. Total operating expenses (including depreciation) of \$108.046m (\$1.953m lower than the budget of \$109.999m, for the period).
2. This variance is driven by:
  - 2.1. Revenue being \$1.923m favourable to budget largely due to higher fees and charges across Parking \$1.031m, Nursery Sales \$0.125m, and events income \$0.093m partially offset by unfavourable expiation income (\$0.465m) and Town Hall (\$0.521m). Grants, subsidies and contributions income is \$0.393m due to recognising works completed for the resilient flood mapping project. Other income is favourable due to bank interest earned on a positive cash position \$0.432m and insurance claims \$0.213m.
  - 2.2. Expenditure being \$1.953m favourable and is largely due to timing associated with Strategic Projects \$1.414m, computer software \$0.626m, consultants \$0.318m, and catering \$0.487m. Employee costs net of temporary contractual labour and apprentices is \$0.072m favourable. Depreciation is (\$1.137m) unfavourable reflecting the 2023/24 asset revaluations.
3. The year-to-date Capital Expenditure as at 31 December 2024 was \$37.529m, which is \$9.747m lower than the YTD budget of \$47.275m for this period.
4. As of 31 December, Council had a net cash surplus of \$20.999m, with \$2.271m in bank accounts and \$18.728m in deposits.

### Projected Annual Financial Summary

5. The proposed Quarter 2 review delivers an end of year operating surplus/deficit of \$9.367m, (in line with the Quarter 1 adopted budget):
  - 5.1. Total estimated operating revenue of \$237.913m.
  - 5.2. Total estimated operating expenses (including depreciation) of \$228.546m.
6. Operating revenue has increased by \$2.205 from the 2024/25 Quarter 1 budget of \$235.708m to estimated income of \$237.913m. Of that increase \$1.511m relates to additional grant funding received to deliver Strategic Projects, \$0.685m relates to an increase in commercial parking revenue, and \$0.549m bank interest. Rates revenue has reduced by (\$0.549m) due to objections and a higher level of discretionary rebates provided through the 10% rates cap.
7. Operating expenditure increased by \$2.205m from the 2024/25 Quarter 1 budget of \$226.341m to estimated expenditure of \$228.546m. The increase is mainly due to an increase in Strategic Project funding of \$0.803m, additional aquatic centre operating expenditure of \$0.365m, increase in insurance premiums \$0.233m, outsourcing of the property valuation function \$0.220m, expenditure associated with increase in commercial parking \$0.195m, tree management inspections and framework \$0.187m, and costs associated with the new organisation structure from 6 January \$0.183m.
8. Total proposed Capital Expenditure for the year is \$121.043m (a decrease of \$1.869m compared to the Quarter 1 adopted budget of \$122.912m). The renewal program has been increased by \$0.274m.
9. Grant funding to support capital expenditure on new/upgraded assets of \$10.128m (\$1.113m increase to Quarter 1 adopted budget of \$9.015m).
10. Update financial statements are provided from page 49 in **Attachment A**.

## ADJUSTMENTS TO THE 2024/25 BUSINESS PLAN AND BUDGET

### Operating Program

11. Adjustments to Program deliverables and budgets for the quarter are not required, as permanent budget changes are accounted for largely through Strategic Project budget adjustments:
  - 11.1. Permanent changes to the budget of (\$0.505m) net increase in expenditure including changes in the organisation structure (\$0.184m), outsourcing of property valuations (\$0.220m), insurance premiums (\$0.233m), ongoing tree management inspection and reporting (\$0.100m), library outgoings (\$0.090m) and other individually minor adjustments of (\$0.169m). The additional costs are offset by a net increase in commercial parking income of \$0.490m.
  - 11.2. Adjustments to Strategic Projects (temporary in nature) for the quarter total \$0.663m decrease in net expenditure (\$0.803m increase in gross expenditure), consisting of:
    - 11.2.1. Recognition of grant funding associated with the Resilient Flood Mapping Project of \$0.966m.
    - 11.2.2. Inclusion of two new grant funded projects - Adaptive Reuse City Housing Scheme and Heritage Incentive Scheme – State Heritage Buildings, both attracting 100% grant funding for a total \$0.500m.
    - 11.2.3. Inclusion of two new strategic projects, Evaluation of Park Lands Dry Areas Regulation for a total (\$0.115m), and North Adelaide Golf Course – Water Resources Study for a total of (\$0.026m) partially funded by a decrease within 5 strategic projects for a total of \$0.057m.
    - 11.2.4. Additional funding (a variance increase) is required for the Commercial Events Fund budget of (\$0.200m), for a total of \$0.500m aligned to Council direction, and stakeholder management for the Transport Strategy, for a total of (\$0.019m).
    - 11.2.5. A summary of the status of Strategic Projects is provided further in this report.
  - 11.3. Temporary (one-off) changes to the budget of (\$0.158m) net increase in expenditure driven by additional aquatic centre net operational spend (\$0.301m) (\$0.365m expenditure offset by \$0.064m additional income), New Year's Eve (\$0.132m), Kaurna Cultural Burn (\$0.055m), reduction in Market Expansion preparedness \$0.201m, and Bus Station sinking fund \$0.100m.
12. Further detailed information on these changes is on page 15 (Portfolio updates) in **Attachment A**.

### Capital Program

13. Capital expenditure is proposed to decrease to \$121.043m for the year, which is \$1.869m lower than the Quarter 1 adopted budget of \$122.912m.
  - 13.1. New and Upgrade projects show revised expenditure of \$64.747m (\$2.143m decrease to the Quarter 1 approved budget of \$66.890m).
  - 13.2. Renewal expenditure shows revised expenditure of \$56.296m (\$0.274m increase to the Quarter 1 approved budget of \$56.022m).
14. Adjustments to the Capital program include:
  - 14.1. Retiming of works into 2025/26 to the value of \$10.701m, offset by bringing forward from 2025/26 \$5.924m for the Central Market Arcade Redevelopment.
  - 14.2. The release of unused project management costs \$1.000m.
  - 14.3. Accrued grant interest \$0.024m.
  - 14.4. Approval of funding for the Adelaide Aquatic Centre Capital works \$3.589m.
  - 14.5. Creation of a new project funded from the Rundle Mall Separate Rate \$0.020m.
  - 14.6. Change to the Renewal budget due to additional grant funding.
  - 14.7. A summary of the status of Capital Projects is provided further in this report.
15. Further detailed information on these changes is available from page 37 (Projects update) in **Attachment A**.

## PROJECT DELIVERY SUMMARY

### Strategic Projects

16. Including the adjustments outlined in this report, Council has a commitment of \$7.928m (\$6.054m net of grant funding) to deliver 38 Strategic Projects during 2024/25. 4 new Strategic Projects have been identified during Quarter 2. At the end of this quarter:
  - 16.1. 32 projects had both timeframe to deliver and budget on track.
  - 16.2. Four projects had both timeframe to deliver and budget at risk and are being managed and may exceed estimated time and adopted budget.
  - 16.3. Two projects have been completed as at 31 December 2024.
17. For information on these changes refer to the Strategic Projects summary from page 44 in **Attachment A**.

### Capital Works Program

18. Including the adjustments outlined in this report, Council has a commitment of \$121.043m to deliver 427 projects as part of its Capital Works Program. At the end of this quarter:
  - 18.1. 53 new and upgrade projects had both timeframe to deliver and budget on track.
  - 18.2. 19 new and upgrade projects had both timeframe to deliver and budget at risk and are being managed but may exceed estimated time and adopted budget.
  - 18.3. Eight new and upgrade projects have been completed in the quarter
19. For information on these changes refer to the New and Significant Upgrades summary from page 37 and Renewals summary from page 42 in **Attachment A**.

## COUNCIL SUBSIDIARIES SUMMARY

20. The Adelaide Central Market Authority, Adelaide Economic Development Agency and Kadaltilla / Adelaide Park Lands Authority have provided updates as per **Attachments B, C and D**.
21. 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

22. The year-to-date operating position as at 31 December 2024 is an operating surplus of \$0.087m, which is \$0.481m favourable when compared to the YTD budget of (\$0.394m) deficit for this period.
  - 22.1. Total operating revenue of \$2.778m.
  - 22.2. Total operating expenditure of \$2.691m.
23. The proposed changes for Adelaide Central Market Authority in Quarter 2 is a reduction in costs associated with the Market Expansion Preparedness \$0.201m, offset by a minor increase in depreciation of \$0.003m.

### Adelaide Economic Development Agency – Year to Date Financial Summary

24. The year-to-date operating position as at 31 December 2024 is an operating deficit of (\$0.032m), which is \$0.256m unfavourable when compared to the YTD budget of an operating surplus of \$0.224mm for this period.
  - 24.1. Total operating revenue of \$5.739m, including \$3.395m appropriation of funds from the City of Adelaide.
  - 24.2. Total operating expenditure of \$5.771m.
25. The proposed changes for Adelaide Economic Development Agency in Quarter 2 is an increase in expenditure of \$0.094m of which \$0.200m is a Strategic Project for the Commercial Events Fund in line with the Council decision. Offsetting this increase is a reduction in Employee costs of \$0.086m associated with the changes to the organisation structure, and a transfer of \$0.020m of Rundle Mall funding to the capital program. \$0.143m is funded through an increase in appropriation of funds through the City of Adelaide.

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

26. The year-to-date operating position as at 31 December 2024 is an operating deficit of (\$0.148m), which is \$0.013m favourable when compared to the YTD budget of (\$0.161m) for this period.
  - 26.1. Total operating revenue of \$NIL.
  - 26.2. Total operating expenditure of \$0.148m.

27. There are no proposed changes to the Kadaltilla / Adelaide Park Lands Authority budget in Quarter 2.

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## DATA AND SUPPORTING INFORMATION

Nil

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## ATTACHMENTS

**Attachment A** – 2024/25 Business Plan and Budget Quarter 2 Update

**Attachment B** – Adelaide Central Market Authority Quarter 2 Update

**Attachment C** – Adelaide Economic Development Agency Quarter 2 Update

**Attachment D** – Kadaltilla / Adelaide Park Lands Authority Quarter 2 Update

**Attachment E** – Brown Hill Keswick Creek Board Quarter 2 Update

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