

2021/22 Quarterly Business Update Q4

Strategic Alignment - Enabling Priorities

Public

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The Committee - Pre-Council
Discussion Forum

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EXECUTIVE SUMMARY

As part of monitoring the performance and effectiveness against Council's planned activities, as required under Section 122(1) of the *Local Government Act 1999* (SA), Administration prepares a consolidated report each quarter providing the following updates to Council:

- Budget Reviews
- Commercial Activities
- Capital Projects
- Adelaide Central Market Authority
- Adelaide Economic Development Agency
- Kadaltilla / Parklands Authority
- Brown Hill Keswick Creek

This report also provides information on future alignment and integration of reporting through the Strategic Management Framework.

We have invested more than \$20m in support programs to reignite our city, directly assisting businesses across the CBD and North Adelaide and creating compelling reasons for people to return to our streets, offices, venues and park lands.

Strong leadership and sensible financial management have seen us steadily improve our financial position in recent years and we have achieved \$24.7m in permanent savings in the last two years. To further our commitment to robust financial management, transparent decision making and effective service delivery, we continue to review and improve services.

The 2021-22 preliminary financial position report summarises:

1. The preliminary end of year financial performance for the year ended 30 June 2022 including the final borrowing position for 2021-22 and an estimate of the operating position for 2021-22.
2. The detail of expected end of year adjustments for 2021-22 and estimates where applicable.

The adopted budget for 2021-22 was a \$37,000 surplus. This budget included a budget repair item of \$4.75m to continue to drive improved operating position and achieve the surplus. This budget repair was achieved over the course of the year by identifying cost savings, working more efficiently, and focusing on what really matters for ratepayers and city users. The final budget review in QF3 did introduce an increased depreciation figure which resulted in a revised budget of \$4.4m.

The preliminary end of year financial result is estimated to be a \$88,000 surplus. This is a strong improvement on the revised budget in QF3 and aligned with the intent at time of adoption of the original budget, to achieve a break even position for the Council for 2021-22.

The current estimates expect capital expenditure to be approximately \$52.1m with approximately \$32m of capital works to be delivered in 2022-23 as predicted in the 2022-23 Business Plan and Budget.

Proactive planning has resulted in the retiming of a number of projects identified in Budget Review 3 to actively manage substantial risk to delivery resulting from unprecedented market conditions, supply chain disruptions and market volatility. Council has been advised of these impacts during workshops throughout 2022.

As a result, we have:

- spent 82% and committed 99% of the BR3 budget for Major Projects
- spent 75% and committed 85% of the BR3 budget for New and Upgrade Projects.
- spent 92% and committed 100% of the BR3 budget for Renewals

Expected borrowings at 30 June 2022 is \$8.0m – considerably down on the original budget of \$77.5m due to delayed capital spending and much improved financial results. This falls within Council's Prudential Borrowing Limits and the full treasury report as required by Council's treasury policy is included in this report. Council's strong leadership and strategic approach to its finances for 2021-22 will enable a solid foundation to achieve a break-even budget in the next financial year and work towards future operational surpluses as well as sustainable debt levels, in accordance with the Long Term Financial Plan.

RECOMMENDATION

The following recommendation will be presented to Council on 9 August 2022 for consideration

That Council

1. Notes the 2021-22 Preliminary Financial Position and notes results are estimates only at this stage.
 2. Notes the Capital Works Quarter 4 Review as presented in Attachment A to Item # on the Agenda for the meeting of the meeting of the Council held on 9 August 2022.
 3. Notes the Commercial Operations Quarter 4 Review as presented in Attachment B to Item # on the Agenda for the meeting of the meeting of the Council held on 9 August 2022.
 4. Notes the Adelaide Economic Development Agency Quarter 4 Review as provided in Attachment C to Item # on the Agenda for the meeting of the meeting of the Council held on 9 August 2022.
 5. Notes the Adelaide Central Market Authority Quarter 4 Review as provided in Attachment D to Item # on the Agenda for the meeting of the meeting of the Council held on 9 August 2022.
 6. Notes the Kadaltilla / Park Lands Authority Quarter 4 Review as provided in Attachment E to Item # on the Agenda for the meeting of the meeting of the Council held on 9 August 2022.
 7. Notes the Brown Hill Keswick Creek Quarter 4 Review as provided in Attachment F to Item # on the Agenda for the meeting of the meeting of the Council held on 9 August 2022.
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IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities The preliminary result for 2021-22 is directly aligned to the delivery of year 2 of the 2020-2024 City of Adelaide Strategic Plan
Policy	The report includes disclosure as required by Council's Treasury Policy
Consultation	Not as a result of this report
Resource	Not as a result 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 the effective performance of services, business activities, delivery of projects and the execution of Subsidiary responsibilities.
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 the documents within the Strategic Management Framework.
22/23 Budget Allocation	Not as a result of this report
Proposed 23/24 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
22/23 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

Preliminary Financial Result for 2021-22 Operating Result

1. Council anticipates a net operating result for the 2021-22 financial year of approximately \$88,000 surplus. This is favourable to the adopted budget of \$37,000 surplus and the revised budget at Quarter 3 Forecast of \$4.4m deficit. This is primarily due to:
 - 1.1. Favourable movements including:
 - 1.1.1. Increased fees and charges due the progressive recovery of income from the UParks \$0.7m
 - 1.1.2. Increase in the value of Grant's received \$3m
 - 1.1.3. Reduced operational expenditure including savings in utilities \$1.2m, employee costs savings through vacancy management and provisions of \$4m.
 - 1.2. Offset by increased expenditure due to:
 - 1.2.1. Reignite initiatives of \$2.5m.
 - 1.2.2. Increased recognition of depreciation of \$1.5m
 - 1.2.3. Increase in debt provisions for \$0.5m

	Original Budget	Approved Budget BR 1	Approved Budget BR 2	2021/22 Preliminary Actuals	Approved Budget BR 3	Variation to Approved BR3
Net Operating Surplus/(Deficit)	31	37	37	88	(4,363)	4,451

Capital Expenditure Result

2. Current estimates expect final capital expenditure for 2021-22 to be approximately \$52.1m which is a result of delivery of the \$28.8m of renewals and \$17.3m of new and upgraded assets. The variance to the adopted budget is a result of project savings achieved over the year and delays in ability to deliver due to COVID, contractor availability and delays and major projects expected to be delivered over multiple years.
3. The 2022-23 Business Plan and Budget estimated a carry forward of \$27.4m. The anticipated increase of New and Upgraded Assets is due to the delay of other minor projects (inclusive of resources costs) that were unable to be completed due to delays. The detail of these works and their values align in the majority to those projects included in the Business Plan & Budget and detail will be provided to Council via the quarterly budget review.
4. The increase in carry forward for Renewals relates to projects unable to be completed by 30 June 2022 due to contract delays and market conditions.
5. Further detail on the delivery of capital projects for the year is provided in **Attachment A**.

Borrowings Impact

6. Reduction in budgeted capital spend presents a favourable impact on borrowings. The savings in capital will translate to a direct reduction in borrowings while the delay in capital has already been factored into the budgeted debt for 2022-23 per the Business Plan and Budget.
7. Further detail on the balance of borrowings at 30 June 2022 are provided in the Treasury section of this report.

Proposed adjustments

8. The preliminary results are estimates only at this stage. There are a number of items to be completed which will still impact the final number presented for the external audit.
 - 8.1. Items impacting the operating result include, but are not limited to:
 - 8.1.1. Provisions and accruals for any items not invoiced prior to 30 June 2022.
 - 8.1.2. Impairment of major assets
9. Items impacting the balance sheet include, but are not limited to:
 - 9.1. Asset revaluations on footpaths
 - 9.2. Grant income recognition
 - 9.3. Assets held for sale

Treasury Report

10. As per the requirements set out in the Treasury and Cash Investment Policy, the borrowing and cash investment performance for as at 30 June 2022 is reported below.
11. Borrowings as at 30 June 2022 were \$8m

Borrowings Facility	Available	Interest Type	Interest Rate	Borrowing(s) Amount as at 30 June 2022	Change since previous report	Maturity Date	CAD Interest Rate
LGFA CAD 554	\$30m	Variable	2.10%	\$8m	(\$2.05m)	16/12/2023	2.10%
LGFA CAD 555	\$70m	Variable	2.10%	-	-	15/06/2033	2.10%

* Note CAD facilities are flexible and allows Council to convert all or part of it into a fixed rate interest only loan for a maximum of 5 years.

12. The Prudential Limits as at 30 June 2021 based on borrowings of \$8m are below:

Prudential Limit Ratio	Comments	Limits	YTD Actual to June 2022
Interest Expense Ratio	Number of times annual General Rates Revenue (less Landscape Levy) can service the annual interest expense	Maximum 10%	0.2%
Leverage Test	Total borrowings relative to annual General Rates Revenue (Less Landscape Levy)	Max 1.5 years	0.07
Asset Test	The percentage of total borrowings to Council's saleable property assets.	Max 25%	3%

13. The net interest expense for the 2021-22 financial year was \$0.3m. This was \$0.3m favourable to the Quarter 3 Forecast of \$0.6m, primarily due to lower interest rates and the delay and deferral of projects and infrastructure works.

Preliminary Financial Statements and Long Term Financial Plan

14. Council's Long Term Financial Plan will be updated to reflect the final result for 2021-22 as a part of the 2022-23 budget review for quarter one.

Quarterly Commercial Operations Review 4

15. The Commercial Operations Quarterly review within **Attachment B** provides Council with a status update on the operations and expenditure of key revenue generating operations such as Parking, the Aquatic Centre, North Adelaide Golf Course, Adelaide Town Hall and Property Services. This report provides an update to Council for the period 1 April 2022 to 30 June 2022.

Quarterly AEDA Review 4

16. In accordance with their Charter, the Adelaide Economic Development Agency (AEDA) Quarter 4 Review, included as **Attachment C**, provides a quarterly update to Council on progress against milestones and performance indicators as outlined in the AEDA Business Plan and Budget for 2021-22.
17. This report provides an update to Council for the period 1 April to 30 June 2022.
18. The Charter states: *"Within 14 days of the end of each quarter the Agency must submit to the Council's CEO a quarterly report on progress against the strategic milestones and key performance indicators as outlined in the Strategic Plan and the Annual Business Plan and Budget."*
19. Key highlights within the report include:
- 19.1. ADL Unleashed \$30 Eats Campaign.
 - 19.2. AEDA Business Summit.

- 19.3. Salvador Dali's Triumphant Elephant in Rundle Mall.
- 19.4. Rundle Mall store openings.
- 19.5. Sporting celebrations and announcements in Rundle Mall.
- 19.6. Rundle Mall events and campaigns.
- 19.7. Shopfront Improvement Grants.
- 19.8. ADL Unleashed events and activations campaign.
- 19.9. Tourism Partnership Campaign.
- 19.10. Business Support
- 20. Forward Activities and / or services:
 - 20.1. Applications sought for Shopfront Improvement Grants Round 2.
 - 20.2. Applications sought for 2022-23 Strategic Partnership Program.
 - 20.3. Applications open for Strategic Events Fund – support for new events and expansion of existing events.
 - 20.4. Development of a city-wide fashion festival to be held 6-9 October.
 - 20.5. Development of WellFest Adelaide to be held 7-30 October.
 - 20.6. ADLocal – continue to produce and share the stories of small businesses across the city, including business leaders highlighting the businesses they support.
 - 20.7. Continued engagement with business owners and investors on expansion and investment opportunities.
- 21. AEDA Quarter 4 Financial Position
 - 21.1. AEDA finished the 2021-22 financial year in line with the approved 2021-22 budget.

Quarterly ACMA Review 4

- 22. In accordance with the Charter of the Adelaide Central Market Authority (ACMA), the ACMA Quarter 4 Review, included as **Attachment D**, provides a quarterly update to Council on progress against milestones and performance indicators as outlined in the ACMA Business Plan and Budget for 2021-22.
- 23. The ACMA Charter states: *'Within 14 business days of the end of each quarter the Authority must submit to the Council's CEO a quarterly report on progress against the strategic milestones and key performance indicators outlined in the Strategic Plan and the Annual Business Plan and Budget.'*
- 24. Key highlights within the report include:
 - 24.1. Easter program
 - 24.2. Refugee week
 - 24.3. Saudade launch
 - 24.4. Delivery of Market Expansion assets & call to action "always" campaign
 - 24.5. Organic social posts with combine reach over 1 million
- 25. Forward Activities and / or services:
 - 25.1. Deliver Bastille Day event
 - 25.2. School holiday program including Market Trail and Little Market Chefs
 - 25.3. New store Mr Cheese scheduled to open
 - 25.4. Online Home Delivery Service: expansion of delivery zone and Click & Collect
- 26. Quarter 4 Financial Position
 - 26.1. ACMA's financial position is \$0.3m favourable from the original 2021-22 budget

Quarterly Kadaltilla / Park Lands Authority Review 4

27. Kadaltilla / Park Lands Authority (Kadaltilla) is the principal advisory body to both the City of Adelaide and the State Government on the protection, management, enhancement, and promotion of the Adelaide Park Lands. Kadaltilla is established pursuant to section 5 of the *Adelaide Park Lands Act 2005 (SA)* and operates as a subsidiary of the City of Adelaide, pursuant to section 42 of the *Local Government Act 1999 (SA)*. Kadaltilla acts in accordance with its Charter and as set out in the *Adelaide Park Lands Act 2005 (SA)*.
28. Key updates will be provided in **Attachment E**.

Quarterly Brown Hill Keswick Creek Review 4

29. The Cities of Adelaide, Burnside, Mitcham, Unley and West Torrens have worked collaboratively over several years via a Section 43 Committee Under the *Local Government Act 1999 (SA)* to develop a Stormwater Management Plan (SMP) aimed at mitigating flood risk within the catchment, sharing a vision of becoming water sensitive cities.
30. Key updates have been provided in **Attachment F**.

Future Quarterly Reporting

31. With the integrated approach provided in this report to address Council's monitoring obligations under Section 122 of the *Local Government Act 1999 (SA)*, there is opportunity to further streamline quarterly reporting with the 22/23 Business Plan and Budget. Reporting regularly on performance and achievement against Council's planned activities is an essential element of transparent, accountable and responsible public administration.
32. For the past 2 years, Council has worked towards developing Service Delivery Plans, which articulate the activities and deliverables of 13 community facing services and eight corporate services. The Service Delivery Plans have been integrated into the Business Plan and Budget process, enabling Council to identify the vision, priorities, services, business activities and budget in a more detailed and contextualised manner. This approach offers the opportunity to improve our reporting approach on the delivery of the Business Plan and Budget into the future.
33. To further align and integrate reporting, the 22/23 year will be focused on Business Plan and Budget reporting based on the service delivery plan structure. The full cost attribution model of the Service Delivery Plans will streamline quarterly reporting in consistent manner that creates regular monitoring and oversight for Council on services, activities and projects. The intention is to improve transparency, accountability and access to Council's performance information, tracking how we are delivering what we have committed to throughout the year, and making recommendations and adjustments based on insights, risks, opportunities, and performance. We will continue to utilise assessment and reporting process iteratively to inform service improvement.

ATTACHMENTS

Attachment A – 2021-22 Capital Works Quarter 4 Review

Attachment B – 2021-22 Commercial Operations Quarter 4 Review

Attachment C – 2021-22 AEDA Quarter 4 Review

Attachment D – 2021-22 ACMA Quarter 4 Review

Attachment E – 2021-22 Kadaltilla / Park Lands Authority Quarterly Review 4

Attachment F – 2021-22 Brown Hill Keswick Creek Quarterly Review 4

- END OF REPORT -