Report on Financial Results

for the year ended 30 June 2024

Report on Financial Results

Executive Summary:

This is the Report on Financial Results for the year ended 30 June 2024, pursuant to Regulation 10 of the *Local Government (Financial Management) Regulations 2011* under the *Local Government Act 1999*. Unless otherwise indicated, figures shown are for the 2023-24 financial year and variances reflect the comparison of the actual result to the original adopted budget and 2022-23 comparative year.

This report should be read in conjunction with the consolidated Barossa Council Annual Financial Statements for the year ended 30 June 2024, which includes the financial operations of its subsidiary the Nuriootpa Centennial Park Authority (NCPA).

Statement of Comprehensive Income:

Table 1: Statement of Comprehensive Income	2023/24 Actual $'000	2023/24 Budget $'000	Variance to Budget $'000	Variance to Budget %	Notes	2022/23 Actual $'000	Variance to actual $'000	Variance to actual %	Notes
Income									
Rates	37,956	37,892	64	0%		35800	2,156	6%	A1
Statutory charges	830	828	2	0%		803	27	3%	
User charges	3,827	3,927	-100	-3%		3601	226	6%	A2
Grants, subsidies and contributions - operating	1,903	1,471	432	29%	B1	4311	- 2,408	-56%	A3
Investment income	217	152	65	43%		415	- 198	-48%	A4
Reimbursements	63	62	1	2%		9	54	600%	
Other income	1,243	772	471	61%	B2	806	437	54%	A5
Total income	46,039	45,014	1,025	2%		45745	294	1%	
Expenses									
Employee costs	17,817	17,478	339	2%		15897	1,920	12%	A6
Materials, contracts and other expenses	17,533	18,426	-893	-5%	B3	17887	- 354	-2%	
Depreciation, amortisation and impairment	11,010	10,170	840	8%	B4	10553	457	4%	
Finance costs	771	1,285	-514	-40%	B5	441	330	75%	A7
Net loss - equity accounted council businesses	47	0	47	-		18	29	161%	
Total expenses	47,178	47,359	-181	0%		44796	2,382	5%	
Operating surplus / (deficit)	-1,139	-2,345	1,206	-51%		949	- 2,088	-220%	
Physical resources received free of charge	2,832	0	2,832	-	B6	3131	- 299	-10%	A8
Asset disposal and fair value adjustments	-2,497	-854	-1,643	192%		-1097	- 1,400	128%	A9
Amounts received specifically for new or upgraded assets	2,339	2,838	-499	-18%		5420	- 3,081	-57%	A10
Net surplus / (deficit)	1,535	-361	1,896	-525%		8403	- 6,868	-82%	
Other comprehensive income									
Increase/(decrease) in asset revaluation surplus	469	0	469	-		-4714	5,183	-110%	A11
Share of other comprehensive income - equity accounted council businesses	2,302	0	2,302	-		0	2,302	-	A12
Inmpairment Expense	0	0	0	-		-4	4	-100%	
Total Other Comprehensive Income	2,771	0	2,771	-		-4718	7,489	-159%	
Total Comprehensive Income	4,306	-361	4,667	-1293%		3685	621	17%	

Where the variance is greater than +/- 5% and +/- $100,000, a comment is provided below:

Notes	Explanation
B1	95% of Financial Assistance Grant for 2023-24 was received in June 2023, actual amount received in 2023-24 was higher than initial budget. Also received unbudgeted Bushgardens grant.
B2	Variance primarily relates to unbudgeted contributions received from other councils for project work and unbudgeted amounts received from insurance, eg. income protection and workers compensation
B3	Variance is primarily due to lower than anticipated spend in contractors and consultants ($963,000 favourable), slightly offset by higher than budgeted energy and water costs ($198,000 unfavourable).
B4	The increase is attributable to revaluation of assets and increases in the unit rates for CWMS, bridges, footpaths, kerb and gutter and transport asset classes in 2022-23 with the impact only being know after 2023-24 original budget was set.

B5 Borrowing costs lower than original budget due to lower capital spend throughout the year.

B6 Physical resources received free of charge are not budgeted for and amount to assets transferred at land division.

A1 The increase is represented by:

- A general rate increase of 3.28%
- A budgeted growth in rateable properties of 0.91%
- Waste, recycling and green organics collection service charge increase of 2.5%
- CWMS service charge increase of 7.3%.

A2 Nuriootpa Centennial Park site activity growth on 2022-23 resulting in additional income for cabins and site fees. Also increase in sale of CWMS reuse water.

A3 2023-24 Financial Assistance Grant and Local Roads grant paid in 2022-23.

A4 Reduced interest received from investing activities due to less cash available for investing with increased capital spend.

A5 Largely due to a $307,000 increase in contributions and a $92,000 increase in insurance and other recoveries.

A6 Due to overall salary and superannuation rate increases in enterprise agreements and superannuation law changes, insourcing of works and approved organisational growth.

A7 The variance is primarily due to the following: increased average interest through the year on variable borrowings as well as increased borrowing (CAD Facility) to fund capital projects.

A8 The variance is predominately due to less transport assets received from development this year compared to last year.

A9 Increased disposals for replaced assets in major projects for 2023-24, the asset class breakdown is as follows: Bridges $98,000, Buildings $945,000, CWMS $95,000, Land $255,000, Plant $126,000, Recreation Infrastructure $462,000 and Transport Infrastructure $723,000.

A10 Variance is primarily due to a number of grants for projects received in 2022-23 and not received in 2023-24 including: Local roads and community infrastructure program, Barossa rugby precinct and Tanunda Recreation Park.

A11 The difference is predominately related to the Transport asset class revaluation. In 2022-23, an assessment of both the unit rates and condition was undertaken with the condition assessment outcome unfavourable resulting in a write down of the overall value of the Transport asset class. This is compared to only land being revalued in 2023-24.

A12 Move in Gawler River Floodplain Management Authority revaluation surplus resulting in an increase in equity share.

Statement of Financial Position:

Table 2: Statement of Financial Position	2023/24 Actual $'000	2023/24 Budget $'000	Variance to Budget $'000	Variance to Budget %	Notes	2022/23 Actual $'000	Variance to actual $'000	Variance to actual %	
ASSETS									
Current assets									
Cash and cash equivalent assets	3,153	902	2,251	250%	B1	4618	-1,465	-32%	A1
Trade and other receivables	3,248	2703	545	20%	B2	2946	302	10%	A2
Inventories	123	391	-268	-69%	B3	245	-122	-50%	A3
Total current assets	6,524	3996	2,528	63%		7809	-1,285	-16%	
Non-current assets									
Trade and other receivables	1,228	1212	16	1%		1312	-84	-6%	
Equity accounted investments in council	4,518	2281	2,237	98%	B4	2263	2,255	100%	A4
Other non-current assets	5,724	0	5,724	-	B5	15893	-10,169	-64%	A5
Infrastructure, property, plant and equipr	414,613	439067	-24,454	-6%	B6	394340	20,273	5%	A6
Total non-current assets	426,083	442560	-16,477	-4%		413808	12,275	3%	
TOTAL ASSETS		446556				421617			
LIABILITIES									
Current liabilities									
Trade and other payables	5,355	5429	-74	-1%		5116	239	5%	
Borrowings	3,558	22644	-19,086	-84%	B7	1945	1,613	83%	A7
Provisions	3,292	3035	257	8%	B8	3358	-66	-2%	A8
Total current liabilities	12,205	31108	-18,903	-61%		10419	1,786	17%	
Non-current liabilities									
Borrowings	11,871	2380	9,491	399%	B7	7013	4,858	69%	A7
Provisions	722	1073	-351	-33%	B8	682	40	6%	A8
Total non-current liabilities	12,593	3453	9,140	265%		7695	4,898	64%	
TOTAL LIABILITIES	24,798	34561	-9,763	-28%		18114	6,684	37%	
Net assets	407809	411995	-4,186	-1%		403503			
EQUITY									
Accumulated surplus	106561	105899	662	1%		105026	1,535	1%	
Asset revaluation reserve	285676	293089	-7,413	-3%		282905	2,771	1%	
Other reserves	15572	13007	2,565	20%	B9	15572	-	0%	
Total equity	407809	411995				403503			

Where the variation is greater than +/- 5% and +/- $100,000, a comment is provided below.

Notes	Explanation
B1	The budget assumed greater cash outflows for investing activities and upgraded assets.
B2	Due to budget assumptions associated with repayments of loans to community and level of predicted rates debtors.
B3	Inventories lower due to no rubble crush in 2023-24, rubble inventory was reduced to a very minor amount as at end of June 2024.
B4	Move in Gawler River Floodplain Management Authority revaluation surplus resulting in an increase in equity share.
B5	No budget allocated for Works in Progress (WIP).
B6	Approximately $11 million carried forward to 2023-24. The budget assumed $27.1 million expenditure on new and upgraded assets whereby actuals were $13.6 million.

B7 Lower than anticipated borrowings in 2023-24 due to timing of capital expenditure on major projects being later than budgeted. Borrowing to occur in 2024-25.

B8 Overall provision variance is within tolerance this is purely a difference in current vs non-current.

B9 Budget included a decrease in CWMS reserves due to high capital spend however actual capital spend was lower than anticipated with a portion being carried forward to 2024-25.

A1 Reduced cash year on year with lower investment balance and increased borrowing CAD facilities due to nature of current capital project work.

A2 The variance is predominately due to the outstanding rates balance which has increased ($350,000 higher as at 30 June 2024).

A3 Inventories lower due to no rubble crush in 2023-24, rubble inventory was reduced to a very minor amount as at end of June 2024

A4 Move in Gawler River Floodplain Management Authority revaluation surplus resulting in an increase in equity share.

A5 The variance is mainly due to the following: major projects sitting as WIP at the end of 2022-23 including: Mt Pleasant Caravan Park $2.1 million, Barossa Rugby $1.5 million, Tanunda Recreation Park $6.6 million and Moculta Road $2.1 million. Most of these were completed in 2023-24. The majority of WIP in 2023-24 relates to: Nuriootpa Soccer $2 million, Lyndoch Recreation Park $0.8 million and Creative Industries $0.4 million.

A6 The following significant movements in infrastructure, property, plant and equipment occurred during 2023-24: additions related to renew/replaced assets $9.9 million, capital additions related to found/gifted/new assets $23.6 million, depreciation $11 million, and disposals $2.8 million.

A7 Overall current and non-current borrowings have increased in order to fund major capital projects, this is primarily an increase in cash advance borrowing.

A8 Overall provision variance is within tolerance this is purely a difference in current vs non-current split.

Financial Indicators:

Table 3: Financial Indicators	Notes	2023-24 Actual	2023/24 Budget	2022-23 Actual	Adopted Target
Operating Surplus Ratio	1	(2.5%)	(5.2%)	2.1%	(2%) – 10%
Adjusted Operating Surplus Ratio	1a	2.0%	(5.2%)	0.5%	(2%) – 10%
Net Financial Liabilities Ratio	2	37%	66.1%	20%	0% - 100%
Adjusted Net Financial Liabilities Ratio	2a	36%	66.1%	25%	0% - 100%
Asset Renewal Funding Ratio	3	123%	116.8%	113%	80% - 110%

Notes	Explanation
1	Operating Surplus Ratio outside of the adopted target range but exceeded budget expectations.
1a	True and underlying operating surplus ratio meets performance target.
2	Net Financial Liabilities Ratio exceeded budget expectations due to less than budgeted borrowings and meets performance target.
2a	True and underlying net financial liabilities ratio meets target.
3	Asset Renewal Funding Ratio is higher than budgeted and outside of the adopted target range due to additional spending on asset renewals.

Asset Revaluation:

Land assets classified as level 3 in the fair value hierarchy were revalued in 2023-24 based on a desktop valuation using values supplied by the Valuer-General as at 1 July 2023. Table 4 below explains the revaluation movements as reported in note 9(a).

Table 4 – Asset Revaluation

Asset Class	**Increment/ (Decrement) $'000**	**Explanation**
Land (community)	$37,000	Revalued based on values supplied by the Valuer-General as at 1 July 2023. Revaluation increments totalled $1.144 million, and revaluation decrements totalled $1.107 million resulting in an overall net revaluation increment to the asset revaluation reserve of $37,000.

Other adjustments were made to the asset revaluation reserve for assets that were 'found' during the year. These adjustments totalled $432,000.

A $2.302 million increment to the asset revaluation reserve was also recognised for the Council's 10.61% interest in the other comprehensive income of the Gawler River Floodplain Management Authority.