

10.1. Quarterly Budget Review - December 2023

AUTHOR	Christian Munday, Manager Financial Services
ENDORSED BY	Luke Harvey, Director Corporate Services
ATTACHMENTS	1. December 2023 Quarterly Budget Review Statement Report [10.1.1 - 12 pages]
CSP LINK	5. Our Civic Leadership 5.1 Lead North Sydney's strategic direction

PURPOSE:

The purpose of this report is to:

- review the budget for the quarter ended 31 December 2023; and
- highlight and track variances from the original budget.

This report should be read in conjunction with 10.2, Q2 Review of the Operational Plan 2023/24, provided to Council as a separate report at this meeting.

EXECUTIVE SUMMARY:

The Quarterly Budget Review shows:

- An increase in the Operating Deficit before Capital Grants of \$802 thousand to \$6.89 million.

This is driven by a further deterioration of income sources. It is proposed to reduce hoarding permit fees by \$1 million due to decreased activity. The impact of the removal of parking meters has been assessed and an \$800 thousand reduction is proposed. An analysis of advertising activity has been completed and a further reduction of \$571 thousand is proposed. These reductions are somewhat offset by an increase to investment income of \$1 million due to larger than expected cash balance, due to slower than expected payments for the capital works program.

- An increase in Operating Surplus, including Capital Grants and Contributions of \$5.74 million to \$6.31 million. This is due to higher-than-expected receipts for Developer Contributions which have been revised upwards by \$6.69 million.
- The Unrestricted Current Ratio at 30 June 2024 is forecast to fall below the OLG benchmark of 1.50 times to 1.46 times. The current ratio is a measure of liquidity and indicates Councils ability to meet its debts as they fall due. This assumes completion of the capital works program in accordance with budget timeframes. A full review of capital delivery expectations will be included in the March Quarterly Budget Review.

- While the financial position is adequate in the short-term, the forecast deficit, ongoing deterioration in income sources and the need to service additional debt for the North Sydney Olympic Pool project require close strategic attention.
- This budget review does not include any variations for financial risks associated with the North Sydney Olympic Pool Project. This matter was considered in detail at the meeting of 12 February 2024, in report *10.7. North Sydney Olympic Pool Redevelopment – Project*. Council’s resolution was unavailable at the time of preparing this Budget Review. No adjustment is included for the project.

RECOMMENDATION:

- 1. THAT** Council adopts the Quarterly Budget Review Statement – December 2023 report in accordance with clause 203 of the Local Government (General) Regulation 2021.
- 2. THAT** Council endorses the budget variations in this report.

Background

Clause 203 of the Local Government (General) Regulation 2021 requires that a Quarterly Budget Review Statement (QBRS) be considered by Council. It must show revised estimates for income and expenditure for the year, and indicate whether Council's financial position is satisfactory, or make recommendations for remedial action where needed.

Financial Position

This review forecasts a further deterioration in significant income streams and, therefore, an increasing deficit. To maintain a satisfactory Financial Position, the deterioration in income streams requires the close strategic attention of Council.

Original Budget

Council's Original Budget for FY 2023/24 forecast a deficit before Capital Grants and contributions of \$2.04 million, and a net operating surplus after capital grants and contributions of \$1.57 million.

The original budget included \$79.38 million for the capital works program and replacement of plant and equipment. The original budget forecast a net transfer from reserves of \$50.71 million.

Operating Budget at the End of the September Quarter

The review decreased forecast income before capital items due to the following:

- user fees reduced because of to the delay in the opening of the pool redevelopment (originally forecast to open for April 2024 and with a forecast \$1.55 million in fee income for the three months of opening),
- \$2.54 million reduction in operating grants due to the early receipt in FY2023 of part of the FY2024 Financial Assistance Grant. The amount paid early was internally restricted as at 30 June 2023 and will be released to fund expenditure, as scheduled in FY2024, and
- a reduction of \$1 million in revenue from advertising on Council infrastructure.

These reductions were partially offset by an increase in investment and interest income of \$1 million due to higher than forecast cash balances and interest rates.

Operating Budget at the End of the December Quarter

The review proposes a further decrease in forecast income before capital items due to the following:

- \$1 million reduction in user fees because of reduced activity for hoarding permit fees,
- a further reduction of \$571 thousand in revenue from advertising on Council infrastructure due to the withdrawal of development applications necessary to install infrastructure to achieve previously forecast income (for a \$1.57 million total reduction including September Review), and
- \$800 thousand reduction in parking meter fees due to the removal of 30 parking meters.

These reductions are partially offset by a further increase in investment and interest income of \$1 million due to higher than forecast cash balances and interest rates (for total adjustments of \$2 million, including September adjustments).

Position of the Capital Budget at the End of the September Quarter

Capital expenditure to 30 September 2023 was \$8.65 million. The original capital budget was \$79.38 million. Including carry forwards and adjustments approved in the September review, the capital budget for the year was \$94.06 million.

Expenditure on the North Sydney Olympic Pool project year-to-date was \$3.38 million.

Position of the Capital Budget at the End of the December Quarter

Capital expenditure year-to-date is \$18.83 million. Including minor adjustments proposed in this review the capital budget for the year will be \$94.03 million. \$75.17 million remains to be expended.

Of the \$94.03 million, \$46.42 million was included for the North Sydney Olympic Pool. Expenditure on the North Sydney Olympic Pool project year-to-date is \$6.09 million. Given the delay in this project, it is anticipated that the total budget will not be required this financial year and will need to be carried forward to 2024/25.

The remaining capital works budget is \$47.61 million, with \$12.74 million spent as at 31 December 2023. The last two quarters of the financial year typically have higher expenditure due to completion of projects. A full review of the capital works budget will be undertaken as part of the March Quarterly Budget Review.

Recommended Adjustments to the Budget at the End of the December Quarter

This review proposes adjustments listed in the following tables. These adjustments are also listed under the heading 'Recommended Variations to Revised Budget for December Quarter' in the attached QBRs.

Significant favourable adjustments to the operating result are:

- an increase in Developer Contributions of \$6.54 million due to higher volume of contributions received; and
- a further increase of \$1 million in interest and investment income. This is due to higher-than-expected cash balances (due to project delays, notably the pool project) and higher-than-expected interest rates.

Significant unfavourable adjustments are:

- a reduction in Hoarding Permit fees of \$1 million, due to decreased development activity;
- a reduction in parking meter income of \$800 thousand, due to the removal of 30 parking meters associated with the state government infrastructure works; and

- a reduction in revenue from advertising on Council Infrastructure due to a range of issues associated with the development approvals necessary to update digital infrastructure.

The following factors were of special focus by staff in preparing the review.

Reduction in Hoarding Permit fees

Council calculates expected hoarding income using data from previous years and the number of expected developments forecast to occur in a financial year.

The original hoarding permit fee budget for FY2024 was \$3 million, in anticipation of several large developments commencing requiring hoardings in North Sydney. Development activity has been lower than expected, leading to a reduced hoarding income of \$1 million year to date. The expected revenue throughout FY2024 has been reduced from \$3 million to \$2 million, a reduction of \$1 million revenue.

Whilst we expect increased development in North Sydney in the future, there is uncertainty around the timing of this.

Parking Related Income 30 parking meters are being permanently removed due to the development of Warringah Freeway. Staff have analysed the impact of these removals and found it to be a reduction of \$800 thousand per year.

Pool User Fees as raised in the September review, these have been revised down by \$1.55 million to nil due to the delayed opening. This was offset by reductions in the pool operations budget of \$1.13 million. Any additional delays in opening the pool will result in further impacts on the budget deficit.

Interest and Investment Income continues to exceed forecasts and has somewhat offset unfavourable adjustments. Council's ambitious Capital Works program, totalling \$94.03 million dollars (after carry-forwards and adjustments proposed in this report are included) will, however, see cash and investment balances decrease significantly. These returns are not expected to persist in coming years.

The Commonwealth Government has, in recent years, routinely paid part of the **Financial Assistance Grant** in advance. Announcements of advance payments are typically made in June, as a budget management measure by the Commonwealth Government. If advanced payment is announced again this Financial Year, the operating result will see a favourable adjustment of approximately \$2.5 million accordingly. While the timing of these grant payments affects Council's year to year reported operating performance it does not affect Council's long term financial position. Council will still receive its total allocation as determined by the Grants Commission.

Fees for **Advertising on Council Property** have been adjusted down by a total of \$1.57 million (\$1 million at the September Review and a further \$571 thousand proposed at this review). This is due to a range of issues associated with development approvals to expand and digitise

advertising infrastructure. Council would receive greater advertising revenue from the conversion of static signage to digital signage, as this is what the market now demands.

When Council adopted its Long-Term Financial Plan in June 2022, the plan assumed approximately \$3 million dollars in revenue from advertising each year. The original FY2024 budget assumed \$2 million due to the delays in obtaining DAs, this has now been reduced to \$429 thousand. A report will be provided to Council in relation to this matter in March 2024.

Operating expenditure of \$1.24 million was carried forward from FY2023. The carrying forward of operating expenditure is usually discouraged, however, the timing of operational grant funded projects can lead to carried forward amounts. Whilst this increased the operating deficit, the expenditure has been funded from the previous year's budget. The carry forwards produce an unfavourable adjustment to the operating budget but are funded from money held at 30 June 2023.

Depreciation and amortisation was revised upward significantly at the September review. This was due to two main factors:

- an increase in construction costs of infrastructure assets, contributing an additional \$800 thousand to the forecast result, and
- the recognition in FY2023 of the Community Housing Portfolio as Infrastructure, Property, Plant and Equipment, contributing an additional \$875 thousand to the forecast.

287 Miller Street affordable housing project was reclassified from operating to capital at the September review. This is due to a reassessment of a long-standing accounting treatment of the community housing portfolio. Previously staff had considered that control of the portfolio lay with the portfolio's manager, Link Wentworth Housing, due to the interplay of shared ownership arrangements, long-term leases, and the management agreement. This meant that Council did not recognise the portfolio as an asset. Any expenditure was therefore operating in nature. The portfolio is now recognised as Infrastructure, Property, Plant and Equipment and the expenditure is now appropriately classified as capital.

As advised at Council's meeting of 10 July 2023 in report '*10.4 Community Housing Project Update 287 Miller Street Cammeray*', the contribution is now \$3.09 million. The Capital budget was adjusted accordingly at the September review.

North Sydney Olympic Pool

As contract negotiations continue there are no budget changes to the North Sydney Olympic Pool project. At its meeting of 12 February 2024 in report *10.7. North Sydney Olympic Pool Redevelopment - Project Update* Council was advised an additional \$20 million loan borrowing is likely to be required in FY2024.

The loan will increase Council's current liabilities and therefore lead to a further unfavourable adjustment to the Unrestricted Current Ratio. This cannot be quantified until the loan details are finalised.

Proposed Adjustments to Operating Income

	Increase / (Decrease) (\$,000)
Operating Income	
Hoarding permit fees -reduced due to lower activity in permit applications	(1,000)
Parking meter income – reduced due to removal of 30 meters	(800)
Advertising on Council infrastructure – reduced due to issues around of DAs needed to expand and digitise advertising infrastructure	(571)
Development fees (archiving) – may not be charged under revised planning legislation	(90)
Adjustment for Library Subsidy grant actual received	(18)
Adjustment for RMS Block Grant funding actual received	8
Twilight Food Fair – in line with YTD actuals	12
Third party events – in line with YTD actuals	20
Hall hire fees – in line with YTD actuals	48
Road reinstatement income – in line with YTD actuals	53
Recovery of legal expenses – restructured legal team has developed systems to track and recover legal expenses	100
North Sydney Oval - bar takings – increased activity associated with women’s soccer World Cup activities	130
Infringement income – in line with YTD actuals	250
Investment income – higher than expects cash balance and rates available	1,000
Total	(858)

Proposed Adjustments to Operating Expenditure

	Increase / (Decrease) (\$)
Operating Expenditure	
Materials and Services New Years Eve – for expanded scope of events management, including engagement of external event management, partly offset by Labour Savings of \$81k and the need to include hostile vehicle mitigation to address terrorism risks.	228
Materials and Services North Sydney Oval – increased activity associated with sporting events	212
Social Strategy Consultancy – development of informing strategies to commence in second half of FY 2024 funded by reductions in contractors listed below	100
Arts and Culture study – development of informing strategies to commence in second half of FY 2024 funded by reductions in contractors listed below	100
Materials and Services Active Transport - Young & Grosvenor Street roundabout (transferred from capital expenditure)	62
Materials and Services Traffic Facilities - temporary closure of McDougall Street (transferred from capital expenditure)	49
Materials and Services Agency staff for concrete team staff vacancy	36

	Increase / (Decrease) (\$)
Operating Expenditure	
Materials and Services Marine Structures - investigations (transferred from capital expenditure)	7
Materials and Services Active Transport - traffic studies (transferred from capital expenditure)	5
Materials and Services Utility bill monitoring and analysis	4
Materials and Services Lighting adjustment at East Crescent Street Pocket Park	2
Materials and Services Community centres consultancies	(6)
Employee Benefits Library Administration salaries and wages	(18)
Employee Benefits Concrete team staff vacancy	(36)
Materials and Services Affordable housing strategy consultancy – Council will be employing a planner to focus on affordable housing given its priority. Based upon this, a review of budgets has indicated savings of \$50 thousand this financial year. This savings will assist in funding commencement of informing strategy development	(50)
Materials and Services Public art commission consultancy – savings identified to fund commencement of Arts & Culture informing strategy development	(50)
Materials and Services LEP review consultancy – savings identified.	(80)
Project Management Framework Implementation – commencement of this project will be focused on using internal resources due to internal capacity following reduction in capital budgets. Savings this year will be used to fund informing strategy development	(80)
Employee Benefits New Years Eve – reduction as significant tasks transferred to external contractors	(81)
Materials and Services Heritage conservation review consultancy – savings identified due to reprioritisation of affordable housing this financial year and deferral of heritage review work until late 2024.	(190)
Ward Street Masterplan Consultancy – project not being progressed in FY 2024	(270)
Total	(56)

Proposed Adjustments to Capital Income

	Increase / (Decrease) (\$)
Capital Income	
Local infrastructure contributions – higher than expected receipts	6,536
Bike strategy & action plan - NSW Get Active grant – additional grant funding secured	150
Adjustment for Local Priority actual grant received	2
Total	6,688

Proposed Adjustments to Capital Expenditure

Capital Expenditure	Increase / (Decrease) (\$)
Bike strategy & action plan – to match NSW Get Active grant	150
Realignment of footpath at 55 Carter Street	49
Multi-function printers software upgrade	18
North Sydney Oval refrigerated trailer	15
Regional roads heavy patching - RMS block Grant funded	6
Road reconstruction - RMS block Grant funded	2
Library Local Priority grant expenditure	2
Community centres equipment purchases	(5)
Active Transport - traffic studies (transferred to operating expenditure)	(5)
Marine Structures - investigations (transferred to operating expenditure)	(7)
Traffic Facilities - temporary closure of McDougall Street (transferred to operating expenditure)	(49)
Active Transport - Young & Grosvenor Street roundabout (transferred to operating expenditure)	(62)
Total	114

A reconciliation of the forecast net operating result to net transfers from reserves follows:

	Original Budget	Recommended Adjustments to December Quarter (incl Carry Forwards)	December Quarter Revised Forecast
Net Operating Surplus / (Deficit) before Capital Items	(2,041,728)	(4,998,341)	(7,040,069)
<i>Add</i>			
Capital Grants and Contributions	3,608,200	9,741,842	13,350,042
Surplus / (Deficit) from Continuing Operations	1,566,472	4,743,501	6,309,973
<i>Add</i>			
Depreciation, Amortisation & Impairment for Non-Financial Assets	27,600,000	1,300,000	28,900,000
Net Losses from Disposal of Assets	269,333	0	269,333
Proceeds from Disposal of Plant & Equipment	1,245,026	0	1,245,026
<i>Deduct</i>			

	Original Budget	Recommended Adjustments to December Quarter (incl Carry Forwards)	December Quarter Revised Forecast
Capital Expenditure (other than Plant Purchases)	(76,127,051)	(14,566,521)	(90,693,572)
Plant Purchases	(3,256,982)	(75,000)	(3,331,982)
Loan Principal to be repaid	(2,005,477)	0	(2,005,477)
Net Transfers To / (From) Reserves	(50,708,679)	(8,598,020)	(\$59,306,699)

Overall Financial Position

Several once reliable income sources have materially reduced, perhaps permanently.

Whilst Council has sufficient funds to operate into the future, repeated deficits of the forecast magnitude are not sustainable. Council cannot maintain financial viability, fund the pool project and manage its other assets to an acceptable service level if similar operating results persist into future years.

The budget must be carefully monitored and reviewed and Council must consider long-term strategies for financial repair.

In the short-term, strong financial and budget management and control is critical.

Consultation requirements

Community engagement is not required.

Financial/Resource Implications

The proposed changes to the budget result in a net operating deficit before Capital Grants and Contributions of \$6.89 million.

Legislation

Clause 203 of the Local Government (General) Regulation 2021 requires that a quarterly budget review be considered by Council, which shows revised estimates for income and expenditure for the year, indicates whether Council's financial position is satisfactory and makes recommendations for remedial action where needed.

North Sydney Council

Quarterly Budget Review Statement

for the quarter ended 31 December 2023

Table of Contents

	Page
1. Responsible Accounting Officer's Statement	2
2. Income & Expenses Report	3
3. Capital Budget Report	5
4. Cash & Investments Report	7
5. Contracts Listing	9
6. Consultancy & Legal Expenses Overview	9
7. Key Performance Indicators	10

North Sydney Council

Quarterly Budget Review Statement for the quarter ended 31 December 2023 Responsible Accounting Officer's Statement

The following statement is made in accordance with Clause 203(2) of the Local Government (General) Regulations 2021.

It is my opinion that the Quarterly Budget Review Statement for North Sydney Council for the quarter ended 31 December 2023 indicates that Council's projected financial position will be satisfactory having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

At the end of the quarter, the variance between actual operating income and year-to-date budget was positive 6.6%. This is primarily due to greater than expected revenue from Developer Contributions.

Actual operating expenditure was \$1,233,000 below the year-to-date budget and this can be primarily attributed to lower than expected labour costs due to staff turnover that was partially offset by higher than expected expenditure on materials and services.

Council's short term liquidity position remains sound, based on the level of its internally restricted reserves and available working capital. Uncommitted internally restricted reserves and available working capital are sufficient to cover known commitments. These reserves are supported by monies invested in term deposits or floating rate notes with various financial institutions or held 'at call' or in Council's trading account with the Commonwealth Bank.

The 'Income & Expenses Report' on pages 3 to 4 of this Quarterly Budget Review Statement forecasts a projected year end net operating deficit before capital grants and contributions of \$6.9 million. A reconciliation of this figure to the forecast net drawdown from reserves is as follows:

Net Operating Deficit before Capital Items	(\$6,890,069)
Add Capital grants and contributions	\$13,350,042
Gain from Continuing Operations	6,459,973
Add Depreciation	\$28,900,000
Net Losses from disposal of assets	\$269,333
Proceeds from disposal of plant and equipment	1,245,026
Deduct Capital expenditure (other than Plant Purchases)	(\$90,843,572)
Plant and equipment purchases	(\$3,331,982)
Loan principal to be repaid	(\$2,005,477)
Net drawdown from reserves	<u>(\$59,306,699)</u>

Signed: _____

Date: _____

Christian Menday
Responsible Accounting Officer

North Sydney Council

Quarterly Budget Review Statement for the quarter ended 31 December 2023

Income & Expenses Report

	Original Budget 2023/24 (\$000's)	Approved Variations			Revised Budget (\$000's)	Recommended Variations to Revised Budget for December Quarter Other (\$000's)	Projected Year End Result 2023/24 (\$000's)	YTD Actual (\$000's)	YTD Budget (\$000's)
		Other than by a QBRS (\$000's)	Carried						
			Forward from 2022/23 (\$000's)	September Review (\$000's)					
Income									
<i>Rates and annual charges</i>	75,110	-	-	-	75,110	-	75,110	75,133	75,050
<i>User charges and fees</i>	35,831	-	-	(1,553)	34,278	(1,647)	32,631	17,375	17,811
<i>Other revenue</i>	10,050	-	-	(988)	9,062	(201)	8,861	4,437	4,697
<i>Grants and contributions - operating</i>	5,388	-	-	(2,542)	2,846	(10)	2,836	1,226	1,336
<i>Grants and contributions - capital</i>	3,608	-	2,657	397	6,662	6,688	13,350	10,166	2,891
<i>Interest and investment income</i>	2,605	-	-	1,000	3,605	1,000	4,605	2,757	2,154
<i>Other income</i>	5,969	-	-	-	5,969	-	5,969	2,880	2,985
Total Income from Continuing Operations	138,561	-	2,657	(3,686)	137,532	5,830	143,362	113,974	106,924
Expenses									
<i>Employee benefits and on-costs</i>	52,820	(116)	-	(805)	51,899	(135)	51,764	24,827	26,441
<i>Materials and services</i>	48,496	116	1,244	18	49,874	79	49,953	26,719	26,181
<i>Borrowing costs</i>	1,452	-	-	-	1,452	-	1,452	491	491
<i>Depreciation, amortisation and impairment for non-financial assets</i>	27,600	-	-	1,300	28,900	-	28,900	14,008	14,040
<i>Other expenses</i>	6,358	-	-	(1,794)	4,564	-	4,564	2,679	2,937
<i>Net losses from disposal of assets</i>	269	-	-	-	269	-	269	(357)	(490)
Total Expenses from Continuing Operations	136,995	-	1,244	(1,281)	136,958	(56)	136,902	68,367	69,600
Net Operating Result from Continuing Operations	1,566	-	1,413	(2,405)	574	5,886	6,460	45,607	37,324
Net Operating Result Before Capital Items	(2,042)	-	(1,244)	(3,405)	(6,088)	(802)	(6,890)	35,441	34,433

Notes:

1. Original Budget +/- approved budget variations in previous quarters = Revised Budget.
2. Revised Budget +/- recommended variations this quarter = Projected Year End Result.
3. YTD Revised Budget includes recommended variations for this quarter.

Recommended Variations to Revised Budget for December Quarter

	Increase / (Decrease) (\$000's)
Income	
<i>User Charges and Fees:</i>	
North Sydney Oval - bar takings	130
Road reinstatement income	53
Hall hire fees	48
Twilight Food Fair	12
Development fees	(90)
Parking meter income	(800)
Hoarding permit fees	(1,000)
	(1,647)
<i>Other Revenue:</i>	
Infringement income	250
Recovery of legal expenses	100
Third party events	20
Advertising on Council infrastructure	(571)
	(201)
<i>Interest</i>	
Investment income	1,000
	1,000
<i>Grants and Contributions - Operating:</i>	
Adjustment for RMS Block Grant funding	8
Adjustment for Library Subsidy grant received	(18)
	(10)

Income & Expenses Report (Cont.)

Recommended Variations to Revised Budget for December Quarter*Grants and Contributions - Capital:*

Local infrastructure contributions	6,536
Bike strategy & action plan - NSW Get Active grant	150
Adjustment for Local Priority grant received	2
	<u>6,688</u>
Total Income	5,830

Expenditure*Employee Benefits and On-costs:*

Library Administration salaries and wages	(18)
Concrete team staff vacancy	(36)
New Years Eve	(81)
	<u>(135)</u>

Materials and Services:

New Years Eve	228
North Sydney Oval	212
Social strategy Plan	100
Arts and culture study	100
Active Transport - Young & Grosvenor Street roundabout (transferred from capital expenditure)	62
Traffic Facilities - temporary closure of McDougall Street (transferred from capital expenditure)	49
Agency staff for concrete team staff vacancy	36
Marine Structures - investigations (transferred from capital expenditure)	7
Active Transport - traffic studies (transferred from capital expenditure)	5
Utility bill monitoring and analysis	4
Lighting adjustment at East Crescent Street Pocket Park	2
Community centres administration	(6)
Affordable housing strategy	(50)
Public art commission	(50)
LEP review	(80)
Project Management Framework Implementation	(80)
Heritage conservation review	(190)
Ward Street Car Park masterplan	(270)
	<u>79</u>
Total Expenditure	(56)

The above adjustments are either offset by a transfer to or from a Reserve or are matched by a corresponding increase or decrease to the budget for another income or expenditure item. Hence, they have no impact on the bottom line of the budget and, therefore, the 2023/24 Operational Plan and it is not anticipated that they will have a significant impact on Council's Long Term Financial Plan.

North Sydney Council

Quarterly Budget Review Statement for the quarter ended 31 December 2023

Capital Budget Report

	Original Budget 2023/24 (\$000's)	Approved Variations			Recommended Variations to Revised Budget for December Quarter	Projected Year End Result 2023/24 (\$000's)	YTD Actual (\$000's)
		Carried Forward from 2022/23 (\$000's)	September Review (\$000's)	Revised Budget (\$000's)	Other (\$000's)		
Capital Expenditure							
<i>New Assets</i>							
- Plant & Equipment	-	-	-	-	15	15	15
- Land & Buildings	1,454	633	1,545	3,632	-	3,632	99
- Land Improvements	568	153	(9)	712	-	712	84
- Roads & Bridges	4,690	1,638	61	6,389	(20)	6,369	932
- Footpaths	2,616	594	(28)	3,182	12	3,194	436
- Stormwater Drainage	1,385	270	(11)	1,644	10	1,654	243
- Open Space/Recreational Assets	83	160	(7)	236	-	236	117
- Other Infrastructure Assets	1,175	295	(12)	1,458	-	1,458	175
- Heritage Assets	5	-	-	5	-	5	1
<i>Renewal Assets (Replacement)</i>							
- Plant & Equipment	3,332	-	-	3,332	-	3,332	1,564
- Office Equipment	1,183	445	-	1,628	18	1,646	240
- Furniture & Fittings	75	3	-	78	(3)	75	18
- Land & Buildings	1,000	598	1,582	3,180	-	3,180	325
- Land Improvements	1,327	191	(31)	1,487	-	1,487	177
- Roads & Bridges	7,509	1,452	(322)	8,639	28	8,667	3,702
- Footpaths	2,515	444	243	3,202	53	3,255	968
- Stormwater Drainage	1,723	561	(3)	2,281	3	2,284	757
- Swimming Pools	43,474	2,944	-	46,418	-	46,418	5,991
- Open Space/Recreational Assets	956	656	(23)	1,589	-	1,589	442
- Other Infrastructure Assets	3,886	638	(41)	4,483	(2)	4,481	2,397
- Library Books	428	-	-	428	-	428	176
- Heritage Assets	-	61	-	61	-	61	3
Total Capital Expenditure	79,384	11,736	2,944	94,064	114	94,178	18,862
Capital Funding							
<i>Rates and Other Untied Funding</i>	1,237	-	-	1,237	-	1,237	660
<i>Capital Grants & Contributions</i>	7,677	4,335	(477)	11,535	160	11,695	4,224
<i>Internal Reserves:</i>							
- Capital Works	33,220	4,429	303	37,952	(95)	37,857	4,459
- Income Producing Projects	-	213	-	213	-	213	65
- IT Hardware & Software	581	444	-	1,025	-	1,025	91
- Plant	3,257	-	13	3,270	-	3,270	1,557
- North Sydney Olympic Pool Redevelopment Reserve	19,316	1,444	-	20,760	-	20,760	4,582
- Community Housing - Capital Purchases	-	-	2	2	-	2	2
<i>External Reserves:</i>							
- DWM Levy	-	-	-	-	49	49	-
- Environmental Levy	800	20	13	833	-	833	103
- Infrastructure Levy	2,341	100	-	2,441	-	2,441	1,080
- Crows Nest Mainstreet Levy	474	129	-	603	-	603	55
- Neutral Bay Mainstreet Levy	182	132	-	314	-	314	100
- Stormwater Levy	577	-	-	577	-	577	335
- Developer Contributions	4,111	490	3,090	7,691	-	7,691	905
- Developer Contributions VPA	5,611	-	-	5,611	-	5,611	644
Total Capital Funding	79,384	11,736	2,944	94,064	114	94,178	18,862

Notes:

1. Original Budget +/- approved budget variations in previous quarters = Revised Budget
2. Revised Budget +/- recommended changes this quarter = Projected Year End Result

Capital Budget Report (Cont.)
Recommended Variations to Revised Budget for December Quarter

	Other Increase / (Decrease) (\$000's)
Bike strategy & action plan	150
Realignment of footpath at 55 Carter Street	49
Multi function printers software upgrade	18
North Sydney Oval refrigerated trailer	15
Regional roads heavy patching - RMS block Grant funded	6
Road reconstruction - RMS block Grant funded	2
Library Local Priority grant expenditure	2
Community centres equipment purchases	(5)
Active Transport - traffic studies (transferred to operating expenditure)	(5)
Marine Structures - investigations (transferred to operating expenditure)	(7)
Traffic Facilities - temporary closure of McDougall Street (transferred to operating expenditure)	(49)
Active Transport - Young & Grosvenor Street roundabout (transferred to operating expenditure)	(62)
Total	114

The above adjustments are either offset by a transfer to or from a Reserve or are matched by a corresponding increase or decrease to the budget for another income or expenditure item. Hence, they have no impact on the bottom line of the budget and, therefore, the 2023/24 Operational Plan and it is not anticipated that they will have a significant impact on Council's Long Term Financial Plan.

North Sydney Council

Quarterly Budget Review Statement for the Quarter Ended 31 December 2023

Cash & Investments Report

	Approved Variations			Recommended Variations to Revised Budget for December Quarter		Projected Year End Result 2023/24 (\$000's)
	Original Budget 2023/24 (\$000's)	Carried Forward		Revised Budget (\$000's)	Other (\$000's)	
		from 2022/23 (\$000's)	September Review (\$000's)			
Externally Restricted						
<i>Developer Contributions</i>	26,253	(490)	(871)	24,892	6,536	31,428
<i>Developer Contributions VPA</i>	8,381	-	-	8,381	-	8,381
<i>Other Special Purpose Contributions</i>	1,902	(225)	-	1,677	-	1,677
<i>Special Purpose Grants</i>	2,409	(2,339)	-	70	-	70
<i>Better Waste & Recycling Fund</i>	38	-	-	38	-	38
<i>Domestic Waste Management</i>	12,471	-	-	12,471	(49)	12,422
<i>Environmental Levy</i>	849	(128)	-	721	(4)	717
<i>Infrastructure Levy</i>	126	(100)	-	26	-	26
<i>Crows Nest Mainstreet Levy</i>	37	(129)	92	-	-	-
<i>Neutral Bay Mainstreet Levy</i>	143	(132)	-	11	-	11
<i>Stormwater Management Service Charge</i>	-	-	-	-	-	-
Total Externally Restricted	52,609	(3,543)	(779)	48,287	6,483	54,770
Internally Restricted						
<i>Capital Works Reserve</i>	9,999	(4,678)	(3,257)	2,064	(709)	1,355
<i>Income Producing Projects Reserve</i>	794	(213)	-	581	-	581
<i>I.T. Hardware & Software Reserve</i>	856	(445)	-	411	-	411
<i>Plant Reserve</i>	2,122	-	(13)	2,109	-	2,109
<i>Employee Leave Entitlements Reserve</i>	6,833	-	-	6,833	-	6,833
<i>North Sydney Olympic Pool Redevelopment Reserve</i>	1,444	(1,444)	-	-	-	-
<i>Community Housing - Capital Purchases Reserve</i>	963	-	(2)	961	-	961
<i>Community Housing - Major Maintenance Reserve</i>	591	-	-	591	-	591
Total Internally Restricted	23,602	(6,780)	(3,272)	13,550	(709)	12,841
Total Restricted	76,211	(10,323)	(4,051)	61,837	5,774	67,611
Unrestricted	-	-	-	-	-	-
Total Cash & Investments	76,211	(10,323)	(4,051)	61,837	5,774	67,611

Notes:

- Externally restricted funds must be spent for a specific purpose and cannot be used by council for general operations.
- Internally restricted funds have been earmarked by Council for a specific future purpose. Unrestricted funds are cash and investments available after deducting restricted funds.
- Unrestricted funds are cash and investments available after deducting restricted funds.
- Original Budget +/- approved budget variations in previous quarters = Revised Budget.
- Revised Budget +/- recommended variations this quarter = Projected Year End Result.

Comment on Cash & Investments PositionInvestments

All externally and internally restricted funds have been invested in accordance with Council's Investment Policy.

Cash

The value of Cash at Bank which has been included in the 'Total Cash & Investments' figure of \$158,815,416 is \$681,177. This Cash at Bank amount has been reconciled to Council's physical bank statements. The bank reconciliation completed on 8 January, 2024.

Cash & Investments Report (Cont.)**Comment on Cash & Investments Position****Reconciliation**

The YTD total Cash and Investments reconciles to the actual balances held as follows:

Cash at Bank (as per bank statements)	657,862
Cash on Hand (Cash Floats)	6,900
Cash Equivalent Assets (Deposits at Call)	17,920,000
Investment Securities (Term Deposits & FRNs)	140,648,253
less Shorelink Cash & Investments	(297,735)
less Wendy Whiteley Reserve Cash	(139,833)
less Unpresented Cheques	(1,559)
plus Undeposited Funds	21,528
less Unidentified Deposits (not yet accounted in ledger)	-
YTD Cash & Investments	<u>158,815,416</u>

Recommended Variations to Revised Budget for December Quarter

		Increase / (Decrease) (\$000's)
Movement in Restricted Funds - Income from Continuing Operations		
Developer Contributions	Local infrastructure contributions	6,536
Capital Works Reserve	Rates income (reduction in transfer to reserve)	<u>(1,319)</u>
		<u>5,217</u>
Movement in Restricted Funds - Expenses from Continuing Operations		
Environmental Levy	Utility bill monitoring and analysis	(4)
Capital Works Reserve	Ward Street Car Park masterplan	270
Capital Works Reserve	Heritage conservation review	190
Capital Works Reserve	Project Management Framework Implementation	80
Capital Works Reserve	Affordable housing strategy	50
Capital Works Reserve	Public art commission	50
		<u>636</u>
Movement in Restricted Funds - Capital Expenditure		
Domestic Waste Management	Realignment of footpath at 55 Carter Street	(49)
Capital Works Reserve	Community centres equipment purchases	5
Capital Works Reserve	Lighting adjustment at East Crescent Street Pocket Park	(2)
Capital Works Reserve	North Sydney Oval refrigerated trailer	(15)
Capital Works Reserve	Multi function printers software upgrade	<u>(18)</u>
		<u>(79)</u>
Total Movement in Restricted Funds		<u>5,774</u>

The above adjustments are either offset by an increase or decrease in the budget for an income or expenditure item. Hence, they have no impact on the bottom line of the budget and, therefore, the 2023/24 Operational Plan and it is not anticipated that they will have a significant impact on Council's Long Term Financial Plan.

North Sydney Council

Quarterly Budget Review Statement for the quarter ended 31 December 2023

Contracts Listing

Contractor	Contract Detail & Purpose	Contract Value	Commencement Date	Duration of Contract	Budgeted (Y/N)
Azbuild Pty Ltd	Contract 10-2023 Honda Road and Waverton Park GPTs	\$517,133.00	27/11/2023	7 Months	Y
Ezy Pave Pty Ltd	Contract 1-2021(53) Little Spring Street Upgrade Works	\$151,771.00	18/12/2023	4 Months	Y
Ezy Pave Pty Ltd	Contract 1-2021(54) Burton Street Plaza - Kirribilli	\$725,142.00	07/12/2023	6 Months	Y
Bedrule Pty Ltd	Contract 1-2021(60) Colin Street Upgrade Works	\$311,200.00	07/11/2023	5 Months	Y
Anzellotti Constructions Pty Ltd	Contract 1-2021(57) Coal Loader Tunnels Resurfacing	\$191,300.00	07/11/2023	5 Months	Y
The Trustee for Fishman Family Trust	Contract 14-2023 North Sydney Bike Strategy & Action Plan	\$143,154.00	06/11/2023	14 Months	Y
The Information Management Group Pty	Contract 15-2023 Digitalisation of Council's Property Files	\$60,000.00	08/12/2023	12 Months	Y
Cumnock Constructions Sustainability	Contract 17-2023 Quarantine Depot Remedial Works	\$184,764.00	07/11/2023	4 Months	Y
The Trustee for Bone Dry Unit Trust	Contract 18-2023 NSOP Eastern Stair Tower Roof Repair	\$199,251.00	08/11/2023	4 Months	Y
Triton Group Co Pty Ltd	Contract 21-2023 Stanton Library Floor Amenities	\$211,496.00	15/12/2023	5 Months	Y
Sparke Helmore Lawyers	Contract 23-2020(2) North Sydney Olympic Pool - Legal Advice	\$800,000.00	19/12/2023	12 Months	Y
Hideaway Landscapes Pty Ltd	Contract 6-2023 Hard Surface Weed Control	\$135,000.00	09/10/2023	12 Months	Y

Notes

- Contracts listed are those entered into during the quarter with a value in excess of the lesser of 1% of Council's estimated income from continuing operations or \$50,000 that have yet to be fully performed (excluding those with contractors that are on Council's preferred supplier list and contracts for employment).
- Contracts entered into with contractors that are on Council's preferred supplier list and contracts for employment have been excluded.

Consultancy and Legal Expenses

Consultancies	1,976,406	Y
Legal Fees	1,443,253	Y

Definition of consultant:

A consultant is a person or organisation engaged under contract on a temporary basis to provide recommendations or high level specialist or professional advice to assist decision making by management. Generally, it is the advisory nature of the work that differentiates a consultant from other contractors.

North Sydney Council

Quarterly Budget Review Statement for the quarter ended 31 December 2023

Key Performance Indicators

Key Performance Indicator	Indicator	Indicator	Prior Periods		
	Projected 2024/24	Original 2023/24	Actual 2022/23	Actual 2021/22	Actual 2020/21

To assist in measuring Council's financial sustainability the following key performance indicators are monitored:

1. Operating Performance Ratio

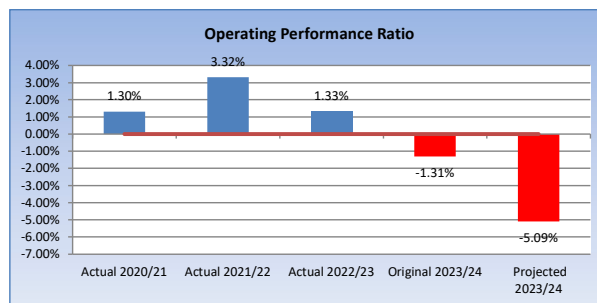
Total continuing operating revenue excluding capital grants and contributions, fair value adjustments, net gains on disposal of assets and net share of interest in joint venture gain less operating expenses excluding fair value decrements, net losses on disposal of assets and net share of interest in joint venture loss

-5.09%	-1.31%	1.33%	3.32%	1.30%
--------	--------	-------	-------	-------

Total continuing operating revenue excluding capital grants and contributions, fair value increments, net gains on disposal of assets and net share of interest in joint venture gain

The purpose of this indicator is to determine whether operating revenue is sufficient to finance Council's current operations. A series of negative results indicates that Council is relying on capital and/or external funding sources to prop up its operating activities. Continuing operating deficits reflect on the long-term ability of Council to maintain existing programs and sustain current levels into the future. This assumes that current depreciation provisions are adequate to provide for the replacement of existing assets. Any inadequate provision will render the situation worse.

This ratio has exceeded the benchmark in each of the last 3 years. It was originally forecast to be at slightly below the benchmark in 2023/24. However, the early receipt in June 2023 of the 2023/24 Financial Assistance Grant and the need to carry forward \$1.2 million of funding from 2022/23 to 2023/24 to complete non-recurrent operating projects still in progress at 30 June 2023 has resulted in a deterioration of Council's forecast operating result for 2023/24. This has resulted in the forecast Operating Performance Ratio falling further below the benchmark.



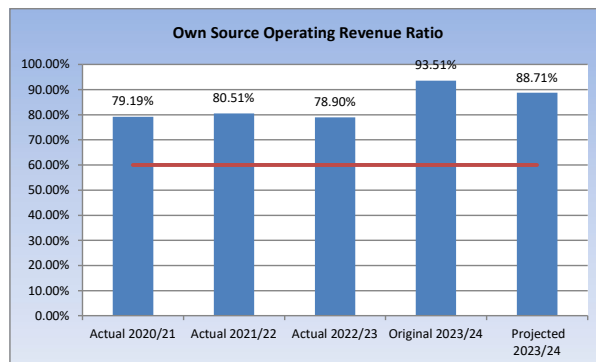
2. Own Source Operating Revenue Ratio

Total continuing operating revenue excluding all grants and contributions, fair value adjustments, net gains on disposal of assets and net share of interest in joint venture gain

88.71%	93.51%	78.90%	80.51%	79.19%
--------	--------	--------	--------	--------

Total continuing operating revenue excluding fair value adjustments, net gains on disposal of assets and net share of interest in joint venture gain

This indicator provides a measure of the degree of reliance on external funding sources such as operating grants and contributions. It should be greater than the benchmark of 60%. This is an indication that Council does not rely heavily on external funding sources such as grants.



North Sydney Council

Quarterly Budget Review Statement for the quarter ended 31 December 2023

Key Performance Indicators

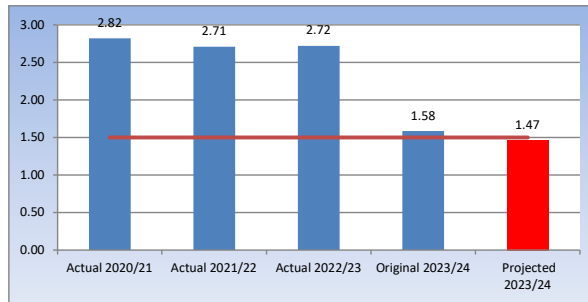
Key Performance Indicator	Indicator	Indicator	Prior Periods		
	Projected 2024/24	Original 2023/24	Actual 2022/23	Actual 2021/22	Actual 2020/21

3. Unrestricted Current Ratio

$\frac{\text{Current assets less all external restrictions}}{\text{Current liabilities less specific purpose liabilities}}$	1.47 x	1.58 x	2.72 x	2.71 x	2.82 x
---	--------	--------	--------	--------	--------

The purpose of this indicator is to assess the ability of the organisation to meet the short term debts and obligations relating to its unrestricted activities as they fall due. Current means within the next 12 months, i.e. assets receivable or convertible to cash within 12 months and liabilities to be paid within the next 12 months. Externally restricted assets are cash and receivables that have a restriction placed on them, by statute or otherwise, which governs the way they are managed. Examples include unspent developer contributions, specific purpose grants and contributions and Domestic Waste Management, Mainstreet, Environmental and Infrastructure Levy funds. Externally restricted assets are deducted from total current assets as it is only unrestricted current funds that are available to meet liabilities as they fall due.

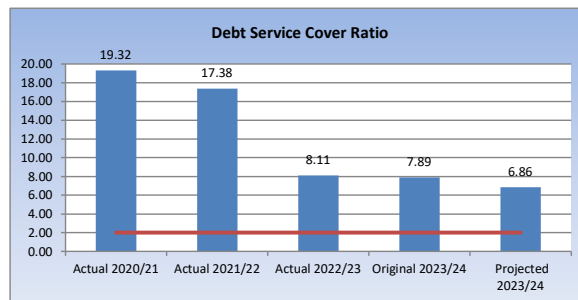
This ratio should be greater than 1.5x, the benchmark considered satisfactory by the industry. Council's ratio has been above the benchmark for a number of years however it is currently forecast to fall just below this level in the short term. This is primarily due to reductions in forecast income from a number of sources including parking meters and hoarding permits. Whilst the current forecast for this ratio still indicates adequate capacity for Council to meet its obligations in the short term for its unrestricted activities it will need to ensure that it is brought back to above the benchmark for the medium and long terms.



4. Debt Service Cover Ratio

$\frac{\text{Operating result before capital grants and contributions excluding interest and depreciation}}{\text{Debt service cost (i.e. loan principal and interest payments)}}$	6.86 x	7.89 x	8.11 x	17.38 x	19.32 x
--	--------	--------	--------	---------	---------

The purpose of this indicator is to assess the impact of loan principle and interest repayments on the organisation's discretionary revenue. Prudent financial management dictates that an organisation should not over commit itself to debts that it cannot service. For a developed council, such as North Sydney, ideally this ratio should be greater than 2.00x. Additional borrowing will result in a further drop in this ratio in 2023/24. However, currently this ratio is well above the benchmark indicating that Council has the capacity to service further borrowing in needed.



North Sydney Council

Quarterly Budget Review Statement for the quarter ended 31 December 2023

Key Performance Indicators

Key Performance Indicator	Indicator	Indicator	Prior Periods		
	Projected 2024/24	Original 2023/24	Actual 2022/23	Actual 2021/22	Actual 2020/21

5. Buildings and Infrastructure Renewals Ratio

$\frac{\text{Infrastructure Asset Renewals}}{\text{Infrastructure Depreciation, Amortisation \& Impairment}}$	289.07%	266.98%	86.79%	150.63%	98.35%
---	---------	---------	--------	---------	--------

The purpose of this indicator is to measure the extent to which Council is maintaining the condition of its infrastructure assets, either through repairs and maintenance, or the adequacy of its provision to replace those assets as they reach the end of their useful lives. This ratio should be at least 100% and this is the benchmark documented in Council's Financial Management Policy. It is forecast to be well above the benchmark in 2023/24, largely due to the impact of the redevelopment of North Sydney Olympic Pool.

