

10.4. Quarterly Budget Review - September 2024

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ENDORSED BY	Luke Harvey, Director Corporate Services
ATTACHMENTS	1. Quarterly Budget Review Statements September 2024 [10.4.1 - 16 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 30 September 2024, highlighting and tracking variances from the original budget; and
- seek Council's approval to carry forward unspent funds from 2023/24.

EXECUTIVE SUMMARY:

The Quarterly Budget Review shows:

- **Decrease in Operating Deficit (before Capital Grants and Contributions):** The deficit decreased by \$1.954 million, bringing it down to \$6.479 million. This was primarily due to a \$2.3 million reduction in depreciation costs. The initial budget was based on an assumption that construction costs would continue to reflect recent high inflation trends, which subsequently eased. Depreciation expenses for the pool have decreased due to construction delays and the delayed commissioning of the asset. Additionally, other budgeted income and operating expenses for the North Sydney Olympic Pool (NSOP), originally included in the budget, have been excluded in this review. Furthermore, revenue from parking meters fell by \$1 million, partially offset by higher-than-expected returns from financial investments.
- **Increase in Operating Surplus (including Capital Grants and Contributions):** An increase of \$7.851 million, bringing the surplus to \$3.399 million.
- **Capital carry overs from prior year.** A total of \$29.441 million is proposed to be carried forward from 2023/24. This includes \$11.345 million for NSOP, \$2.865 million for the Young Street Plaza redevelopment, and \$1.531 million for the parking meter upgrade. These projects were committed at 30 June 2024 but were not completed for reasons such as project delays, community consultation, scheduling with contractors, and coordinating with other authorities.
- **TCorp Corporation loan.** Council has received a \$20 million loan from TCorp Corporation. It was externally restricted on receipt and is being utilised for the NSOP project this financial year.

- **North Sydney Pool Project.** This budget review includes additional variations for the Project in the amount of \$17.203 million, arising from delays due to issues identified with the structural steel.
- **The Unrestricted Current Ratio** projected to 30 June 2025 is **0.66**. This fails the Office of Local Government benchmark of 1.50. As it is less than 1.00, there is a risk that Council will not have sufficient short-term assets to meet its short-term liabilities.
- Due to a high level of outstanding capital works, actual liquidity as at 30 September is manageable, however critical repair will be required prior to the next Quarterly Review, including a review of existing budgets for reduction. If budgets cannot be contracted, additional borrowings may be required.
- Council's financial position continues to deteriorate, primarily due to losses in income from its own funding streams and increased costs associated with the North Sydney Olympic Pool project.

RECOMMENDATION:

- 1. THAT** Council adopt the Quarterly Budget Review Statement – September 2024 report in accordance with clause 203 of the Local Government (General) Regulation 2021.
- 2. THAT** Council endorse 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.

Original Budget

Council's Original Budget for 2024/25 forecast a deficit before Capital Grants and contributions of \$8.251 million, and a net operating deficit after capital grants and contributions of \$5.193 million.

The original budget included \$45.365 million for the capital works program and replacement of plant and equipment.

Operational Budget and recommended Adjustments to the Budget at the End of the September Quarter

This review proposes adjustments listed in the attached Quarterly Budget Review Statement and the Income Statement summary presented below.

North Sydney Council

Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

Income & expenses budget review statement

Budget review for the quarter ended 30 September 2024

Income & expenses - General Fund

(\$000's)	Original budget 2024/25	Carry forwards	Revised budget 2024/25	Variations for this Sep Qtr	Notes	Projected year end result	Actual YTD figures	Budget YTD figures	YTD Variance
Income									
Rates and annual charges	79,066	-	79,066	-	1	79,066	79,563	79,187	376
User charges and fees	36,774	-	36,774	(2,971)	2	33,803	9,714	10,190	(476)
Other revenues	10,216	-	10,216	76	3	10,292	2,900	2,614	286
Interest and investment revenue	2,665	-	2,665	500	4	3,165	1,026	667	359
Other income	5,887	-	5,887	-	5	5,887	1,513	1,471	42
Grants and contributions - operating	4,666	30	4,696	331	6	5,027	1,489	1,601	(112)
Grants and contributions - capital	3,058	923	3,981	5,897	7	9,878	2,392	1,029	1,363
Total income from continuing operations	142,332	953	143,285	3,833		147,118	98,597	96,759	1,838
Expenses									
Employee benefits and on-costs	55,651	-	55,651	(1,245)	8	54,406	12,985	13,922	937
Materials and services	53,337	212	53,549	(473)	9	53,076	15,486	15,163	(323)
Borrowing costs	2,382	-	2,382	-	10	2,382	540	540	-
Depreciation and amortisation	31,095	-	31,095	(2,300)	11	28,795	7,560	7,560	-
Other expenses	4,783	-	4,783	-	12	4,783	2,271	2,202	(69)
Net Loss from disposal of assets	277	-	277	-	13	277	-	-	-
Total expenses from continuing operations	147,525	212	147,737	(4,018)		143,719	38,842	39,387	545
Net operating result from continuing operations	(5,193)	741	(4,452)	7,851		3,399	59,755	57,372	1,293
Net Operating Result before Capital Items	(8,251)	(182)	(8,433)	1,954		(6,479)	57,363	56,343	(70)

Significant favorable adjustments to the operating result include:

- Depreciation decreased by \$1.721 million for adjustment of the inflation and \$579 thousand for delays to the completion and commissioning of the NSOP project.
- A \$500,000 increase in interest and investment income, driven by higher-than-expected cash balances due to project delays.

- Several operational grants, such as \$190,000 sponsorships for the North Sydney Festival and a \$120,000 Vibrant Street grant for other activities.

Significant unfavorable adjustments include:

- A \$1 million reduction in parking meter revenue is projected, caused by the commissioning of new meters, competition from private parking stations offering reduced prices, and the initial impacts of Metro.
- Exclusion of \$2 million in projected income from NSOP operations, offset by a reduction in operational costs.

The favorable adjustments in capital grants are primarily due to the recognition of grants received in prior years for projects scheduled for completion this year.

Refer to the attached Income and expenses budget review statement for the detailed listing of the recommended changes to the revised budget.

Capital Budget and recommended adjustments to the budget at the End of the September Quarter

North Sydney Council

Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

Capital budget review statement

Budget review for the quarter ended 30 September 2024

Capital budget - General Fund

(\$000's)	Original budget 2024/25	Carry forwards	Revised budget 2024/25	Variations for this Sep Qtr	Notes	Projected year end result	Actual YTD	Budget YTD	Variance YTD	Notes
Capital expenditure										
New assets										
- Total New Assets	4,077	6,912	10,989	140	1	11,129	2,000	2,500	500	
Renewal assets (replacement)										
- Total Renewal Assets	41,288	22,529	63,817	17,498	2	81,315	6,135	3,878	(2,257)	
Total capital expenditure	45,365	29,441	74,806	17,638		92,444	8,135	6,378	(1,757)	
Capital funding										
Rates & other untied funding	2,879	-	2,879	140	3	3,019	-	-	(3,514)	
Capital grants & contributions	950	9,894	10,844	-	4	10,844	1,662	500	1,162	
Reserves:										
- External restrictions/reserves	6,624	2,844	9,468	-	5	9,468	343	500	(157)	
- Internal restrictions/reserves	14,912	16,703	31,615	17,498	6	49,113	743	378	365	
New loans	20,000	-	20,000	-	7	20,000	5,387	5,000	387	
Total capital funding	45,365	29,441	74,806	17,638		92,444	8,135	6,378	(1,757)	
Net capital funding - surplus/(deficit)	-	-	-	-		-	-	-	-	

The review proposes carrying forward \$29.441 million from the previous year's capital budget into 2024/25. With this carry-forward amount and other adjustments, the total capital budget for the year is \$92.444 million, of which \$84.309 million remains unspent. Year-to-date capital expenditure totals \$8.135 million.

Of the \$92.444 million budget, \$55.409 million is allocated to the NSOP project, with \$6.968 million spent on the project year-to-date.

The remaining \$37.395 million is designated for other capital projects, with \$1.167 million spent year-to-date.

The list below details the carried-forward projects and the revised capital budget.

1	Total New Assets	
	Build of Digital Wall at Coal Loader	150,000
	LED Lighting Upgrade for Coal Loader Tunnels	30,000
	Desk & office equipment	10,000
	Banner Pole Project (will not proceed in FY 2025)	- 50,000
		140,000
	Carry forwards	
	Crows Nest Mainstreet, Crows Nest Public Domain Ma	2,815,719
	Holtermann Street Car Park, Upgrade, Consultants	1,496,494
	Quarantine Boat Depot Upgrade	1,111,720
	Young Street Plaza	731,054
	287 Miller Street Affordable Housing	617,966
	Developed Open Space, Hume Street Park Expansion	72,307
	St Leonards Park Bicycle Concept	58,902
	Active Transport Facilities Saint Peters Park	7,820
		6,911,982
2	Total Renewal Assets	
	North Sydney Olympic Pool	17,203,322
	Additional parking meters and removal of old meters	295,000
		17,498,322
	Carry forwards	
	Olympic Pool, Pool Complex Upgrade	11,345,007
	Streetscape Works Young Street Plaza	2,864,992
	Parking Meters Upgrade	1,530,863
	Streetscape Kirribilli & McMahons Point Village	957,074
	Information Systems, Computer Hardware & Software	893,845
	Lavender Bay Parklands	890,623
	Primrose Park Sports Field Reconstruction	600,000
	Neutral Bay Mainstreet	483,487
	Merret Playground Playground Construction	470,890
	Information Systems, Network Infrastructure Refresh	382,845
	Waruda Street Driveway Construction	364,559
	Bus Shelters Replacement	344,536
	Primrose Park Levelling & Drainage	255,000
	Nutcote Museum Building Refurbishment	207,989
	Cammeray HPAA	193,814
	Gross Pollutant Traps Upgrade	151,573
	North Sydney Oval Grandstands Air Conditioning	139,937
	Mary French Reserve Playground	138,412
	Drainage Construction Works	60,474
	Bligh Street Streetscape	47,500
	Tunks Park, Small Watercraft Storage	43,760
	Migration of telephony to MS Teams	40,000
	Cranbrook Street Pedestrian Crossing	37,088
	Information Systems, Modernise GIS Platformer	28,000
	Street Furniture	20,317
	Walking Tracks, Gore Cove	17,632
	Primrose Park Cricket Nets	10,837
	Unspent Local Priority Grant	4,669
	Caltex Site Tunnel 2 Resurfacing	4,130
		22,529,853

Parking Meters Upgrade Project

\$1.530 million will be carried forward to fund completion of the replacement project commenced in 2023/24. \$295,000 in new funding is requested for the September review. \$295,000 was required to fund the unbudgeted removal of the old meters. This will be funded from the unrestricted reserves.

Young Street Plaza

Council sought additional feedback on the proposed design for the Young Street Plaza in Neutral Bay. The plans for the permanent plaza include new trees, seating, a play area, and a pedestrian thoroughfare that will make it safer to walk, cycle, and spend time in and around Neutral Bay village. Completion of the works will need funds to be carried forward. These works are funded by Special purpose grants, which are part of the Externally Restricted Funds.

287 Miller Steet Redevelopment

This contribution to the community housing project will need to be carried forward from FY 2024 based on the progress of the construction works. These works are funded by Developer Contributions, which are part of the Externally Restricted Funds.

North Sydney Olympic Pool

On 31 August 2024, issues were encountered on site with sagging of structural steel beams requiring the disassembly and review of the structural steel over the 25m pool. This is currently the subject of a formal Notice of Dispute.

Despite the dispute not yet being resolved, with the new structural steel now erected, Council's contractor have indicated a practical completion date of 23 May 2025 in their program. While this date has not been agreed by the parties, and mitigation measures have been put forward by Council, due to Council's current financial position, it is important that budgets are set aside to provide for this delay should it eventuate.

Current forecast project costs total \$122.2 million. A review of current budgets, along with forecast costs for project management, design consultants, and project contingency, estimates an additional \$17,203,322 will be required to support a practical completion date of 23 May 2025.

This does not account for any future legal recoveries or liquidated damages that may be eventuate resulting from design and/or construction action/disputes. Legal processes take significant time, and Council will need to meet the cashflow requirements in the short-term.

Financial Year 2024/25 Budget and Funding

The original budget for the NSOP for the financial year 2024/25 included \$26,860,462, covering both capital and operational costs. In addition, \$11,345,007 is carried forward from previous years due to underspend caused by construction delays. \$17,203,322 has been added as the extra project cost discussed above.

The total budget for the financial year 2024/25 is \$55,408,791. The table below summarises the components of this budget.

Description	Amount
Original Budget for 2024/25	26,860,462
Carry forward from 2023/24 to 2024/25 including \$1,624,537 not included to the budget	11,345,007
Additional budget from the September 24 review	17,203,322
TOTAL updated budget 2024/25	55,408,791

The additional budget for the financial year 2024/25 will be funded through borrowings from internal reserves. Council will need to implement financial strategies over the coming years to repay these internal borrowings, ensuring long-term financial sustainability.

It should be noted that \$10,000,000 was borrowed from the Capital projects reserve in the prior year, the total borrowing from the internal reserves is \$34,191,318

Funding source	Amount
20 Years TCorp Loan - obtained in July 2024	20,000,000
NSOP reserve Carry forward from 2023/24 to 2024/25	9,717,473
Borrowing from internal reserve - employee leave liability	4,988,900
Borrowing from internal reserve - bonds and deposits	11,519,611
Borrowing from internal reserves - Capital reserve	6,231,807
Borrowing from internal reserves - Community Housing	1,451,000
State Government grant paid after practical completion	1,500,000
TOTAL funded projects costs	55,408,791

Cash and investment

Council's cash and investment positions have significantly deteriorated, primarily due to a continuous decline in own-source income, such as car parking revenue, along with additional funding required for the North Sydney Olympic Pool (NSOP) projects.

A total of \$34.2 million has been borrowed from various internal reserves to finance the completion of the NSOP project for the 2024/25 financial year.

The remaining internal reserves are projected to fall to \$5.275 million, which is critically low and results in an estimated unrestricted current ratio of 0.66. These reserves cannot be reduced any further and are based upon an assessment of likely payments required from employee leave entitlements and bonds and deposits in the short-term.

Due to a high level of outstanding capital works, actual liquidity as at 30 September is manageable, however critical repair will be required prior to the next Quarterly Review, including a review of existing budgets for reduction. If budgets cannot be contracted, additional borrowings may be required. Strong cashflow management and control will be vital.

The table below provides details of the projected balances of external and internal reserves.

North Sydney Council

Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

Cash & investments budget review statement

Budget review for the quarter ended 30 September 2024

Cash & investments - General Fund

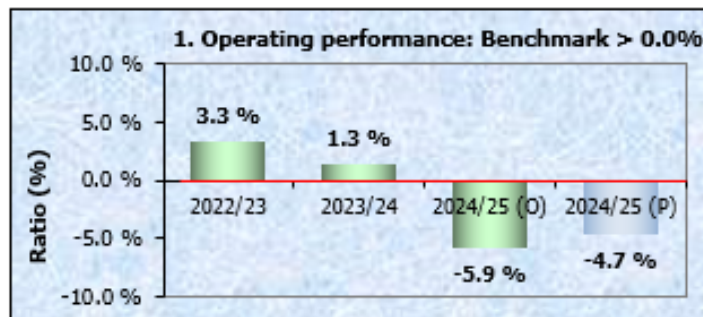
(\$000's)	Original budget 2024/25	Carry forwards	Revised budget 2024/25	Variations for this Sep Qtr	Notes	Projected year end result	Actual YTD figures
Externally restricted ⁽¹⁾							
Specific purpose unexpended grants	6,717	-	6,717	-	1	6,717	6,544
Developer contributions – general	44,031	-	44,031	-	2	44,031	42,371
Unexpended Special Rates	1,003	-	1,003	(180)	3	823	1,144
Domestic waste management	15,188	-	15,188	-	4	15,188	9,710
Unspent borrowings - North Sydney Olympic Pool	-	-	-	-	5	-	15,812
Other specific purpose contributions	-	-	-	-	6	-	4,395
Total externally restricted	66,939	-	66,939	(180)		66,759	79,976
<small>(1) Funds that must be spent for a specific purpose</small>							
Internally restricted ⁽²⁾							
Capital works	-	-	-	-	7	-	9,017
Community housing - capital purchases	960	-	960	(960)	8	-	963
Community housing - major maintenance	491	-	491	(491)	9	-	491
Deposits, retentions, and bonds	14,657	-	14,657	(11,520)	10	3,137	14,600
Employees leave entitlement	7,127	-	7,127	(4,989)	11	2,138	7,093
I.T. hardware and software	10	-	10	(10)	12	-	1,362
Income producing projects	-	-	-	-	13	-	495
Olympic Pool Redevelopment	-	-	-	-	14	-	12,166
Plant and vehicle replacement	295	-	295	(295)	15	-	3,264
Total internally restricted	23,540	-	23,540	(18,265)		5,275	49,451
<small>(2) Funds that Council has earmarked for a specific purpose</small>							
Unrestricted (ie. available after the above Restrictions)	9,243	-	9,243	(677)		8,566	22,148
Total Cash & investments	99,722	-	99,722	(18,263)	16	80,600	151,575

Key Performance Indicators (KPIs) Overview

The following key performance indicators (KPIs) provide an assessment of Council's financial health and operational stability. They serve as critical benchmarks against which Council's financial management resilience is measured. Meeting or exceeding these KPIs is essential for maintaining sustainable operations and financial viability. However, recent performance highlights areas of concern that require close monitoring and strategic action to address potential risks.

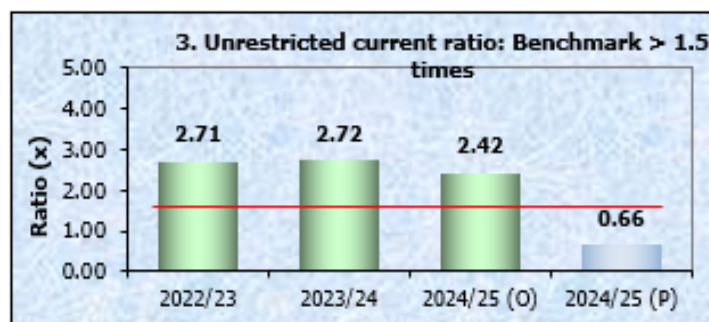
Operating Performance Ratio – **negative 4.7%**

This ratio reflects Council’s ability to contain operating expenses within operating revenue (excluding capital grants and contributions). The current negative result is an improvement on the original budget, due mainly to reduced depreciation forecast.



Unrestricted Current Ratio – **0.66**

This ratio evaluates the adequacy of working capital for meeting short-term obligations. The forecast suggests that Council cannot meet immediate obligations on 30 June 2025, emphasizing the need to enhance short-term liquidity.



Overall Financial Position

In recent years, several previously reliable income sources have declined significantly, with no sign of recovery. This report highlights further deterioration in parking meter revenue.

Council’s current financial position is unsustainable. The projected Unrestricted Current Ratio as of 30 June 2024 highlights the pressing need for corrective measures. Without immediate corrective action Council will struggle to maintain financial viability, adequately fund the pool project, and sustain other assets at acceptable service levels. Immediate action is essential to stabilise income sources, control expenditure, and pursue alternative revenue streams to secure long-term sustainability.

To address this critical position, a full and comprehensive review of Council’s Long Term Financial Plan has been undertaken and a special rate variation is being proposed. This is the subject of a report under separate cover.

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 \$6.479 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 period 01/07/24 to 30/09/24

Report by responsible accounting officer

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

30 September 2024

It is my opinion that the Quarterly Budget Review Statement for North Sydney Council for the quarter ended 30/09/24 indicates that Council's projected financial position at 30/6/25 will be unsatisfactory at year end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

My opinion above, that Council's projected financial position as at 30/6/25 will be unsatisfactory has been based on the following factors:

1. Repeated operating deficits and funding requirements for the NSOP project are eroding Council's financial position.
2. The projected Unrestricted Current Ratio at 30 June 2025 fails the Office of Local Government mandated benchmark of 1.5 times and is less than 1 times. This indicates that on that date Council will have fewer short term assets than liabilities.

Recommended remedial action to deal with this unsatisfactory position:

- a. Council's strategic plan to respond to its financial position is well advanced it will be placed for community consultation in the very near future.

Signed: _____

date: 11-Nov-24

Aigul Utegenova
Responsible Accounting Officer

North Sydney Council

Quarterly Budget Review Statement

for the period 01/07/24 to 30/09/24

Income & expenses budget review statement

Budget review for the quarter ended 30 September 2024

Income & expenses - General Fund

(\$000's)	Original budget 2024/25	Carry forwards	Revised budget 2024/25	Variations for this Sep Qtr	Notes	Projected year end result	Actual YTD figures	Budget YTD figures	YTD Variance
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Employee benefits and on-costs	55,651	-	55,651	(1,245)	8	54,406	12,985	13,922	937
Materials and services	53,337	212	53,549	(473)	9	53,076	15,486	15,163	(323)
Borrowing costs	2,382	-	2,382	-	10	2,382	540	540	-
Depreciation and amortisation	31,095	-	31,095	(2,300)	11	28,795	7,560	7,560	-
Other expenses	4,783	-	4,783	-	12	4,783	2,271	2,202	(69)
Net Loss from disposal of assets	277	-	277	-	13	277	-	-	-
Total expenses from continuing operations	147,525	212	147,737	(4,018)		143,719	38,842	39,387	545
Net operating result from continuing operations	(5,193)	741	(4,452)	7,851		3,399	59,755	57,372	1,293
Net Operating Result before Capital Items	(8,251)	(182)	(8,433)	1,954		(6,479)	57,363	56,343	(70)

This statement forms part of Council's Quarterly Budget Review Statement (QBRs) for the quarter ended 30/09/24 and should be read in conjunction with the total QBRs report

North Sydney Council

Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

Income & expenses budget review statement
Recommended changes to revised budget

Budget Variations being recommended include the following material items:

Notes	Details	
1	Rates and annual charges No change	
2	User charges and fees Reduce parking meter fees, lower activity due to increased competition from private parking stations Reduce pool fees due to delayed opening Adjust to match Sunset Cinema new agreement Other Small Adjustments	- 1,000,000 - 2,015,781 - 7,726 52,523 <u>- 2,970,984</u>
3	Other revenues Environment and Building compliance income, increased activity Other Small Adjustments	70,000 5,850 <u>75,850</u>
4	Interest and investment revenue Increase for higher than expected cash and investment balances	500,000 <u>500,000</u>
5	Other income No change	
6	Grants and contributions - operating Various sponsorships for North Sydney Festival Vibrant Streets grant (Cash Received FY 24) HMAS Sydney restoration grant (Cash Received FY 24) Aboriginal Heritage Sites grant (Cash Received FY 24) The 2024/25 Financial Assistance Grant was paid in advance in FY2024. This might require need a downward revision of \$2m if the FY 2026 Grant is not received in advance. This will be monitored and reported in subsequent reviews. <i>Carry forwards</i> Village Activations Grant Income	190,000 120,000 10,000 10,718 <u>330,718</u> <u>30,000</u> 30,000
7	Grants and contributions - capital Transport NSW Young Street Plaza (Cash Received prior years) NSW Sport Grant for NSOP - to be receipted on practical completion Public Spaces Legacy Grant (Cash received prior years) Merret Playground grant (Cash received FY 24) LRCI Grant Wyodgon Stairs (Cash received FY 24) Cigarette Butt grant(Cash Received FY 24) Transport NSW Short Lane grant (Cash received prior years) Library Local Priority grant(Cash Received FY 24)	2,864,992 1,500,000 1,111,384 214,346 178,176 13,037 10,690 4,669 <u>5,897,293</u>

<i>Carry forwards</i>	
St Leonards Park Bicycle Concept	58,902
Young Street Grant Income	552,200
Wyagdon Street Stairs	91,383
Cammeray HPAA Grant Income	193,814
Short Lane Footpath Continuation	26,398
	<u>922,697</u>

8	Employee benefits and on-costs	
	Reduce pool expenses due to delayed opening	- 1,274,693
		<u>- 1,274,693</u>
9	Materials and services	
	Insurance increase to match premiums issued	20,329
	General Counsel savings in reference materials due to e- resources	- 43,932
	Installation of security camera North Sydney Oval	7,200
	Reduce pool expenses due to delayed opening	- 578,500
	Increase Greenhouse Monitoring consultant to match actual new contract	14,413
	Superannuation Guarantee review contractor	26,070
	Strategic rates model review contractor	82,450
	Traffic Studies Consultants Budget	50,000
	Adjust to match Sunset Cinema new agreement	6,780
	Other Small Adjustments	- 57,623
		<u>- 472,813</u>
	<i>Carry forwards (Grant funded)</i>	
	Aboriginal Heritage Program AHO Sites	2,809
	Aboriginal Heritage Program Rock Engraving Record	7,909
	Restoration of Bow of HMAS Sydney	10,000
	Drainage Program	17,873
	Events Management Village Activations	150,000
	North Sydney Cigarette Butt Litter Project	13,037
	Sydney Metro Tree Planting	10,456
		<u>212,084</u>
10	Borrowing costs	
	No change	
11	Depreciation and amortisation	
	Reduce depreciation due to lower than expected infrastructure input costs	- 1,721,000
	Reduce pool depreciation due to delay in completion	- 579,000
		<u>- 2,300,000</u>
12	Other expenses	
	No change	
13	Net Loss from disposal of assets	
	No change	

North Sydney Council

Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

Capital budget review statement

Budget review for the quarter ended 30 September 2024

Capital budget - General Fund

(\$000's)	Original budget 2024/25	Carry forwards	Revised budget 2024/25	Variations for this Sep Qtr	Notes	Projected year end result	Actual YTD	Budget YTD	Variance YTD	Notes
Capital expenditure										
New assets										
- Total New Assets	4,077	6,912	10,989	140	1	11,129	2,000	2,500	500	
Renewal assets (replacement)										
- Total Renewal Assets	41,288	22,529	63,817	17,498	2	81,315	6,135	3,878	(2,257)	
Total capital expenditure	45,365	29,441	74,806	17,638		92,444	8,135	6,378	(1,757)	
Capital funding										
Rates & other untied funding	2,879	-	2,879	140	3	3,019	-		(3,514)	
Capital grants & contributions	950	9,894	10,844	-	4	10,844	1,662	500	1,162	
Reserves:										
- External restrictions/reserves	6,624	2,844	9,468	-	5	9,468	343	500	(157)	
- Internal restrictions/reserves	14,912	16,703	31,615	17,498	6	49,113	743	378	365	
New loans	20,000	-	20,000	-	7	20,000	5,387	5,000	387	
Total capital funding	45,365	29,441	74,806	17,638		92,444	8,135	6,378	(1,757)	
Net capital funding - surplus/(deficit)	-	-	-	-		-	-	-	-	

This statement forms part of Council's Quarterly Budget Review Statement (QBRS) for the quarter ended 30/09/24 and should be read in conjunction with the total QBRS report

North Sydney Council

Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

Capital budget review statement
Recommended changes to revised budget

Budget variations being recommended include the following material items:

Notes	Details	
1	Total New Assets	
	Build of Digital Wall at Coal Loader	150,000
	LED Lighting Upgrade for Coal Loader Tunnels	30,000
	Desk & office equipment	10,000
	Banner Pole Project (will not proceed in FY 2025)	- 50,000
		140,000
	Carry forwards	
	Crows Nest Mainstreet, Crows Nest Public Domain Ma	2,815,719
	Holtermann Street Car Park, Upgrade, Consultants	1,496,494
	Quarantine Boat Depot Upgrade	1,111,720
	Young Street Plaza	731,054
	287 Miller Street Affordable Housing	617,966
	Developed Open Space, Hume Street Park Expansion	72,307
	St Leonards Park Bicycle Concept	58,902
	Active Transport Facilities Saint Peters Park	7,820
		6,911,982
2	Total Renewal Assets	
	North Sydney Olympic Pool	17,203,322
	Additional parking meters and removal of old meters	295,000
		17,498,322
	Carry forwards	
	Olympic Pool, Pool Complex Upgrade	11,345,007
	Streetscape Works Young Street Plaza	2,864,992
	Parking Meters Upgrade	1,530,863
	Streetscape Kirribilli & McMahons Point Village	957,074
	Information Systems, Computer Hardware & Software	893,845
	Lavender Bay Parklands	890,623
	Primrose Park Sports Field Reconstruction	600,000
	Neutral Bay Mainstreet	483,487
	Merret Playground Playground Construction	470,890
	Information Systems, Network Infrastructure Refresh	382,845
	Waruda Street Driveway Construction	364,559
	Bus Shelters Replacement	344,536
	Primrose Park Levelling & Drainage	255,000
	Nutcote Museum Building Refurbishment	207,989
	Cammeray HPAA	193,814
	Gross Pollutant Traps Upgrade	151,573
	North Sydney Oval Grandstands Air Conditioning	139,937
	Mary French Reserve Playground	138,412
	Drainage Construction Works	60,474
	Bligh Street Streetscape	47,500
	Tunks Park, Small Watercraft Storage	43,760
	Migration of telephony to MS Teams	40,000
	Cranbrook Street Pedestrian Crossing	37,088
	Information Systems, Modernise GIS Platformer	28,000
	Street Furniture	20,317
	Walking Tracks, Gore Cove	17,632
	Primrose Park Cricket Nets	10,837

Unspent Local Priority Grant	4,669
Caltex Site Tunnel 2 Resurfacing	<u>4,130</u>
	22,529,853

North Sydney Council

Quarterly Budget Review Statement

for the period 01/07/24 to 30/09/24

Cash & investments budget review statement

Budget review for the quarter ended 30 September 2024

Cash & investments - General Fund

(\$000's)	Original budget 2024/25	Carry forwards	Revised budget 2024/25	Variations for this Sep Qtr	Notes	Projected year end result	Actual YTD figures
Externally restricted ⁽¹⁾							
Specific purpose unexpended grants	6,717	-	6,717	-	1	6,717	6,544
Developer contributions – general	44,031	-	44,031	-	2	44,031	42,371
Unexpended Special Rates	1,003	-	1,003	(180)	3	823	1,144
Domestic waste management	15,188	-	15,188	-	4	15,188	9,710
Unspent borrowings - North Sydney Olympic Pool	-	-	-	-	5	-	15,812
Other specific purpose contributions	-	-	-	-	6	-	4,395
Total externally restricted	66,939	-	66,939	(180)		66,759	79,976
(1) Funds that must be spent for a specific purpose							
Internally restricted ⁽²⁾							
Capital works	-	-	-	-	7	-	9,017
Community housing - capital purchases	960	-	960	(960)	8	-	963
Community housing - major maintenance	491	-	491	(491)	9	-	491
Deposits, retentions, and bonds	14,657	-	14,657	(11,520)	10	3,137	14,600
Employees leave entitlement	7,127	-	7,127	(4,989)	11	2,138	7,093
I.T. hardware and software	10	-	10	(10)	12	-	1,362
Income producing projects	-	-	-	-	13	-	495
Olympic Pool Redevelopment	-	-	-	-	14	-	12,166
Plant and vehicle replacement	295	-	295	(295)	15	-	3,264
Total internally restricted	23,540	-	23,540	(18,265)		5,275	49,451
(2) Funds that Council has earmarked for a specific purpose							
Unrestricted (ie. available after the above Restrictic	9,243	-	9,243	(677)		8,566	22,148
Total Cash & investments	99,722	-	99,722	(18,263)	16	80,600	151,575

This statement forms part of Council's Quarterly Budget Review Statement (QBRS) for the quarter ended 30/09/24 and should be read in conjunction with the total QBRS report

North Sydney Council

Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

Cash & investments budget review statement**Comment on cash & investments position**

The proposed adjustments result in a net decrease of \$2,497,775 in Council's forecast cash balances. A comprehensive review of Council's Domestic Waste income and overheads in March 2024 identified a net increase in expenses for the Waste Reserve of \$2,487,000. This results in a reduces forecast of that reserve and an increase in unrestricted cash. It is proposed that the additional expenditure on parking meters is funded from Plant Reserve and Income Producing assets reserve.

Investments

Investments have been invested in accordance with Council's Investment Policy.

Cash

The Cash at Bank figure included in the Cash & Investment Statement totals \$151,574,995

This Cash at Bank amount has been reconciled to Council's physical Bank Statements.
The date of completion of this bank reconciliation is 30/09/24

Recommended changes to revised budget

Budget variations being recommended include the following material items:

Notes Details

1	Specific purpose unexpended grants No change
2	Developer contributions – general No change
3	Unexpended Special Rates No change
4	Domestic waste management No Change
5	Unspent borrowings - North Sydney Olympic Pool No change
6	Other specific purpose contributions No change
7	Capital works No change

8	Community housing - capital purchases Borrowed to fund NSOP	- 960,000 - 960,000
9	Community housing - major maintenance Borrowed to fund NSOP	- 491,000 - 491,000
10	Deposits, retentions, and bonds Borrowed to fund NSOP	- 11,519,611 - 11,519,611
11	Employees leave entitlement Borrowed to fund NSOP	- 4,988,900 - 4,988,900
12	I.T. hardware and software Adjust for higher than expected opening balance To fund various IT modernisation projects	250,000 - 856,000 - 606,000
13	Income producing projects No change	
14	Olympic Pool Redevelopment No change	
15	Plant and vehicle replacement No change	
16	Total Cash & investments Total of cash adjustments identified	- 18,263,097 - 18,263,097

North Sydney Council

Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

Key performance indicators budget review statement - Industry KPI's (OLG)

Budget review for the quarter ended 30 September 2024

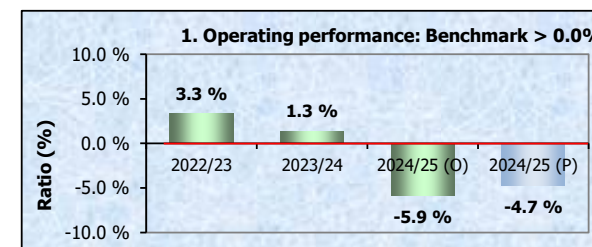
(\$000's)	Projection	Original	Actuals	
	Indicator 24/25	budget 24/25	23/24	22/23

NSW local government industry key performance indicators (OLG):

1. Operating performance: Benchmark > 0.0%

<u>Operating revenue (excl. capital) - operating expenses</u>	-4.7 %	-5.9 %	1.3 %	3.3 %
Operating revenue (excl. capital grants & contributions)				

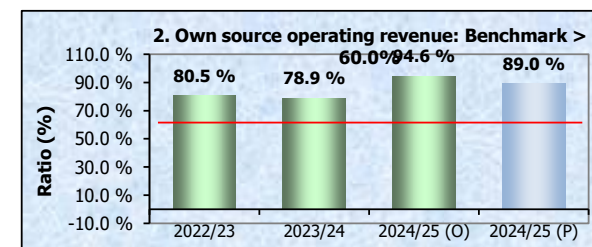
This ratio measures Council's achievement of containing operating expenditure within operating revenue. This negative result is a slight improvement on original budget due to reduced depreciation.



2. Own source operating revenue: Benchmark > 60.0%

<u>Operating revenue (excl. ALL grants & contributions)</u>	89.0 %	94.6 %	78.9 %	80.5 %
Total Operating revenue (incl. capital grants & cont)				

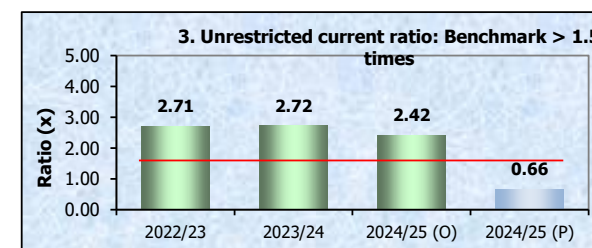
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as grants & contributions. This result indicates Council does not rely heavily on external funding such as grants.



3. Unrestricted current ratio: Benchmark > 1.5 times

<u>Current assets less all external restrictions</u>	0.66	2.42	2.72	2.71
Current liabilities less specific purpose liabilities				

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council. The forecast indicates Council will have insufficient short term assets to meet its short term obligations on 30 June or have sufficient buffers to meet any unexpected events or emergencies. This is unsatisfactory and will be addressed in the near future with strategic reviews.



North Sydney Council

Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

Key performance indicators budget review statement - Industry KPI's (OLG)

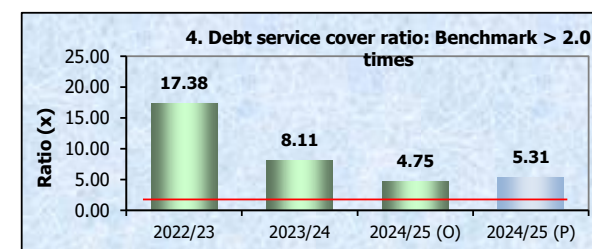
Budget review for the quarter ended 30 September 2024

(\$000's)	Projection	Original	Actuals	
	Indicator 24/25	budget 24/25	23/24	22/23

4. Debt service cover ratio: Benchmark > 2.0 times

<u>Operating result before interest & dep. exp (EBITDA)</u>	5.31	4.75	8.11	17.38
Principal repayments + borrowing interest costs				

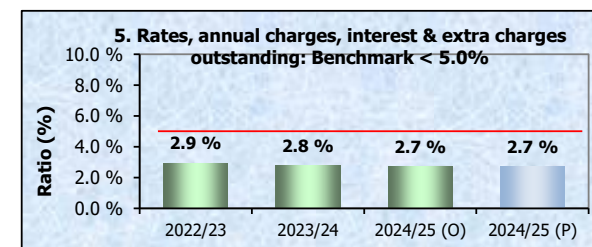
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. This result is meets the benchmark but leaves a narrow buffer to address any emergencies.



5. Rates, annual charges, interest & extra charges outstanding: Benchmark < 5.0%

<u>Rates, annual & extra charges outstanding</u>	2.7 %	2.7 %	2.8 %	2.9 %
Rates, annual & extra charges collectible				

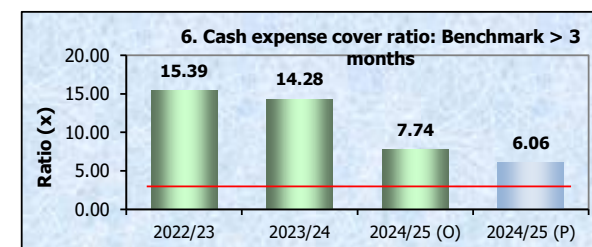
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts. Council continues to meet the benchmark



6. Cash expense cover ratio: Benchmark > 3 months

<u>Current year's cash & cash equivalents (incl.term deposits)</u>	6.06	7.74	14.28	15.39
Operating & financing activities cash flow payments				

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow. Is decreasing as payments for capital works are made and due to repeated deficits.



North Sydney Council

Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

Key performance indicators budget review statement - Industry KPI's (OLG)

Budget review for the quarter ended 30 September 2024

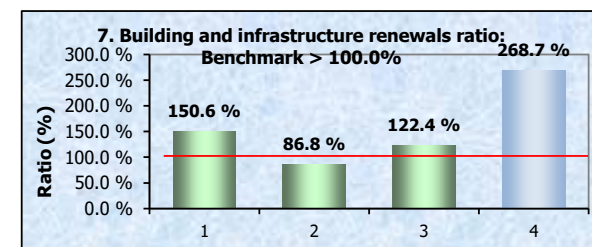
(\$000's)	Projection	Original	Actuals	
	Indicator 24/25	budget 24/25	23/24	22/23

NSW Local Government Infrastructure Asset Performance Indicators (OLG):

7. Building and infrastructure renewals ratio: Benchmark > 100.0%

<u>Asset renewals (building, infrastructure & other structures)</u>	268.7 %	122.4 %	86.8 %	150.6 %
Depreciation, amortisation & impairment				

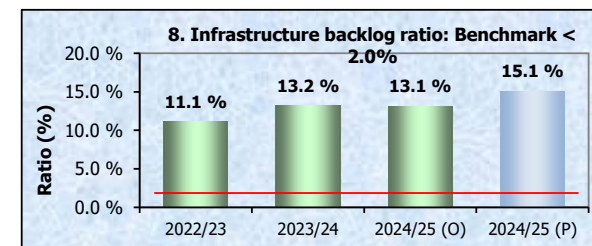
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating. Has been skewed high in recent years by renewal works for NSOP. In fact many renewal works have been delayed to divert funds to NSOP.



8. Infrastructure backlog ratio: Benchmark < 2.0%

<u>Estimated cost to bring assets to a satisfactory condition</u>	15.1 %	13.1 %	13.2 %	11.1 %
Total value of infrastructure, building, other structures & depreciable land improvement assets				

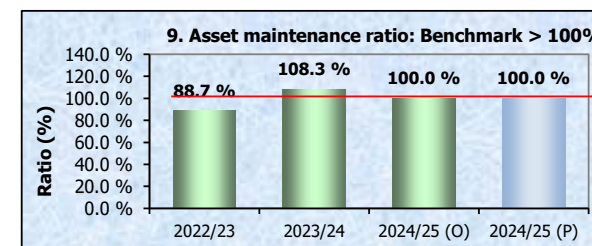
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure. This result is unsatisfactory and will be addressed by strategic reviews in the near future.



9. Asset maintenance ratio: Benchmark > 100%

<u>Actual asset maintenance</u>	100.0 %	100.0 %	108.3 %	88.7 %
Required asset maintenance				

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.



North Sydney Council

Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

Key performance indicators budget review statement - Industry KPI's (OLG)

Budget review for the quarter ended 30 September 2024

(\$000's)	Projection	Original	Actuals	
	Indicator 24/25	budget 24/25	23/24	22/23

NSW Local Government Infrastructure Asset Performance Indicators (OLG):

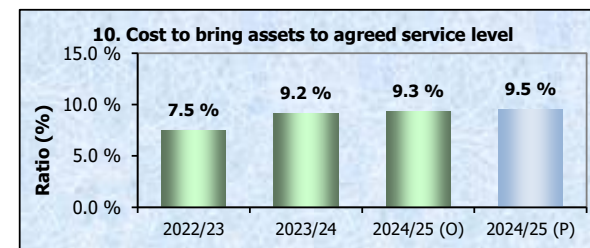
10. Cost to bring assets to agreed service level

Estimated cost to bring assets to an agreed service level set by council

 Gross replacement cost

9.5 %	9.3 %	9.2 %	7.5 %
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This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.



North Sydney Council

Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

Contracts budget review statement

Budget review for the quarter ended 30 September 2024

Part A - Contracts listing - contracts entered into during the quarter

Contractor	Contract detail & purpose	Contract value	Start date	Duration of contract	Budgeted (Y/N)	Notes
Civilscape Pty Ltd	Lodge Road Playground Upgrade	183,473	02/07/2024	17 weeks	Y	
Ezy Pave Pty Ltd	Parking Meter Removal and Remediation	213,440	05/07/2024	12 weeks	Y	
Wrightway Security Services Pty Ltd	New Years Eve 2024 Provision of Security Services	219,738	16/07/2024	32 weeks	Y	
HWL Ebsworth Lawyers	Legal Fees - 1 Spruson St, Neutral Bay - Pertama D	192,500	18/07/2024	22 weeks	Y	
Ally Property Services Pty Ltd	Willoughby Road East Paving Upgrade	1,304,159	12/08/2024	10 weeks	Y	
Civotek Pty Ltd	Willoughby Rd Crows Nest – Road Restoration	202,050	12/08/2024	10 weeks	Y	
Cedar Mill Events Pty Ltd	New Years Eve 2024 - Vantage Point Management	155,741	16/08/2024	28 weeks	Y	
The Trustee for The Michael Reginald	New Years Eve 2024 Toilets	68,700	21/08/2024	26 weeks	Y	
SBS Fence Pty Ltd	New Years Eve 2024 Toilets	99,980	21/08/2024	26 weeks	Y	
APP Corporation Pty Ltd	Streamlining the North Sydney DCP 2013	162,448	03/09/2024	43 weeks	Y	

Notes:

1. Minimum reporting level is 1% of estimated income from continuing operations of Council or \$150,000 - whatever is the lesser.
2. Contracts listed are those entered into during the quarter being reported
3. Contracts for employment are not required to be included.

This statement forms part of Council's Quarterly Budget Review Statement (QBRS) for the quarter ended 30/09/24 and should be read in conjunction with the total QBRS report

North Sydney Council

Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

Consultancy & legal expenses budget review statement

Consultancy & legal expenses overview

Expense	YTD expenditure (actual dollars)	Budgeted (Y/N)
Consultancies	402,304	Y
Legal Fees	470,726	Y

Definition of a 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.