

10.2. Quarterly Budget Review - December 2024

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ENDORSED BY	Luke Harvey, Director Corporate Services
ATTACHMENTS	1. Quarterly Budget Review December 2024 [10.2.1 - 15 pages]
CSP LINK	5. Our Civic Leadership 5.1 Lead North Sydney's strategic direction

PURPOSE:

The purpose of this report is to:

- monitor budget progress for the second quarter of the 2024/25 financial year as of 31 December, highlighting income and expense changes and addressing any shortfalls or surpluses;
- recommend adjustments and reallocations; and
- ensure transparency and support decision-making.

EXECUTIVE SUMMARY:

- **Decrease in Operating Deficit (before Capital Grants and Contributions):** The deficit decreased by \$1.0 million to \$5.5 million, primarily due to savings from Council holding vacant roles to assist liquidity (\$1 million), an increase in revenue from financial investments (\$1 million) and increased other income (\$300 thousand). This was partially offset by a \$2 million loss in user charges, mainly from hoarding fees and parking station income.
- **Increase in Operating Surplus (including Capital Grants and Contributions):** The surplus increased by \$0.8 million, reaching \$4.2 million.
- **Grants and Contributions:** Council has proactively secured grants to support the delivery of community services through external funding. Based on the second quarter, an additional \$2.6 million in new grants reserved by the Council in this financial year.
- **External Borrowings:** In addition to the \$20 million loan received in July 2024, Council is planning to secure an additional \$10 million loan in quarter 4 to address severe liquidity concerns raised as part of the September Quarterly Budget Review.
- **Unrestricted Current Ratio:** Including the proposed \$10 million loan the projected ratio for 30 June 2025 is 1.22, falling short of the Office of Local Government's benchmark of 1.50.
- **Capital Budget Reduction:** The capital budget has been reduced by \$5.4 million, primarily due to delays in the Young Plaza development, the deferral of plant renewals and the deferral of some Council-funded capital projects to address the severe liquidity issues.

- **Grants and Contributions:** The Council has successfully obtained grants to support the delivery of community services through external funding. Based on the second quarter, an additional \$2.6 million in new grants has been reserved by the Council in this financial year.

RECOMMENDATION:

1. **THAT** Council adopt the Quarterly Budget Review Statement – December 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 and September 2024 Quarterly review.

The 2024/25 original budget projected 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. Following the September Quarterly Budget Review, the deficit before Capital Grants and Contributions improved to \$6.479 million, while the net operating results after Capital Grants and Contributions improved to \$3.399 million.

The original budget allocated \$45.365 million for capital works and the replacement of plant and equipment. After the September Quarterly Budget Review, this increased to \$92.444 million, primarily due to carry-forwards from prior years and an increase in the budget for the North Sydney Olympic Pool project.

Operational Budget and recommended Adjustments to the Budget at the End of the December 2024 Quarter

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

Quarterly Budget Review Statement										
for the period 01/07/24 to 31/12/24										
Income & expenses budget review statement										
Budget review for the quarter ended 31 December 2024										
(\$000's)	Original budget 2024/25	Carry forwards	Sep QBRS	Revised budget 2024/25	Variations for this Dec Qtr	Notes	Projected year end result	Actual YTD figures	Budget YTD figures	YTD Variance
Income										
Rates	61,051	-	-	61,051	1,029	1	62,080	61,412	61,150	262
Annual Charges	18,015	-	-	18,015	232	1	18,247	18,248	17,995	253
User charges and fees	36,774	-	(2,971)	33,803	(2,000)	2	31,803	15,282	18,063	(2,781)
Other revenues	10,216	-	76	10,292	300	3	10,592	5,573	5,190	382
Interest and investment revenue	2,665	-	500	3,165	1,000	4	4,165	2,732	1,498	1,234
Other income	5,887	-	-	5,887	-	5	5,887	2,863	2,942	(80)
Grants and contributions - operating	4,666	30	331	5,027	775	6	5,802	2,376	2,761	(384)
Grants and contributions - capital	3,058	923	5,897	9,878	(195)	7	9,683	3,450	4,881	(1,431)
Total income from continuing operations	142,332	953	3,833	147,118	1,142		148,260	111,936	114,481	(2,545)
Expenses										
Employee benefits and on-costs	55,651	-	(1,245)	54,406	(1,070)	8	53,336	25,672	28,453	2,781
Materials and services	53,337	212	(473)	53,076	1,244	9	54,320	28,072	27,464	(608)
Borrowing costs	2,382	-	-	2,382	155	10	2,537	463	1,151	688
Depreciation and amortisation	31,095	-	(2,300)	28,795	-	11	28,795	15,119	13,969	(1,150)
Other expenses	4,783	-	-	4,783	-	12	4,783	3,115	3,129	13
Net Loss (Gain) from disposal of assets	277	-	-	277	-	13	277	-	-	-
Total expenses from continuing operations	147,525	212	(4,018)	143,719	329		144,048	72,442	74,166	1,725
Net operating result from continuing operations	(5,193)	741	7,851	3,399	813		4,212	39,494	40,315	(4,270)
Discontinued operations - surplus/(deficit)				-			-			
Net operating result from all operations	(5,193)	741	7,851	3,399	813		4,212	39,494	40,315	(4,270)
Net Operating Result before Capital Items	(8,251)	(182)	1,954	(6,479)	1,007		(5,472)	36,044	35,434	(2,839)

Significant favorable adjustments to the operating result include:

- A \$1 million increase in interest and investment income, driven by higher-than-expected cash balances due to project delays and deferrals to improve liquidity.
- A \$1 million savings in employee costs due to Council holding vacant roles to improve liquidity.

Significant unfavourable adjustments include:

- A \$1 million reduction in parking station revenue, competition from private parking stations offering reduced prices, and the impacts of Metro.
- A \$1 million reduction in hoarding fees income due to a continued decline in development activity.

To align with the recently revised Long Term Financial Plan, Council has increased both income from rates and material and contract costs by \$0.798 million. This accounts for rates income and the rates expense of properties owned by Council. This adjustment has no impact on the net results.

The favorable adjustments in operational grants of \$775 thousand is due to Council securing new grants for operational projects. This includes the Roads to Recovery Grant (\$396 thousand), a grant to streamline the Development Control Plan (\$180 thousand) and a grant to map and identify improvements to Development Services processes (\$150 thousand).

The reduction in capital grants is due to delays with the Young Street Plaza Project, which has deferred the recognition of the grant income by \$2m. This was partially offset by new capital grants reserved by the Council, as outlined below.

7	Grants and contributions - capital	
	Additional grant funding Fitzroy St - Pedestrian Crossing	332,500
	Additional grant funding for Rosiland St - Pedestrian Crossing	287,000
	Russell St at Smoothey Park - Raised Crossing - Grant income	124,910
	Additional Grant funding for North Sydney Public School - Crossing	293,200
	Additional Grant funding Young Street and Grosvenor Street Intersection	608,626
	Young Street Plaza -Neutral Bay - Bline	- 2,000,000
	Cammeray HPAA Project	159,000
		<u>194,764</u>

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 December Quarter

North Sydney Council						Quarterly Budget Review Statement				
Capital budget review statement										
Budget review for the quarter ended 31 December 2024										
(\$000's)	Original budget 2024/25	Carry forwards	Sep QBRS	Revised budget 2024/25	Variations for this Dec Qtr	Notes	Projected year end result	Actual YTD	Budget YTD	Variance YTD
Capital expenditure										
New assets										
- Total New Assets	4,077	6,912	140	11,129	(1,955)	1	9,174	1,744	1,889	145
Renewal assets (replacement)										
- Total Renewal Assets	41,288	22,529	17,498	81,315	(3,493)	2	77,822	21,924	61,905	39,981
Total capital expenditure	45,365	29,441	17,638	92,444	(5,447)		86,997	23,668	63,794	40,126
Capital funding										
Rates & other untied funding										
	2,879	-	140	3,019		3	3,019	-		-
Capital grants & contributions										
	950	9,894	-	10,844	(1,904)	4	8,940	1,745	1,540	(205)
Reserves:										
- External restrictions/reserves	6,624	2,844	-	9,468		5	9,468	4,855	32,008	27,153
- Internal restrictions/reserves	14,912	16,703	17,498	49,113	(13,544)	6	35,569	8,290	10,246	1,956
New loans	20,000	-	-	20,000	10,000	7	30,000	8,778	20,000	11,222
Total capital funding	45,365	29,441	17,638	92,444	(5,447)		86,997	23,668	63,794	40,126
Net capital funding - surplus/(deficit)	-	-	-	-	-		-	-	-	-

Young Street Plaza

This review proposes to defer expenditure on the Young Street Plaza redevelopment. While the September review established a budget of \$2.9 million for this project, which is fully funded by external grants. It is not feasible to complete the works this year, so \$2.0 million expenditure will be deferred to next financial year.

Holtermann Street Carpark

Council received \$2.5 million grant funding for the development of a strategic business plan and detailed design documentation for the Holtermann Street Carpark Redevelopment. This work has now been completed at a cost of \$1.0 million. A report will be presented to Council in April 2025 with recommendations in response to this work.

This strategic business plan and detailed design will also be considered alongside the masterplan for Crows Nest around the Holtermann Street car park as outlined in Council's recently adopted informing strategies.

Plant Renewal

To improve liquidity Council is not expecting to renew its fleet to the budgeted level this financial year. The budget will be reduced by \$2.5 million. The funds are allocated to internal reserves to cover short-term liabilities, such as retention deposits and bonds.

A comprehensive review of the plant renewal program will be performed for next year's budget, with further identification of required budget and funding sources.

Other adjustments

Council has secured additional capital grants and budgets have been increased to match the income.

Of the \$86.997 million of capital works proposed budget, \$55.409 million is allocated to the NSOP project, with \$11.527 million spent on the project year-to-date.

The remaining \$31.588 million is designated for other capital projects, with \$12.141 million spent year-to-date.

The North Sydney Cigarette Butt Litter Project has been deferred to next year.

Notes	Details	
1	Total New Assets	
	Pedestrian crossing Fitzroy St - Grant Funded	332,500
	Pedestrian crossing Rosiland St - Grant Funded	287,000
	Russell St at Smoothey Park- Raised Crosssing - Grant Funded	124,910
	North Sydney Public School - Crossings - Grant Funded	161,728
	Young Street and Grosvenor Street Intersection - Grant Funded	608,626
	Young Street and Grosvenor Street Intersection	40,000
	Young Street Plaza -Neutral Bay	- 2,000,000
	Holtermann Street Car Park Project	- 1,496,495
	North Sydney Cigarette Butt Litter Project	- 13,037
		- 1,954,768
2	Total Renewal Assets	
	Plant Purchases reduced	- 2,574,320
	TfNSW Block Grants - Roads Component Exp - Grant funded	5,000
	TfNSW Block Grants - Traffic Facilities Exp - Grant funded	12,000
	TfNSW Block Grants - 3X3 Components Exp - Grant funded	34,000
		- 2,523,320
3	Assets / Projects Deferred	
	Primrose Park, Sports Field Reconstruction, Materi	- 600,000
	Dowling Street Reserve, Landscaping, Materials & C	- 300,000
	Various Parks, Park Furniture, Materials & Contrac	- 12,689
	Bus Shelters, Replacement, Materials & Contracts (- 56,501
		- 969,190

Cash and investment

It was noted during the September Quarterly review that 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) project. To address severe forecast liquidity issues, Council is seeking an additional \$10 million in external borrowings.

The cash from the projected \$10 million loan will be used to partially restore the Employee Leave Liabilities and Bonds and Deposits Reserves, with \$5 million allocated to each reserve.

Additionally, funds released from capital reductions and savings identified in this review will allow for an extra \$5 million to be returned to the Bonds and Deposits Reserve.

The remaining internal reserves of \$20.264 million remain low, resulting in an estimated unrestricted current ratio of 1.22 (below the Office of Local Government benchmark of 1.5 or more).

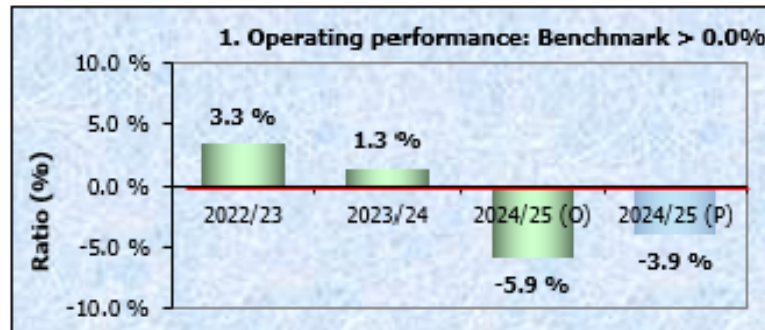
North Sydney Council		Quarterly Budget Review Statement for the period 01/07/24 to 30/09/24					
Cash & investments budget review statement							
Budget review for the quarter ended 31 December 2024							
(\$000's)	Original budget 2024/25	Revised budget 2024/25	Variations for this Dec Qtr	Notes	Projected year end result	Actual YTD figures	Variance Surplus (Deficit)
Externally restricted ⁽¹⁾							
Specific purpose unexpended grants	6,717	6,717	(1,337)	1	5,380	4,442	(2,275)
Developer Contributions	44,031	44,031	(4,010)	2	40,021	42,444	(1,587)
Domestic waste management	15,188	15,188	-	4	15,188	15,028	(160)
Unexpended Special Rates	1,003	823	318	5	1,141	1,397	574
Unspent borrowings - North Sydney Olympic Pool	-	-	-	5	-	8,623	8,623
Waste and sustainability improvement funds	-	-	-	6	-	38	38
Other specific purpose contributions	-	-	2,081	7	2,081	2,030	2,030
Total externally restricted	66,939	66,759	(2,948)		63,811	74,002	
<small>(1) Funds that must be spent for a specific purpose</small>							
Internally restricted ⁽²⁾							
Capital works	-	-	-	8	-	9,315	9,315
Community housing - capital purchases	960	-	-	9	-	960	960
Community housing - major maintenance	491	-	-	10	-	491	491
Deposits, retentions, and bonds	14,657	3,137	10,000	11	13,137	14,995	11,858
Employees leave entitlement	7,127	2,138	4,989	12	7,127	7,127	4,989
Financial Assistance Grant	-	-	-	13	-	1,047	1,047
I.T. hardware and software	-	-	-	14	-	-	-
Income producing projects	-	-	-	15	-	496	496
Olympic Pool Redevelopment	-	-	-	16	-	9,717	9,717
Plant and vehicle replacement	295	-	-	17	-	2,836	2,836
Total internally restricted	23,530	5,275	14,989		20,264	46,984	41,709
<small>(2) Funds that Council has earmarked for a specific purpose</small>							
Unrestricted (ie. available after the above Restrictions)	9,243	34,529	353		8,717	30,589	(3,940)
Total Cash & investments	99,712	99,712	12,393	18	92,792	151,575	37,769

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.

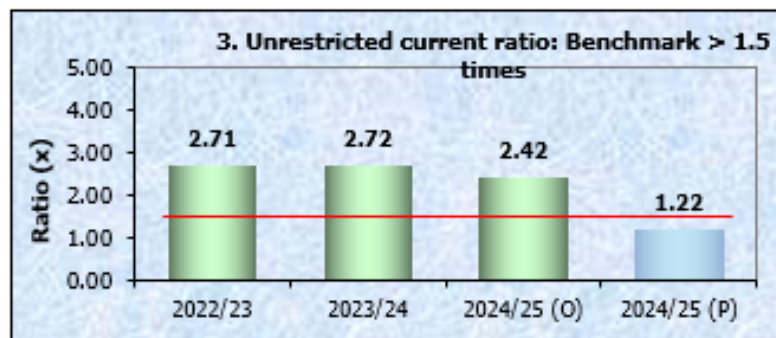
Operating Performance Ratio – **negative 3.95%**

This ratio reflects Council’s ability to contain operating expenses within operating revenue (excluding capital grants and contributions).



Unrestricted Current Ratio – **1.22**

This ratio assesses the adequacy of working capital to meet short-term obligations. While it has improved since the September Quarterly Review, it remains below the OLG benchmark of 1.50, posing a liquidity risk.



Overall Financial Position

In recent years, several previously reliable income sources have declined significantly, with no sign of recovery. This report highlights deterioration in parking station and hoarding fees revenue. Without immediate corrective action, Council will struggle to maintain financial viability and sustain assets at acceptable service levels.

To address short-term liquidity, Council is planning to obtain a \$10 million loan in the last quarter of this financial year. Even with this loan, Council will be below the key liquidity benchmark (the unrestricted current ratio) as outlined above.

To address the unsustainable financial situation, a full and comprehensive review of Council’s Long Term Financial Plan has been undertaken, and a special rate variation application submitted to the Independent Pricing and Regulatory Tribunal (IPART) as outlined in the 10 February 2025 report to Council.

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 \$5.472 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:

31 December 2024

It is my opinion that the Quarterly Budget Review Statement for North Sydney Council for the quarter ended 31/12/24 indicates that Council's projected financial position at 30/6/25 will be satisfactory 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 satisfactory has been based on the following factors:

1. While repeated operating deficits and funding requirements for the NSOP project have eroded Council's financial position, remedial actions are now underway.
2. In the short term a proposed \$10 million loan and delays to the capital works program will increase the forecast Unrestricted Current Ratio to 1.22x. While this does not meet the industry standard of 1.50x, it is an improvement from 0.66x forecast at the September Review.
3. A Special Rate Variation application has been lodged to address the long term financial position.

Signed: _____

date: 12-Feb-25

Aigul Utegenova
Responsible Accounting Officer

Quarterly Budget Review Statement
for the period 01/07/24 to 31/12/24

Income & expenses budget review statement

Budget review for the quarter ended 31 December 2024

(\$000's)	Original budget 2024/25	Carry forwards	Sep QBRS	Revised budget 2024/25	Variations for this Dec Qtr	Notes	Projected year end result	Actual YTD figures	Budget YTD figures	YTD Variance
Income										
Rates	61,051	-	-	61,051	1,029	1	62,080	61,412	61,150	262
Annual Charges	18,015	-	-	18,015	232	1	18,247	18,248	17,995	253
User charges and fees	36,774	-	(2,971)	33,803	(2,000)	2	31,803	15,282	18,063	(2,781)
Other revenues	10,216	-	76	10,292	300	3	10,592	5,573	5,190	382
Interest and investment revenue	2,665	-	500	3,165	1,000	4	4,165	2,732	1,498	1,234
Other income	5,887	-	-	5,887	-	5	5,887	2,863	2,942	(80)
Grants and contributions - operating	4,666	30	331	5,027	775	6	5,802	2,376	2,761	(384)
Grants and contributions - capital	3,058	923	5,897	9,878	(195)	7	9,683	3,450	4,881	(1,431)
Total income from continuing operations	142,332	953	3,833	147,118	1,142		148,260	111,936	114,481	(2,545)
Expenses										
Employee benefits and on-costs	55,651	-	(1,245)	54,406	(1,070)	8	53,336	25,672	28,453	2,781
Materials and services	53,337	212	(473)	53,076	1,244	9	54,320	28,072	27,464	(608)
Borrowing costs	2,382	-	-	2,382	155	10	2,537	463	1,151	688
Depreciation and amortisation	31,095	-	(2,300)	28,795	-	11	28,795	15,119	13,969	(1,150)
Other expenses	4,783	-	-	4,783	-	12	4,783	3,115	3,129	13
Net Loss (Gain) from disposal of assets	277	-	-	277	-	13	277	-	-	-
Total expenses from continuing operations	147,525	212	(4,018)	143,719	329		144,048	72,442	74,166	1,725
Net operating result from continuing operations	(5,193)	741	7,851	3,399	813		4,212	39,494	40,315	(4,270)
Discontinued operations - surplus/(deficit)				-			-			
Net operating result from all operations	(5,193)	741	7,851	3,399	813		4,212	39,494	40,315	(4,270)
Net Operating Result before Capital Items	(8,251)	(182)	1,954	(6,479)	1,007		(5,472)	36,044	35,434	(2,839)

This statement forms part of Council's Quarterly Budget Review Statement (QBRS) for the quarter ended 31/12/24 and should be read in conjunction with the total QBRS report

North Sydney Council

Quarterly Budget Review Statement

for the period 01/10/24 to 31/12/24

**Income & expenses budget review statement
Recommended changes to revised budget**

Budget Variations being recommended include the following material items:

Notes	Details	Amount
1	Rates and annual charges	
	Supplementary Growth	231,000
	Supplementary growth in waste charges	232,000
	Gross up rates income for rates on Council owned properties	798,320
		<u>1,261,320</u>
2	User charges and fees	
	Reduce Hoarding Fees due to decreased development activity and conclusion of large projects	- 1,000,000
	Reduce Parking Station Fees due to decreased activity following Metro opening	- 1,000,000
		<u>- 2,000,000</u>
3	Other revenues	
	Increase in Bus shelter advertising revenue for increased turnover	300,000
		<u>300,000</u>
4	Interest and investment revenue	
	Increase for higher than expected cash and investment balances due to slower than expected payments for NSOP project	1,000,000
		<u>1,000,000</u>
5	Other income	
	No Change	
6	Grants and contributions - operating	
	Bring to account Roads to Recovery Grant received	395,994
	Grant for streamlining Development Assessment processes	180,000
	Development Services Process Mapping and Improvement project grant	150,000
	TfNSW Block Grants	17,000
	Road Safety - Speed Campaign	16,343
	Community Development Grant Income	14,166
	Library Operational Grant	7,240
	Street Trees, Sydney Metro Tree Planting, Contribu	- 5,376
		<u>775,367</u>
7	Grants and contributions - capital	
	Additional grant funding Fitzroy St - Pedestrian Crossing	332,500
	Addtinal grant funding for Rosiland St - Pedestrian Crossing	287,000
	Russell St at Smoothery Park - Raised Crossing - Grant income	124,910
	Additional Grant funding for North Sydney Public School - Crossing	293,200
	Additional Grant funding Young Street and Grosvenor Street Intersection	608,626
	Young Street Plaza -Neutral Bay - Bline	- 2,000,000
	Cammeray HPAA Project	159,000
		<u>- 194,764</u>
8	Employee benefits and on-costs	
	Additional salaries to match Social Community Development Grant	- 7,083
	Additional salaries to match Social Planning Community Worker Exp Grant	- 7,083
	Additional salaries to match Library Operational Grant	- 7,240

	Additional Salaries to match Road Safety Officer	-	10,655
	Employee cost Savings due to vacancies		1,205,000
	Additional recruitment expenditure to address vacancies	-	120,000
	Salaries reduced from General Revenue		19,473
			<u>1,072,412</u>
9	Materials and services		
	Road Safety Program	-	3,000
	Streamlining Development Assessment process Exp - Grant funded	-	180,000
	Development Services Process Mapping and Improvement Project	-	150,000
	North Sydney Public School Crossing Grant	-	131,472
	Consultancy to develop ERP Strategy	-	88,825
	Azure Gateway license	-	4,000
	Internet & Cloud Services	-	175,000
	Expense for gross up rates income for rates on Council owned properties	-	798,320
	Cammeray HPAA Project Exp	-	159,000
		-	<u>1,689,617</u>
10	Borrowing costs		
	Interest on potential \$10m loan	-	155,305
		-	<u>155,305</u>
11	Depreciation and amortisation		
	No Change		
12	Other expenses		
	No change		
13	Net Loss from disposal of assets		
	No change		

North Sydney Council

Quarterly Budget Review Statement

Capital budget review statement

Budget review for the quarter ended 31 December 2024

(\$000's)	Original budget 2024/25	Carry forwards	Sep QBRs	Revised budget 2024/25	Variations for this Dec Qtr	Notes	Projected year end result	Actual YTD	Budget YTD	Variance YTD
Capital expenditure										
New assets										
- Total New Assets	4,077	6,912	140	11,129	(1,955)	1	9,174	1,744	1,889	145
Renewal assets (replacement)										
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Capital funding										
Rates & other untied funding	2,879	-	140	3,019		3	3,019	-		-
Capital grants & contributions	950	9,894	-	10,844	(1,904)	4	8,940	1,745	1,540	(205)
Reserves:										
- External restrictions/reserves	6,624	2,844	-	9,468		5	9,468	4,855	32,008	27,153
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Total capital funding	45,365	29,441	17,638	92,444	(5,447)		86,997	23,668	63,794	40,126
Net capital funding - surplus/(deficit)	-	-	-	-	-		-	-	-	-

This statement forms part of Council's Quarterly Budget Review Statement (QBRs) for the quarter ended 31/12/24 and should be read in conjunction with the total QBRs report

North Sydney Council

Quarterly Budget Review Statement

for the period 01/10/24 to 31/12/24

**Capital budget review statement
Recommended changes to revised budget**

Budget variations being recommended include the following material items:

Notes	Details	
1	Total New Assets	
	Pedestrian crossing Fitzroy St - Grant Funded	332,500
	Pedestrian crossing Rosiland St - Grant Funded	287,000
	Russell St at Smoothey Park- Raised Crosssing - Grant Funded	124,910
	North Sydney Public School - Crossings - Grant Funded	161,728
	Young Street and Grosvenor Street Intersection - Grant Funded	608,626
	Young Street and Grosvenor Street Intersection	40,000
	Young Street Plaza -Neutral Bay	- 2,000,000
	Holtermann Street Car Park Project	- 1,496,495
	North Sydney Cigarette Butt Litter Project	- 13,037
		- 1,954,768
2	Total Renewal Assets	
	Plant Purchases reduced	- 2,574,320
	TfNSW Block Grants - Roads Component Exp - Grant funded	5,000
	TfNSW Block Grants - Traffic Facilities Exp - Grant funded	12,000
	TfNSW Block Grants - 3X3 Components Exp - Grant funded	34,000
		- 2,523,320
3	Assets / Projects Deferred	
	Primrose Park, Sports Field Reconstruction, Materi	- 600,000
	Dowling Street Reserve, Landscaping, Materials & C	- 300,000
	Various Parks, Park Furniture, Materials & Contrac	- 12,689
	Bus Shelters, Replacement, Materials & Contracts (- 56,501
		- 969,190

North Sydney Council

Cash & investments budget review statement

Budget review for the quarter ended 31 December 2024

(\$000's)	Original budget 2024/25	Carry forwards	Sep QBRS	Revised budget 2024/25	Variations for this Dec Qtr	Notes	Projected year end result	Actual YTD figures	Variance Surplus (Deficit)
Externally restricted ⁽¹⁾									
Specific purpose unexpended grants	6,717	(7,553)	1,500	6,717	(1,337)	1	5,380	4,442	(2,275)
Developer Contributions	44,031	(3,609)	-	44,031	(4,010)	2	40,021	42,444	(1,587)
Domestic waste management	15,188	-	1	15,188	-	4	15,188	15,028	(160)
Unexpended Special Rates	1,003	(664)	(194)	823	318	5	1,141	1,397	574
Unspent borrowings - North Sydney Olympic Pool	-	-	-	-	-	5	-	8,623	8,623
Waste and sustainability improvement funds	-	-	-	-	-	6	-	38	38
Other specific purpose contributions	-	(10)	190	-	2,081	7	2,081	2,030	2,030
Total externally restricted	66,939	(11,836)	1,497	66,759	(2,948)		63,811	74,002	
(1) Funds that must be spent for a specific purpose									
Internally restricted ⁽²⁾									
Capital works		(4,745)	(721)	-	-	8	-	9,315	9,315
Community housing - capital purchases	960	-	(1,010)	-	-	9	-	960	960
Community housing - major maintenance	491	-	(441)	-	-	10	-	491	491
Deposits, retentions, and bonds	14,657	-	(6,520)	3,137	10,000	11	13,137	14,995	11,858
Employees leave entitlement	7,127	-	(4,989)	2,138	4,989	12	7,127	7,127	4,989
Financial Assistance Grant		-	-	-	-	13	-	1,047	1,047
I.T. hardware and software		(799)	-	-	-	14	-	-	-
Income producing projects		(498)	-	-	-	15	-	496	496
Olympic Pool Redevelopment		(9,717)	16,665	-	-	16	-	9,717	9,717
Plant and vehicle replacement	295	(978)	(1,194)	-	-	17	-	2,836	2,836
Total internally restricted	23,530	(16,737)	1,790	5,275	14,989		20,264	46,984	41,709
(2) Funds that Council has earmarked for a specific purpose									
Unrestricted (ie. available after the above Restrictions)	9,243	28,573	(3,287)	34,529	353		8,717	30,589	(3,940)
Total Cash & investments	99,712	-	-	99,712	12,393	18	92,792	151,575	37,769

This statement forms part of Council's Quarterly Budget Review Statement (QBRS) for the quarter ended 31/12/24 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 increase of \$17.961 million in Council's forecast cash balances. This is due to the inclusion of a proposed \$10 million loan, the deferral of capital works of \$5.5 million and a slight improvement to the operating result.

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 \$25,838,221. Cash at bank and at call is maintained to address any contingencies with the NSOP project

This Cash at Bank amount has been reconciled to Council's physical Bank Statements.
The date of completion of this bank reconciliation is 31 December 2024

Recommended changes to revised budget

Budget variations being recommended include the following material items:

Notes Details

1	Specific purpose unexpended grants Adjust allocation following review of contract liability	- 1,337,489 - 1,337,489
2	Developer contributions – general Review allocation of reserves to reflect budget adjustment	- 4,010,000 - 4,010,000
4	Unexpended Special Rates Review funding sources of Environment Levy program	318,865 318,865
3	Domestic waste management No Change	
5	Unspent borrowings - North Sydney Olympic Pool No change	
6	Other specific purpose contributions Review allocation of reserves to reflect budget adjustment	2,081,000 2,081,000

7	Capital works No change	
8	Community housing - capital purchases No change	
9	Community housing - major maintenance No change	
10	Deposits, retentions, and bonds Return to reserve, NSOP to be funded with new loan and increase for additional liabilities	9,999,611 <u>9,999,611</u>
11	Employees leave entitlement Return to reserve, NSOP to be funded with new loan	4,988,900 <u>4,988,900</u>
12	I.T. hardware and software No change	
13	Income producing projects No change	
14	Olympic Pool Redevelopment No change	
15	Plant and vehicle replacement No Change	

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

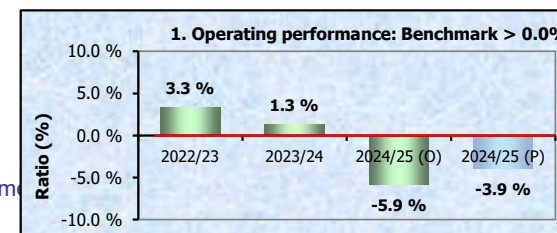
(\$000's)	Projection Indicator 24/25	Original budget 24/25	Actuals prior periods 23/24 22/23	
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NSW local government industry key performance indicators (OLG):

1. Operating performance: Benchmark > 0.0%

$\frac{\text{Operating revenue (excl. capital) - operating expenses}}{\text{Operating revenue (excl. capital grants \& contributions)}}$	-3.95 %	-5.9 %	1.3 %	3.3 %
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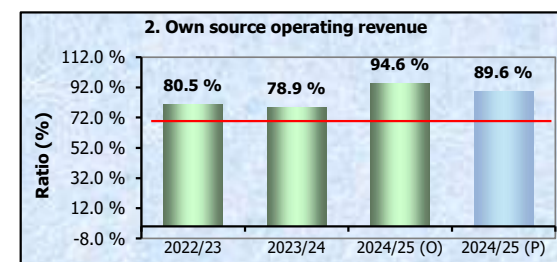
This ratio measures Council's achievement of containing operating expenditure within operating revenue. This negative result is a slight improvement on original budget due to reduced depreciation and other improved operating result.



2. Own source operating revenue: Bnechmark > 60.0%

$\frac{\text{Operating revenue (excl. ALL grants \& contributions)}}{\text{Total Operating revenue (incl. capital grants \& cont)}}$	89.6 %	94.6 %	78.9 %	80.5 %
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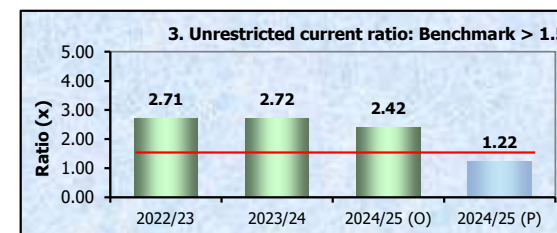
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as grants & contributions. This result indicates Council does not rely heavily on external funding such as grants.



3. Unrestricted current ratio: Benchmark > 1.5 times

$\frac{\text{Current assets less all external restrictions}}{\text{Current liabilities less specific purpose liabilities}}$	1.22	2.42	2.72	2.71
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To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council. This result is short of the industry KPI and will be address with the Special Rate Variation application



4. Debt service cover ratio: Benchmark > 2.0 times



North Sydney Council

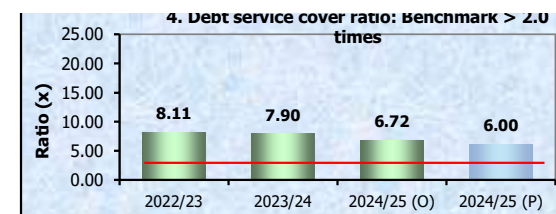
Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

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
<u>Operating result before interest & dep. exp (EBITDA)</u>	6.00	6.72	7.90	8.11
Principal repayments + borrowing interest costs				

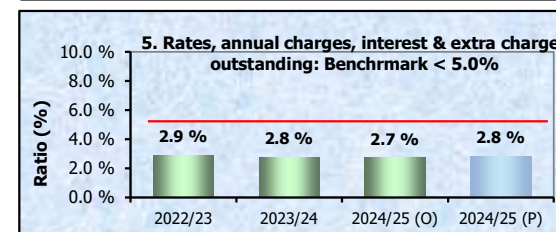
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. This result meets the benchmark but leaves a narrow buffer to address any emergencies.



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

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

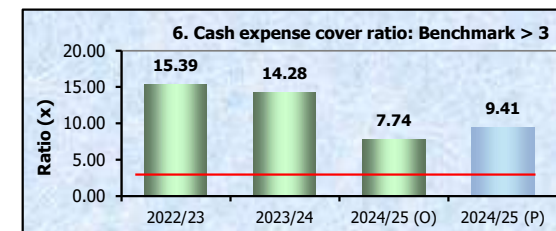
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts. Council continues to meet the benchmark



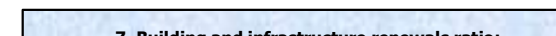
6. Cash expense cover ratio: Benchmark > 3 months

<u>Current year's cash & cash equivalents (incl. term deposits)</u>	9.41	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. Has been decreasing as payments for capital works are made and due to repeated deficits.



NSW Local Government Infrastructure Asset Performance Indicators (OLG):



North Sydney Council

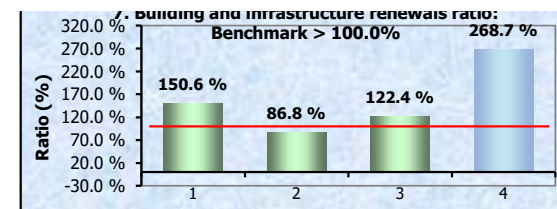
Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

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

Budget review for the quarter ended 30 September 2024

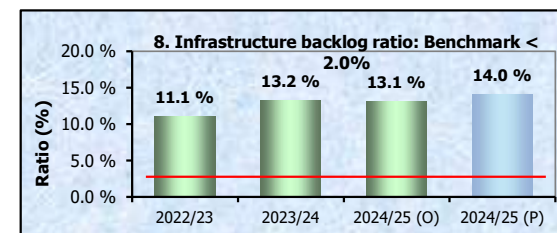
(\$000's)	Projection Indicator 24/25	Original budget 24/25	Actuals prior periods 23/24 22/23	
7. Building and infrastructure renewals ratio: Benchmark > 100.0%				
Asset renewals (building, infrastructure & other structures)				
Depreciation, amortisation & impairment	270.3 %	122.4 %	86.8 %	150.6 %

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.



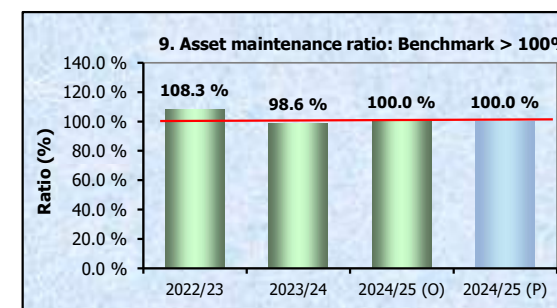
8. Infrastructure backlog ratio: Benchmark < 2.0%				
Estimated cost to bring assets to a satisfactory condition				
Total value of infrastructure, building, other structures & depreciable land improvement assets	14.0 %	13.1 %	13.2 %	11.1 %

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%				
Actual asset maintenance				
Required asset maintenance	100.0 %	100.0 %	98.6 %	108.3 %

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



NSW Local Government Infrastructure Asset Performance Indicators (OLG):

10. Cost to bring assets to agreed service level

North Sydney Council

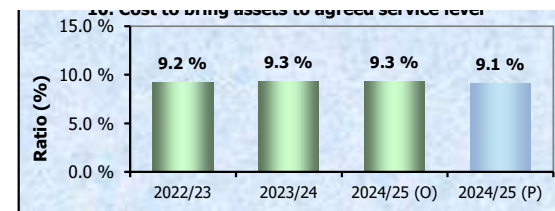
Quarterly Budget Review Statement
for the period 01/07/24 to 30/09/24

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

Budget review for the quarter ended 30 September 2024

(\$000's)	Projection Indicator 24/25	Original budget 24/25	Actuals prior periods 23/24 22/23	
10. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by council				
<hr/> Gross replacement cost	9.1 %	9.3 %	9.3 %	9.2 %

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 01/10/2024 to 31/12/2024

Contracts budget review statement

Budget review for the quarter ended 31 December 2024

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

Contractor	Contract detail & purpose	Contract value	Start date of contract	Duration	Budgeted (Y/N)	Notes
Civotek Pty Ltd	Quarantine Boat Depot Frontage Works	226,790	1/10/2024	9 Months	Y	
Shamrock Development International Pty Ltd	Seawall Restoration Works	2,037,223	4/11/2024	10 Months	Y	
Cato Logistics Pty Ltd	New Years Eve 2024 - Traffic Management	180,904	1/12/2024	1 Month	Y	
Civotek Pty Ltd	Bay Road Pedestrian Crossing Upgrade	253,831	6/12/2024	7 Months	Y	
Ezy Pave Pty Ltd	Primrose Park Drainage Upgrade	280,423	12/16/2024	7 Months	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.

North Sydney Council

Quarterly Budget Review Statement
for the period 01/10/24 to 31/12/24

Consultancy & legal expenses budget review statement

Consultancy & legal expenses overview

Expense	YTD expenditure (actual dollars)	Budgeted (Y/N)
Consultancies	942,214	Y
Legal Fees	1,300,901	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.