

## 10.2. May 2025 Month-End Financial Report

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<b>ATTACHMENTS</b>	Nil
<b>CSP LINK</b>	5. Our Civic Leadership 5.1 Lead North Sydney's strategic direction

### PURPOSE:

This report provides an overview of North Sydney Council's financial performance for the period ended 31 May 2025. It compares budgeted versus actual financial results and year-to-date (YTD) trends to support decision-making and financial planning.

### EXECUTIVE SUMMARY:

- This report has been developed to improve monitoring and reporting in relation to Council's financial position and performance. This report does not replace the Quarterly Budget Review for the purposes of voting on budget variations.
- This report provides financial information as of 31 May 2025. Timing of creditor invoices received, and operational projects should be acknowledged in reviewing this report.
- The financial performance for May 2025 for North Sydney Council remained within budget parameters.
- Efforts have and will continue to be made towards cost control and reduction to support improved liquidity forecasts, with further savings expected in employee costs and contractor costs as we move through the year.
- As we move towards the end of the financial year, we expect additional income to be realised, and further reductions in materials and contracts expenditure are expected. We estimate that this could see our operating deficit before capital grants and contributions (including domestic waste) move into surplus position within the 2024/25 financial statements. However, reconciliations are required at year-end to confirm this.
- It should be noted that as of 31 May 2025, 95.88% of budgeted revenue has been accounted for, and 87.85% of expenditure has been accounted for. This is due to the levying of rating revenue early in the fiscal year. The year-to-date operating results are reflective of this and do not represent the forecast year-end results.
- This report provides a detailed analysis of budget vs. actual figures, YTD performance:
  - Total Income from Continuing Operations: \$147.3m (Total Budget: \$153.6m)
  - Total Expenses from Continuing Operations: \$126.3m (Total Budget: \$143.8m)
  - Operating Result from Continuing Operations: \$21m (Budget: \$9.9m)
  - Net Operating results before capital grants and contributions: \$9.8m (Budget: \$-2m)

**RECOMMENDATION:**

- 1. THAT** Council note the May 2025 End of Month financial results.

## Background

North Sydney Council monitors its financial performance regularly to ensure transparency, accountability, and effective resource allocation. The financial report aims to provide insight into the financial YTD results of Council, comparing actual results against budgeted figures, identifying key variances, and outlining trends that may impact future financial decisions.

Timing differences in relation to creditor invoices, accruals, and operational projects may impact some budget/actual comparisons, with actuals likely to be higher than reported due to timing differences. These timing differences are reconciled quarterly and at year-end.

Throughout the 2024-2025 financial year, considerable efforts have been made towards cost control and savings measures, along with opportunities to improve other revenue levels. These actions have been critical due to concerns in relation to Council's liquidity, along with continuing risk associated with the North Sydney Olympic Pool.

Each Quarterly Budget Review has detailed improvements in budget forecasts as a result of these measures, combined with unexpected one-off incomes.

While this is positive, it is important that these changes are considered in context. Throughout the year the forecast budget has benefited from the following material revenue transactions:

- \$2.7 million in higher than anticipated interest income due to delays in capital works, (including the North Sydney Olympic Pool), resulting in higher reserve balances than anticipated;
- \$1.13 million in legal costs recovery;
- \$1.43 million in compulsory acquisition revenue; and
- \$1.05 million in additional operational grants.

The delay in relation the North Sydney Olympic Pool has reduced forecast income by \$2 million, and reduced forecast expenditure by \$3.5 million, providing a net benefit of \$1.5 million.

As we move towards the end of the financial year, we expect additional income to be realised, and further reductions in materials and contracts expenditure are expected, which we estimate could see our operating deficit before capital grants and contributions (including domestic waste) move into surplus position within the 2024/25 financial statements. However, reconciliations are required at year-end to confirm this.

Benefits of the realignment project in 2023/24 will be realised in year-end results. Estimated savings of \$0.362 million are expected to be made due to strategy development and improvement work being undertaken in-house, resulting in savings in materials and contracts. In addition, the additional resource within Environment and Building Compliance has supported improved process and, in addition to improved productivity, has resulted in additional income of \$0.32 million.

Other materials and contracts savings due to reduced spending and cost savings are expected in advertising, transactional charges, consultancies, election expenses, postage, sustainability programs, media and publicity, computer software, maintenance of footpaths, streetscapes, drainage, local roads, passive recreation, and playgrounds.

## Report

The budget was reviewed during the March Quarterly Review and updated to reflect potential savings. The figures presented below refer to the revised budget adopted in the March Quarterly Budget Review.

The Income Statement for YTD results as of 31 May 2025 highlights slight fluctuations in several income and expense categories within the allowed range.

Total expenses are 3.81% lower than the forecast budget. The expectation is that this will reduce further over the coming month due to the timing of expenditure.

Income from Continuing Operations	May 2024/25 YTD Actual (\$'000)	2024/25 Budget (\$'000)	Variance (YTD Actuals vs Annual Budget) ('000)	% YTD Actual/Total Budget
Rates	\$62,200	\$62,080	\$120	100.19%
Annual Charges	\$18,248	\$18,247	\$1	100.01%
User charges and fees	\$28,945	\$31,180	(\$2,234)	92.83%
Other revenue	\$11,377	\$11,807	(\$430)	96.36%
Interest and Investment revenue	\$5,071	\$5,365	(\$293)	94.53%
Other income	\$6,612	\$7,355	(\$743)	89.89%
Grants and Contributions - Operating	\$3,679	\$5,718	(\$2,039)	64.34%
Grants and Contributions - Capital	\$11,162	\$11,874	(\$712)	94.01%
<b>Total Income from Continuing Operations</b>	<b>\$147,295</b>	<b>\$153,627</b>	<b>(\$6,330)</b>	<b>95.88%</b>
Employee benefits and on-costs	(\$44,551)	(\$48,865)	\$4,314	91.17%
Materials and services	(\$48,364)	(\$56,671)	\$8,307	85.34%
Borrowing costs	(\$2,143)	(\$2,410)	\$267	88.93%
Depreciation and amortisation	(\$25,919)	(\$29,795)	\$3,876	86.99%
Other Expenses	(\$4,749)	(\$4,967)	\$218	95.61%
Net Loss (Gain) from disposal of assets	(\$568)	(\$1,050)	\$482	54.08%
<b>Total Expenses from Continuing Operations</b>	<b>(\$126,294)</b>	<b>(\$143,758)</b>	<b>\$17,464</b>	<b>87.85%</b>
<b>Operating Result from Continuing Operations</b>	<b>\$21,000</b>	<b>\$9,869</b>	<b>\$11,133</b>	
<b>Net Operating results before capital grants and contributions</b>	<b>\$9,838</b>	<b>(\$2,005)</b>	<b>\$11,845</b>	

## Budget vs. Actual Comparison (May 2025 - Income Statement)

31 May 2025, it is 91.7% through the financial year. The following commentary provides insights into current actual income and expenditure as we move through the financial year.

## Rates and Annual Charges – \$100.2% of budgeted income has been accounted for as at 31 May 2025

The immaterial variances are due to supplementary rates processing and other adjustments to property values.

### **User Charges and Fees – 92.83% of budgeted income has been accounted for as at 31 May 2025**

On a straight-line basis, income is currently tracking slightly over the forecast budget by \$0.364 million and is expected to reach \$0.45 million by end of financial year.

Off-street car parking revenue continues to decline and is expected to result in a reduction in total income as compared to 2023/24. Recent improvements in on-street car parking activity will see an improvement on forecast at year end, however this revenue source is also expected to result in a reduction on 2023/24 actuals.

Improvements in process and management within North Sydney Oval, Environment and Building Compliance, third party events, and car-share parking have all resulted in improved income levels.

Increased development activity over recent months has resulted in expected improvement to hoarding income, despite forecasts previously being reduced. This is an example of a revenue source that is dependent upon external activity and can be difficult to forecast.

### **Other Revenues – 96.36% of budgeted income has been accounted for as at 31 May 2025**

The increase in Other Revenues is primarily due to higher-than-expected revenue received from parking fines. Infringement revenue can be lumpy by nature from month to month, however based upon recent months' activity, a positive budget variance of between \$0.250 - \$0.350 million may be achieved by 30 June 2025.

### **Grants and Contributions provided for Operating purposes – 64.34% of budgeted income has been accounted for as at 31 May 2025**

This is in line with the previous report. The major reason for the variance is the timing of the Financial Assistance Grants receipt which is expected to be received by the end of June 2025.

### **Grants and Contributions provided for Capital purposes – 94.01% of budgeted income has been accounted for as at 31 May 2025**

This line includes Developer Contributions and Specific Purpose Capital Grants.

<b>Income from Continuing Operations</b>	<b>May 2024/25 YTD Actual (\$'000)</b>	<b>2024/25 Budget (\$'000)</b>
Contributions (Capital)	8,476	5,130
Specific Purpose Grants (Capital)	2,687	6,744
<b>TOTAL</b>	<b>11,162</b>	<b>11,874</b>

### Developer contributions

The actual amount received by the end of May is \$8.476 million. Despite the additions made to the developer contributions budget in the March quarterly budgetary review, higher than forecast contributions have been received in the past month. The timing for receipt of developer contributions is dependent on development activity, payment timing, and external economic factors influencing developer commitments.

Fluctuations in annual contributions are immaterial to Council's financial position as these contributions are restricted in reserve for use on projects determined through development contribution plans. They cannot be used for general operations.

### Specific Purpose Capital Grants

The recognition of Specific Purpose Capital Grants is dependent on the achievement of performance obligations.

The following grants are budgeted, and income will be recognised when milestones are achieved.

Grants received or expected include:

- Department of Planning and Infrastructure – Quarantine Depot works: \$0.571 m;
- Office of Sport – North Sydney Olympic Pool project: \$1.4 m was received in May 2025, however, it will not be recognised as income until practical completion, in accordance with the grant conditions.

Transport for NSW grants:

- Military Road Corridor Public Domain / B-Line / Young Street Closure: \$0.752 million;
- Bike Facilities, Young Street: \$0.204 m;
- Pedestrian Crossing, Fitzroy Street: \$0.332 m;
- Pedestrian Crossing, Roslyn Street: \$0.287m; and
- Other capital grants: \$412k.

### **Interest Income – 94.53% of budgeted income has been accounted for as at 31 May 2025**

The interest and investment income budget was increased by \$1.2 million in the March quarterly budget review. The slightly higher than forecast income as at the end of May 2025 reflects greater cash availability, primarily due to delays in capital works expenditure.

It should be noted that interest income attributable to external restrictions such as developer contributions must be used for that purpose, and not for general operations.

### **Other income – 89.89% of budgeted income has been accounted for as at 31 May 2025**

Other income includes rental income, lease income, and miscellaneous income.

The income was adjusted in the last quarterly review to reflect the \$785,156.96 received from Transport for NSW for the compulsory acquisition of land interest at Alfred Street Milsons Point, as part of the Sydney Harbour Bridge Cycleway Project. This income has been transferred to reserve and is not available for operational purposes.

Rental income is tracking slightly lower than budgeted due to a lower-than-expected occupancy rate.

**Employee Costs – 91.17% of budgeted expenditures has been accounted for as at 31 May 2025**

On a straight-line basis, income is currently tracking within the budget

Council revised the employee costs budget in the last quarterly review due to various reasons, including vacant positions, savings in workers' compensation costs, North Sydney Olympic Pool wages and salaries, savings due to leave liability balances, and the transfer of some costs to materials and services budget lines.

Following the adjustment, employee costs are currently tracking within budget.

Similar to the prior month, Council continues to implement cost control and savings measures to support short-term liquidity improvements. This includes holding higher than usual vacancy rates within the staff establishment throughout the period, along with continued efforts to reduce leave liabilities.

**Material and Services Costs – 85.34% of budgeted expenditures has been accounted for as at 31 May 2025**

The actual costs for Materials and Services are tracking within budget, with slightly lower-than-expected expenditure. Part of this variance is attributable to the timing of creditor invoice receipts and seasonal work, which is expected to reduce the variance by year-end.

Council continues to implement cost control and savings measures to support short-term liquidity improvements, which we anticipate will result in savings within materials and contracts by end of financial year and is likely to contribute to the reduction of forecast operational deficit.

A reconciliation of savings across all service units will be undertaken at year-end, with further savings expected. Some savings may be realised on an ongoing basis due to organisational improvement initiatives and a shift away from consultancy-led improvement towards an in-house function.

Others have been generated with the primary aim of reducing expenditure, such as reduced maintenance expenditure, reduced expenditure on sustainability programs, reduced expenditure on staff training and engagement activities, or postponing projects such as improved software, each of which will have a corresponding impact on service delivery.

Legal expenditure is currently tracking lower than budget due to timing of North Sydney Olympic Pool legal proceedings.

**Borrowing Costs – 88.93% of budgeted expenditures has been accounted for as at 31 May 2025**

Borrowing costs are in line with the payment schedule.

**Depreciation – 86.99% of budgeted expenditures has been accounted for as at 31 May 2025**

Depreciation remains within budget. The budgeted impairment of work-in-progress transactions is expected to be finalised in June 2025.

**Other expenses - 95.61% of budgeted expenditures has been accounted for as at 31 May 2025**

Although the year-to-date budgeted expenditure percentage is above 91.67%, total annual costs remain within budget. The higher-than-expected expenses are primarily due to the timing of the fourth instalment payment to Revenue NSW for the Emergency Services Levy, totalling \$611,339.75

**Loss/Gain on Disposal of Assets is - 54.08%, representing a favourable variance compared to the budgeted loss as at 31 May 2025.**

The capitalisation and partial disposal of the impacted assets is normally carried out in June and early July, with the remaining balance to be finalised by year-end.

**Capital expenses**

Council's current capital budget is \$49.827 m. Year-to-date (YTD), \$35.591 m has been spent on capital projects, leaving \$14.236 m in the remaining capital budget. The variance is primarily driven by:

- North Sydney Pool project – \$4.9 m remaining for FY25. \$33.854 m was carried over to FY2026 in the last quarterly review;
- Traffic and Transport – \$2.5 m remaining;
- Public Presentations – \$0.697 m remaining;
- Open Space projects – \$1.110 m remaining;
- Marine works, including seawall reconstruction – \$1.178 m remaining;
- Streetscape works, including Young Street Plaza and lighting upgrades – \$1 m remaining;
- Computer hardware – \$1.057 m remaining;
- Library collections – \$0.156 m remaining;
- Drainage program – \$0.292 m remaining.

This spending pattern aligns with Council's past practices, where the first half of the financial year is focused on planning, design, procurement, and tendering, while the second half is dedicated to construction and implementation. A larger volume of works is typically finalised



by year-end, resulting in increased spending during the last months, with some carry-over in next financial year expected due to timing.

### Cash and Investment Balances and Restricted reserves

As of the end of May 2025, Council held \$143,107,423 in cash and investments. Most of this balance (\$79,442,909) is held in externally restricted reserves, while the remaining \$63,664,514 is allocated to internal and unrestricted reserves.

According to the previously approved budget, the internally restricted reserves will be allocated to the North Sydney Olympic Pool project once the initially designated funds for the project are fully utilised.

Details of the cash restrictions are presented in the table below.

External Restrictions and Internal Allocations	May-25
<b>External restrictions</b>	
Developer contributions – general	\$51,675,884
Domestic waste management	\$15,192,504
Unexpended Special Rates	\$1,314,949
Unspent borrowings - North Sydney Olympic Pool redevelopment	\$4,996,498
Specific purpose grants	3,972,613
Other specific purpose contributions	\$2,290,460
<b>Total external restrictions</b>	<b>\$79,442,909</b>
<b>Internal allocations</b>	
Capital Works Reserve	\$6,514,587
Community Housing - Capital Purchases	\$1,010,101
Community Housing - Major Maintenance	\$490,657
Deposits, retentions, and bonds	\$14,893,810
Employees leave entitlement	\$7,127,000
Income Producing Projects	\$547,982
I.T. hardware and software	\$1,148,541
Olympic Pool Redevelopment	\$9,717,472
Plant and vehicle replacement	\$3,610,008
Bradfield Park TfNSW Lease Resrve	\$785,157
Cammeray Park TfNSW Lease Resrve	\$650,642
<b>Total internal allocations</b>	<b>\$46,495,957</b>
<b>Total Restrictions and Allocations</b>	<b>\$125,938,866</b>
Unrestricted Cash and Investments	\$17,168,557
<b>Total Cash and Investments</b>	<b>\$143,107,423</b>

## **Continuous Improvement**

As part of Council's organisational improvement program, Council staff continue to work towards improvement in process and reporting.

## **Consultation requirements**

Community engagement is not required.

## **Financial/Resource Implications**

The YTD May 2025 financial report indicates results in line with expectations from the last quarterly budget review. With only one month remaining, the risk of an additional deficit is declining. In addition, it should be noted that Council continues to promote strict cost control measures to help maintain liquidity, which remains under pressure.

## **Legislation**

The content of this report will be used in the preparation of the end of the financial reports. 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.