

10.2. February 2025 Month-End Financial Report

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ATTACHMENTS	Nil
CSP LINK	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 28 February 2025. It compares budgeted versus actual financial results and year-to-date (YTD) trends to support decision-making and financial planning.

EXECUTIVE SUMMARY:

- A new monthly 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 28 February 2025. Timing of creditor invoices received, and operational projects should be acknowledged in reviewing this report.
- The financial performance for February 2025 for North Sydney Council remained within budget parameters.
- Continued 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.
- It should be noted that as of 28 February 2025, 83.28% of budgeted revenue has been accounted for, while 62.59% 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:
 - o Total Income from Continuing Operations: \$123.5m (Total Budget: \$148.26m)
 - o Total Expenses from Continuing Operations: \$90.2m (Total Budget: \$144.05m)
 - o Operating Result from Continuing Operations: \$33.3m (Budget: \$4.2m)
 - o Net Operating results before capital grants and contributions: \$29.27m (Budget: \$-5.47m)

RECOMMENDATION:

1. **THAT** Council note the February 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.

Report

The Income Statement for YTD results as of 28th February 2025 highlights slight fluctuations in several income and expense categories within the allowed range.

Total expenses are 3.98% lower than the projected budget; however, some this is likely to reduce over the coming months due to the timing of expenditure.

A detailed review will be performed in the March quarterly review to assess potential savings.

The table below provides a summary of the Income Statement for the YTD results as of 28th February 2025.

Income from Continuing Operations	February 2024/25 YTD Actual (\$'000)	2024/25 Budget (\$'000)	Variance (YTD Actuals vs Annual Budget) ('000)	% YTD Actual/Total Budget
Rates	\$62,167	\$62,080	\$87	100.14%
Annual Charges	\$18,253	\$18,247	\$6	100.03%
User charges and fees	\$20,612	\$31,803	(\$11,191)	64.81%
Other revenue	\$7,863	\$10,592	(\$2,729)	74.23%
Interest and Investment revenue	\$3,588	\$4,165	(\$576)	86.17%
Other income	\$3,841	\$5,887	(\$2,046)	65.24%
Grants and Contributions - Operating	\$3,111	\$5,802	(\$2,691)	53.62%
Grants and Contributions - Capital	\$4,041	\$9,683	(\$5,642)	41.73%
Total Income from Continuing Operations	\$123,476	\$148,260	(\$24,782)	83.28%
Employee benefits and on-costs	(\$32,420)	(\$53,337)	\$20,917	60.78%
Materials and services	(\$34,705)	(\$54,320)	\$19,615	63.89%
Borrowing costs	(\$1,033)	(\$2,537)	\$1,504	40.70%
Depreciation and amortisation	(\$18,897)	(\$28,795)	\$9,898	65.63%
Other Expenses	(\$3,353)	(\$4,783)	\$1,430	70.10%
Net Loss (Gain) from disposal of assets	\$244	(\$277)	\$521	-87.86%
Total Expenses from Continuing Operations	(\$90,164)	(\$144,048)	\$53,886	62.59%
Operating Result from Continuing Operations	\$33,311	\$4,212	\$29,104	
Net Operating results before capital grants and contributions	\$29,270	(\$5,471)	\$34,746	

Budget vs. Actual Comparison (February 2025 - Income Statement)

As at 28 February 2025, we are 66.57% 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 – \$93k favourable.

The immaterial variances are due to supplementary rates processing and other adjustments to property values. This additional income will be realised within the March QBR recommendations.

User Charges and Fees – 64.8% of budgeted income has been accounted for as at 28 February 2025

On a straight-line basis, income is currently tracking slightly under budget, however user charges and fees can be lumpy in nature, and as such this budget item will continue to be monitored prior to any budget adjustment being recommended.

Other Revenues - 74.23% of budgeted income has been accounted for as at 28 February 2025

The increase in Other Revenues is primarily due to a one-off settlement received from legal cases initiated by the Council. This revenue is expected to coincide with an increase in legal expenditure, and this will be adjusted as part of the next Quarterly Budget Review.

Grants and Contributions provided for Operating purposes – 53.62% of budgeted income has been accounted for as at 28 February 2025

This line item includes the Financial Assistance Grant received from the Commonwealth Government. For some years, this grant has been paid as a prepayment in the prior year. This means a significant portion of the FY2024/25 grant was received in FY2023/24. The current budget assumes this trend will continue and that the FY2025/26 grant will be released in the final quarter of the current year.

An additional \$90K was received in February for work performed by the Council related to the Emergency Services Fire Levy reform.

Grants and Contributions provided for Capital purposes – 41.73% of budgeted income has been accounted for as at 28 February 2025

This line includes Developer Contributions and Specific Purpose Capital Grants, as shown in the table on the next page.

Income from Continuing Operations	February 2024/25 YTD Actual (\$'000)	2024/25 Budget (\$'000)
Contributions (Capital)	3,587	3,000
Specific Purpose Grants (Capital)	454	6,683
TOTAL	4,041	9,683

Although YTD results show less than expected figures, the overall annual results are expected to exceed expectations and will be adjusted at the next quarterly review, with corresponding adjustments to capital expenditure or externally restricted reserve accounts.

Developer contributions

The actual amount received by end of February is \$3.587m. Developer contributions have exceeded the budgeted amount over the past eight months. These funds are restricted revenue and do not impact Council's operational budget. The budget will be adjusted during the March quarterly budget review.

Budgeting for developer contribution income is challenging for councils due to the unpredictability of development activity, payment timing, and external economic factors influencing developer commitments.

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:

- Department of Planning and Infrastructure – grant for Quarantine Depot works: \$1.1M
- Office of Sport – North Sydney Olympic Pool project (grant provided upon completion): \$1.5M

Transport NSW grants, including:

- Military Road Corridor Public Domain / B-Line / Young St Closure: \$864K
- Young Street and Grosvenor Street Intersection: \$608K
- Bike Facilities, Young Street (Grant Income): \$552K
- Pedestrian Crossing, Fitzroy St: \$332K

Interest Income – 86.17% of budgeted income has been accounted for as at 28 February 2025

The interest income is higher than expected, primarily due to higher-than-anticipated cash balances resulting from delays in major capital projects, including the North Sydney Olympic Pool. This additional income will be realised within the March QBR recommendations.

Other income - 65.24% of budgeted income has been accounted for as at 28 February 2025

Other income includes rental income, Rental income is broadly in line with expectations.

Employee Costs – 60.78% of budgeted income has been accounted for as at 28 February 2025

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. This is likely to generate further employee cost savings. These savings will be further analysed and reported within the March QBR.

Some employee cost savings are a result of skills shortages, and corresponding expenditure will be occurred in contract expenditure where agency staff have been required.

In reporting employee cost savings, it is important to note that holding vacancies does impact organisational performance.

Material and Services Costs - 63.89% of budgeted income has been accounted for as at 28 February 2025

The actual costs for Materials and Services are tracking within budget, with slightly lower-than-expected costs (2.68%). Part of this variance is attributable to the timing of creditor invoice receipts and seasonal work which will result in reduced variance as we move through the year. A detailed cost review and potential savings analysis will be reflected in the March Quarterly Budget Review

Borrowing Costs – 40.7% of budgeted income has been accounted for as at 28 February 2025

Borrowing costs are in line with the payment schedule.

Depreciation - 65.63% of budgeted income has been accounted for as at 28 February 2025

Depreciation remains within budget.

Loss/Gain on Disposal of assets -87.86 of budgeted income has been accounted for as at 28 February 2025

Favourable adjustments in losses from the disposal of plant and equipment are primarily due to the delayed renewal of assets as part of the Council's liquidity improvement measures. Additionally, the timing of the capitalisation of infrastructure projects may result on the partial disposal of the renewed assets. Savings analysis will be reflected in the March Quarterly Budget Review.

Capital expenses

Council’s current capital budget is \$86.997m. Year-to-date (YTD), \$25.9m has been spent on capital projects, leaving \$61m in the remaining capital budget. The underspending is primarily driven by:

- North Sydney Pool project – \$42.9m remaining.
- Open Space projects – \$3.8m remaining.
- Marine works, including seawall reconstruction – \$1.609m remaining;
- Streetscape works, including Young street plaza and Lightning upgrade – \$1.6m 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 detailed review of capital projects is conducted quarterly, with necessary budget adjustments made accordingly.

Cash and Investment Balances and Restricted reserves

As of the end of February 2025, Council held \$145,085,649 in cash and investments. Most of this balance (\$74,270,445) is held in externally restricted reserves, while the remaining \$70,815,204 is allocated to internal and unrestricted reserves.

According to the last 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	Actual YTD Feb 2025
External restrictions	
Developer contributions – general	42,769,202
Domestic waste management	16,668,296
Unexpended Special Rates	1,730,375
Unspent borrowings - North Sydney Olympic Pool redevelopment	7,907,889
Specific purpose grants	3,104,534
Other specific purpose contributions	2,090,149
Total external restrictions	74,270,445
Internal allocations	
Capital works	7,384,579
Community housing - capital purchases	1,010,101
Community housing - major maintenance	490,657
Deposits, retentions, and bonds	14,823,001
Employees leave entitlement	7,127,000
I.T. hardware and software	984,358
Income producing projects	544,448
Olympic Pool Redevelopment	9,717,472
Plant and vehicle replacement	3,091,302
Total internal allocations	45,172,918
Total Restrictions and Allocations	119,443,363
Unrestricted Cash and Investments	25,642,286
Total Cash and Investments	145,085,649

Continuous Improvement

As part of Council's organisational improvement program, Council staff continue to work towards improvement in process and reporting, with further improvements allowing service unit reporting expected to be realised in the fourth quarter of this financial year.

Consultation requirements

Community engagement is not required.

Financial/Resource Implications

The YTD February 2025 financial report indicates an opportunity to improve forecast budget results, with efforts to control and reduce costs continuing. A detailed review will be conducted in the March 2025 Quarterly Budgetary Review to identify savings to be realised through this process.

Legislation

The content of this report will be used in the preparation of the next quarterly budgetary review. 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.